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Financial Institutions Canada

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Office of the Chief Actuary

Bureau de l'actuaire en chef

Actuarial Report

2024

Employment Insurance Premium Rate

Office of the Chief Actuary

Office of the Superintendent of Financial Institutions Canada
12th Floor, Kent Square Building
255 Albert Street
Ottawa, Ontario
K1A 0H2

E-mail: oca-bac@osfi-bsif.gc.ca

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Commissioners of the Canada Employment Insurance Commission

Dear Commissioners,

Pursuant to section 66.3 of the *Employment Insurance Act*, I am pleased to submit the 2024 report, which provides actuarial forecasts and estimates for the purposes of sections 4, 66 and 69 of the *Employment Insurance Act*.

The estimates presented in this report are based on the Employment Insurance provisions and proposed program changes as of 22 July 2023.

Yours sincerely,

A handwritten signature in black ink that reads "Mathieu Dézy". The signature is written in a cursive style with a large initial 'M' and a stylized 'D'.

Mathieu Dézy, FCIA, FSA, CFA
Senior Actuary, Employment Insurance Premium Rate-Setting
Office of the Chief Actuary
Office of the Superintendent of Financial Institutions Canada

Table of Contents

	Page
1 Executive Summary	7
1.1 Main Findings	7
1.2 Purpose of the Report	8
1.3 Scope of the Report	9
1.4 Sensitivity of the 7-Year Forecast Break-Even Rate	9
1.5 Conclusion	10
2 Recent Program Changes and Announcements	11
3 Methodology	12
4 Assumptions	14
4.1 Earnings Base	14
4.2 Expenditures	18
5 Results	21
5.1 Overview	21
5.2 Earnings Base	21
5.3 Expenditures	22
5.4 Premium Reductions and Rebate	23
5.5 7-Year Forecast Break-Even Rate	24
5.6 Québec Parental Insurance Plan (QPIP) Reduction for 2024	25
5.7 Qualified Wage-Loss Plan Reductions for 2024	26
6 Uncertainty of Results	28
6.1 Individual Tests	28
6.2 Combined Tests	29
6.3 Scenarios	29
7 Reconciliation of Changes in the 7-Year Forecast Break-Even Rate	32
8 Conclusion	33
9 Actuarial Opinion	34
Appendix A Summary of EI Legislation	35
Appendix B Premium Calculation Methodology	40
Appendix C Maximum Insurable Earnings (MIE)	46
Appendix D Data, Methodology and Assumptions	48
Appendix E Reduction in Employer Premiums Due to Qualified Wage-Loss Plans	82
Appendix F Acknowledgements	89

List of Tables

	Page
Table 1	Summary of the EI Operating Account..... 8
Table 2	Assumptions for Earnings Base 14
Table 3	Assumptions for Expenditures 18
Table 4	Earnings Base and Number of Earners 22
Table 5	Expenditures..... 22
Table 6	Part I Expenditures 23
Table 7	Premium Reductions and Rebate 24
Table 8	Calculation of the 7-Year Forecast Break-Even Rate 25
Table 9	Projection of the EI Operating Account using the 7-year forecast break-even rate 25
Table 10	MP Expenditures..... 26
Table 11	Calculation of the QPIP Reduction 26
Table 12	Reduction in Employer Premiums Due to Qualified Wage-Loss Plans 27
Table 13	Sensitivity of the 7-Year Forecast Break-Even Rate to the Unemployment Rate (UR). 28
Table 14	Sensitivity of the 7-Year Forecast Break-Even Rate to the Reciprocity Rate (RR) 28
Table 15	Sensitivity of the EIOA Balance to the 7-Year Forecast Break-Even Rate 29
Table 16	Sensitivity of the 7-Year Forecast Break-Even Rate to the Unemployment Rate (UR) and the Reciprocity Rate (RR) 29
Table 17	Assumptions for Base Scenario 30
Table 18	Alternate Assumptions for the Moderate Shock Scenario 30
Table 19	Impact of the Moderate Shock Scenario on the 7-Year Forecast Break-Even Rate 30
Table 20	Alternate Assumptions for the High Shock Scenario 31
Table 21	Impact of the High Shock Scenario on the 7-Year Forecast Break-Even Rate 31
Table 22	Reconciliation of Changes in the 7-Year Forecast Break-Even Rate 32
Table 23	Maximum Insurable Earnings 47
Table 24	Prescribed Information Provided by the Minister of ESD..... 49
Table 25	Prescribed Information Provided by the Minister of Finance 52
Table 26	Historical Comparison of the Number of Employees and Number of Earners..... 53
Table 27	Projected Number of Earners..... 53
Table 28	Historical Distribution of Earners by Level of Average Employment Income 54
Table 29	Number of Earners Below and Above the MIE..... 54
Table 30	Projected Total Employment Income 55
Table 31	Historical Distribution of Employment Income as a % of Average Employment Income 55
Table 32	Distribution of Employment Income for Earners Below and Above the MIE 56
Table 33	Derived Insurable Earnings from Assessed Premiums 57
Table 34	Projected Total Insurable Earnings..... 58
Table 35	Split of Insurable Earnings Between Québec and Out-of-Québec, Based on Province of Employment (T4 data)..... 59
Table 36	Historical Adjustment Payments Between the Government of Canada and the Government of Québec to Reflect Province of Residence 60

Table 37	Adjustment to Insurable Earnings Split to Reflect Province of Residence.....	61
Table 38	Split of Salaried Insurable Earnings Based on Province of Residence	62
Table 39	Calculation of the Adjusted Premium Refunds.....	64
Table 40	Total Insurable Earnings Subject to a Subsequent Premium Refund	64
Table 41	Projected Self-Employed EI Participants	66
Table 42	Projected Covered Earnings for Self-Employed EI Participants.....	67
Table 43	Percentage of Benefit Weeks for Claimants with IE above the MIE.....	68
Table 44	Average Weekly Benefits Growth Factors.....	69
Table 45	Historical Number of Potential Claimants	70
Table 46	Projected Number of Potential Claimants.....	71
Table 47	Historical Reciprocity Rate	72
Table 48	Number of Weeks	73
Table 49	Regular Benefits	74
Table 50	Fishing Benefits	75
Table 51	Work-Sharing Benefits.....	76
Table 52	Special Benefits	77
Table 53	EI Benefit Repayments	78
Table 54	Employment Benefits and Support Measures.....	78
Table 55	Administration Costs	79
Table 56	Variable Administrative Costs.....	79
Table 57	Bad Debt Expense.....	80
Table 58	Penalties	80
Table 59	Interest on Overdue Accounts Receivable	81
Table 60	First Payer Cost Ratio for Calculating 2024 Rates of Reduction	86
Table 61	Job-Attached EI Sickness Benefits per Category of Wage-Loss Plan	87
Table 62	Allocation of Insurable Earnings for Employers With a Qualified Wage-Loss Plan.....	87
Table 63	Experience Cost Ratio per Category	87
Table 64	2024 Rates of Reduction	88
Table 65	2024 Estimated Amount of Premium Reduction.....	88

1 Executive Summary

1.1 Main Findings

2024 Employment Insurance Premium Rate Actuarial Report		
	2024	2023
Maximum Insurable Earnings (MIE)	\$63,200	\$61,500
7-year Forecast Break-Even Rate ¹	1.66%	1.74%
Québec Parental Insurance Plan (QPIP) Reduction	0.34%	0.36%
Qualified Wage-Loss Plans: EI savings	\$1,290 million	\$1,322 million ²
Qualified Wage-Loss Plans: Employer Premium Reductions	Category 1: 0.23% Category 2: 0.37% Category 3: 0.37% Category 4: 0.41%	Category 1: 0.25% Category 2: 0.39% Category 3: 0.39% Category 4: 0.42%

The Employment Insurance (EI) premium rate for 2023 was increased by 0.05% to 1.63% (from 1.58% in 2022), which is the maximum yearly increase in accordance with the EI Act.

Should the Commission set the EI premium rate for 2024 at the 7-year forecast break-even rate, it would be equal to 1.66%.

Employers pay premiums at the rate of 1.4 times those of employees, prior to any premium reduction granted to employers who sponsor a qualified wage-loss plan. The reduced employer multipliers are shown below.

Employer Multiplier: Outside Québec <i>Based on a premium rate of 1.66% in 2024 and 1.63% in 2023</i>	Category 1: 1.263 Category 2: 1.175 Category 3: 1.177 Category 4: 1.155	Category 1: 1.249 Category 2: 1.160 Category 3: 1.163 Category 4: 1.140
Employer Multiplier: Québec <i>Based on a premium rate of 1.32% in 2024 and 1.27% in 2023</i>	Category 1: 1.228 Category 2: 1.116 Category 3: 1.119 Category 4: 1.092	Category 1: 1.206 Category 2: 1.092 Category 3: 1.096 Category 4: 1.066

These estimates are based on the EI provisions as of 22 July 2023, on the information provided on or before 22 July 2023 by the Minister of Employment and Social Development and the Minister of Finance, and on the methodology and assumptions developed by the Actuary.

¹ This is the rate that would generate sufficient premium revenue during the next 7-year period to pay for the expected expenditures over that same period and to eliminate the projected deficit/surplus that has accumulated in the EI Operating Account as of 31 December of the preceding year. The methodology is explained in Section 3.

² Revised from \$1,345 million in the previous report as it is based on updated earnings data.

Accordingly, a premium rate corresponding to the 7-year forecast break-even rate (1.66%) from 2024 to 2030 would balance out the EI Operating Account at the end of 2030¹.

Table 1 below shows the status of the EI Operating Account for 2022, as well as its projected evolution for 2023 and 2024. This is based on the capped premium rate of 1.63% for 2023 and on a premium rate for 2024 equal to the 7-year forecast break-even rate (1.66%).

Calendar Year	Premium Rate	Premium Revenue	Expenditures	Annual Surplus (Deficit)	Cumulative Surplus (Deficit) 31 December
2022	1.58%	26,798	25,595	1,204	(24,661)
2023	1.63%	28,691	24,268	4,422	(20,239)
2024	1.66%	30,056	28,599	1,458	(18,781)

It is important to note that the figures related to future expenditures and earnings base included in this report are projections, and eventual differences between future experience and these projections will be analyzed and considered in subsequent reports.

1.2 Purpose of the Report

This Actuarial Report prepared by the Actuary, Employment Insurance Premium Rate-Setting, is the eleventh report to be presented to the Canada Employment Insurance Commission (Commission) in compliance with section 66.3 of the *Employment Insurance Act* (EI Act).

The Actuary is a Fellow of the Canadian Institute of Actuaries who is an employee of the Office of the Superintendent of Financial Institutions and who is engaged by the Commission to perform duties under section 66.3 of the EI Act. Pursuant to this section, the Actuary shall prepare actuarial forecasts and estimates for the purposes of calculating the maximum insurable earnings (MIE) under section 4 of the EI Act, the employment insurance (EI) premium rate under section 66 of the EI Act, and the premium reductions under section 69 of the EI Act for employers who sponsor qualified wage-loss plans, and for employees and employers of a province that has established a provincial plan. The actuary shall also, on or before 22 August of each year, provide the Commission with a report that sets out:

- the forecast premium rate for the following year and a detailed analysis in support of the forecast;
- the calculations performed for the purposes of sections 4 and 69 of the EI Act;
- the information provided under section 66.1 of the EI Act; and
- the source of the data, the actuarial and economic assumptions and the actuarial methodology used.

The purpose of this report is to provide the Commission with all the information prescribed under section 66.3 of the EI Act. The Commission shall, on or before 14 September, make available to the public this report along with the summary of this report. More information on

¹ Shown in Table 9 of the main report for information purposes.

the rate setting process along with the inherent deadlines can be found in Appendix A.

1.3 Scope of the Report

Recent program changes and announcements are summarized in Section 2.

The methodology used in determining the 7-year forecast break-even rate, including the premium rate reduction for employees and employers of a province that has established a provincial plan such as Québec, and the reduction in employer premiums due to qualified wage-loss plans, is summarized in Section 3.

Section 4 provides an overview of the key assumptions used in projecting insurable earnings and EI expenditures, while Section 5 presents the main results, including the calculation of the 2024 EI 7-year forecast break-even rate and the projection of the EI Operating Account. Sensitivity tests on the main assumptions are outlined in Section 6.

A reconciliation between the 2023 and 2024 EI 7-year forecast break-even rates is presented in Section 7.

Concluding remarks and the actuarial opinion are presented in Section 8 and Section 9, respectively. The various appendices provide supplemental information on the EI program and on the data, assumptions and methodology employed. Detailed information on the calculation of the maximum insurable earnings (MIE) is presented in Appendix C.

1.4 Sensitivity of the 7-Year Forecast Break-Even Rate

Two of the most relevant assumptions used to determine the 7-year forecast break-even rate are the unemployment rate, which is provided by the Minister of Finance, and the reciprocity rate, which is projected by the Actuary.

Section 6 presents the sensitivity tests. They can be summarized as follows:

- a variation in the average unemployment rate of 0.5% over the period 2024-2030 would result in an increase/decrease between 0.06% and 0.07% in the 2024 EI 7-year forecast break-even rate;
- a variation in the average reciprocity rate of 5% over the period 2024-2030 would result in an increase/decrease of about 0.05% in the 2024 EI 7-year forecast break-even rate; and
- a variation in the premium rate of 0.01% of insurable earnings would result in a \$1,534 million increase/decrease in the cumulative balance of the EI Operating Account at the end of the 7-year forecast period.

1.5 Conclusion

This report was prepared by the Actuary in accordance with the relevant legislation.

In accordance with the methodology detailed in the EI Act and the relevant economic data, the 2024 MIE is **\$63,200**.

Should the Commission set the 2024 premium rate at the 7-year forecast break-even rate, the 2024 premium rate would be equal to:

- **1.66%** of insurable earnings for residents of all provinces except Québec; and
- **1.32%** of insurable earnings for residents of Québec, after taking into account the QPIP reduction of **0.34%**.

A reconciliation of the 7-year forecast break-even rate, from 1.74% in the 2023 Actuarial Report to 1.66% in the current report, is shown in Section 7. The decrease between the rate of 1.74% and 1.66% is mainly attributable to a lower initial deficit as of 31 December 2023, an increase in premium contributions due to a higher number of earners and a decrease in the average weekly benefits when compared to the projections from the previous report. These factors more than offset the expected impact from an increase in the unemployment rate in 2024.

The 2024 premium reduction for employers who sponsor qualified wage-loss plans is estimated at **\$1,290 million**.

2 Recent Program Changes and Announcements

2.1 Seasonal Claimants

Budget 2023 extended the current temporary seasonal worker measure for a year until October 2024. This measure provides five additional weeks of EI regular benefits, for a maximum of 45 weeks, to eligible seasonal workers in 13 targeted EI economic regions.

2.2 Sickness Benefits

Starting on 18 December 2022, the length of sickness benefits was enhanced from 15 to 26 weeks.

2.3 Training Benefit

Employment and Social Development Canada indicated that the implementation of the new EI Training Support Benefit (part of the Canada Training Benefit) originally announced in Budget 2019 and proposed to be launched in late 2020 would be delayed. The benefit components are:

- The EI Training Support Benefit, designed to help workers cover their living expenses when they require time off work to pursue training; and
- The EI Premium Rebate for Small Businesses, designed to help offset the upward pressure on EI premiums resulting from the introduction of the new EI Training Support Benefit.

2.4 Other

Budget 2023 announced the following changes:

- Establishment of the EI Board of Appeal, originally announced in 2019, to replace the current EI appeals process under the Social Security Tribunal General Division; and
- Additional funding for the Labour Market Development Agreements (LMDA) for the fiscal year 2023-2024.

3 Methodology

In accordance with subsection 66(1) of the EI Act, the Commission shall set the premium rate each year in order to generate just enough premium revenue during the next seven years to ensure that at the end of this seven-year period, the total of the amounts credited to the EI Operating Account after 31 December 2008 is equal to the total of the amounts charged to that Account after that date. This calculated premium rate is referred to as the 7-year forecast break-even rate.

Based on relevant assumptions, the 2024 EI 7-year forecast break-even rate is the premium rate that is expected to generate sufficient premium revenue to ensure that at the end of 2030, the EI Operating Account balance is \$0. It is therefore based on:

- the projected balance of the EI Operating Account as of 31 December 2023; and
- the projection over a period of seven years of:
 - the earnings base;
 - the EI expenditures;
 - the amount of premium reductions granted to employers who sponsor a qualified wage-loss plan; and
 - the amount of premium reductions granted to employees and employers of a province that has established a provincial plan.

The projected rebate amounts for small businesses related to the new EI Training Support Benefit expected to be launched in 2024 are also considered.

The earnings base represents the total insurable earnings on which salaried employees and their employers pay EI premiums, and the earnings on which self-employed individuals that opted into the EI program pay EI premiums. Prior to an adjustment to reflect employee premium refunds, the employer portion of the earnings base is equal to 1.4 times the employee portion of the earnings base.

For purposes of determining the 7-year forecast break-even rate, the earnings base and EI expenditures are projected over a seven-year period.

The base year for the earnings base is 2021, which is the most recent year for which fully assessed T4 slips (Statement of Remuneration Paid) data are available. However, for certain assumptions, the 2022 partially assessed information is used. Complete data for 2022 will not become available until January 2024.

EI benefits are projected from actual 2022 benefits paid (base year) but adjusted based on the first six months of known data for 2023.

The earnings base and EI expenditures are projected from the base year using:

- Data and assumptions provided by the Minister of Employment and Social Development (ESD), including prescribed information as set out in section 66.1 of the EI Act (presented in Table 24, Appendix D);

- Assumptions and forecasts provided by the Minister of Finance in accordance with section 66.2 of the EI Act (presented in Table 25, Appendix D);
- Additional data provided by Service Canada, Employment and Social Development Canada (ESDC) and the Canada Revenue Agency (CRA); and
- Methodology and other assumptions developed by the Actuary.

In accordance with section 69 of the EI Act and related regulations, premium reductions are granted to employers who sponsor a qualified wage-loss plan as well as to employees residing in a province that has established a provincial plan and their employers. In addition, Budget 2019 proposed a Small Business Premium Rebate (related to the new EI Training Support Benefit and expected to be launched in 2024). The expected amounts of these premium reductions and rebate over the next seven years are included in the EI expenditures for purposes of determining the 7-year forecast break-even rate.

EI premiums paid by the employer are equal to the employer multiplier times the premiums deducted by the employer on behalf of its employees. Generally, the employer multiplier is equal to 1.4. However, pursuant to subsection 69(1) of the EI Act, the employer premiums can be reduced through a lower employer multiplier when its employees are covered under one of four types of qualified wage-loss plans which reduce EI special benefits otherwise payable. The 2024 premium reductions for those employers are determined in accordance with subsection 69(1) of the EI Act and related regulations. They are based on the methodology and assumptions developed by the Actuary.

Québec is currently the only province that has established a provincial plan through the Québec Parental Insurance Plan (QPIP) which has been providing maternity and parental benefits to Québec residents since 1 January 2006. In accordance with subsection 69(2) of the EI Act and related regulations, a mechanism to reduce EI premiums paid by Québec residents and their employers was introduced. The 2024 reduction for Québec residents and their employers is determined in accordance with legislation and based on a methodology and on assumptions developed by the Actuary. The reduction is granted through a reduced premium rate. For 2024, this reduction is referred to as the 2024 QPIP reduction.

More information on the methodology used for calculating the 7-year forecast break-even rate and the premium reductions for 2024 is provided in Appendix B.

4 Assumptions

This section provides a brief overview of the main assumptions used in projecting the variables included in the calculation of the 7-year forecast break-even rate. The section is broken down into two subsections: assumptions related to the projected earnings base and assumptions related to the projected expenditures. More detailed information and supporting data are provided in Appendix D.

4.1 Earnings Base

The earnings base is detailed in the denominator of the formula for the 7-year forecast break-even rate and the QPIP reduction developed in Appendix B. The earnings base is comprised of:

- the total insurable earnings on which employers pay EI premiums prior to any adjustment for wage-loss plans or provincial plans;
- the total insurable earnings on which employees pay EI premiums adjusted to reflect employee premium refunds; and
- the earnings on which self-employed individuals that opted into the EI program pay EI premiums.

The main assumptions used in determining the earnings base are presented in Table 2 below.

Table 2 Assumptions for Earnings Base

Assumptions	2022	2023	2024	2025	2026	2027	2028	2029	2030
Increase in Maximum Insurable Earnings	7.10%	1.99%	2.76%	3.32%	3.06%	2.82%	2.89%	2.95%	2.73%
Increase in Number of Earners	6.47%	0.67%	-0.67%	-0.08%	0.14%	0.40%	0.73%	0.74%	0.78%
Increase in Average Employment Income*	3.57%	3.32%	3.47%	3.24%	3.11%	2.96%	2.92%	2.89%	2.87%
Increase in Total Employment Income	10.27%	4.01%	2.77%	3.16%	3.25%	3.37%	3.68%	3.65%	3.67%
Increase in Total Insurable Earnings	11.75%	3.23%	2.29%	3.23%	3.22%	3.30%	3.66%	3.68%	3.59%
Net Transfer of Insurable Earnings to Québec Reflecting the Province of Residence	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%
Adjustment Due to Employee Premium Refunds (% of Total Insurable Earnings)	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%
Increase in Covered Self-Employed Earnings:									
Total	14%	14%	10%	9%	9%	8%	8%	8%	7%
Out-of-Québec Residents	15%	14%	10%	9%	9%	8%	8%	8%	8%
Québec Residents	12%	12%	8%	8%	8%	7%	7%	7%	7%

* Provided by the Minister of Finance.

4.1.1 Maximum Insurable Earnings

The MIE represents the income level up to which EI premiums are paid and up to which EI benefits are calculated and is a key element in determining the earnings base. Section 4 of the EI Act provides details on how to determine the yearly MIE. In accordance with this section, the MIE increases annually based on increases in the average weekly earnings, as reported by Statistics Canada.

The 2024 MIE is equal to \$63,200, which represents a 2.8% increase from the 2023 MIE of \$61,500. The projected MIE for years 2025 to 2030 are calculated based on estimates of the average weekly earnings provided by the Minister of Finance. Detailed explanations and calculations of the 2024 MIE are provided in Appendix C.

4.1.2 Number of Earners

The number of earners and their distribution across income ranges is used to determine the earnings base of salaried employees. The projected number of employees per year, which is based on an average of the number of employees per month, is provided by the Minister of Finance. The total number of earners for a year is higher than the number of employees provided given that the number of earners includes all individuals who had earnings at any time during the year rather than an average per month.

The preliminary number of earners for the year 2022 is set such that the resulting insurable earnings are in line with the expected assessed premiums for 2022, which are derived from the 2022 year-to-date assessed premiums and the 2022 increase in average employment income provided by the Minister of Finance. The projected number of earners from 2023 to 2030 is derived from a regression analysis based on the historical number of earners¹ and number of employees².

The number of earners is expected to increase by 6.47% in 2022 and by 0.67% in 2023. The average annual increase for the following seven years is 0.29%. The projected distribution of earners as a percentage of average employment income is based on the 2021 distribution.

4.1.3 Average and Total Employment Income

The increase in average employment income, combined with the increase in the number of earners, is used to determine the increase in total employment income. The 2021 distribution of the total employment income across income ranges is used to determine the future distribution of total employment income.

The increase in average employment income is provided by the Minister of Finance and is expected to be 3.57% and 3.32% in 2022 and 2023 respectively. The average annual increase for the following seven years is 3.07%.

Based on these increases in average employment income and the expected variations in the total number of earners, the total employment income is expected to increase by 10.27% in 2022 and by 4.01% in 2023. The variation in 2022 is mainly due to the economic recovery from the COVID-19 pandemic. The average annual increase for the following seven years is 3.36%.

¹ The number of earners is derived from the T4 data provided by CRA.

² The number of employees is based on the latest Statistics Canada Labour Force Survey.

4.1.4 Total Insurable Earnings

The total insurable earnings of salaried employees are equal to the total employment income, up to the annual MIE, earned by a person employed in insured employment. They are used to determine the earnings base for salaried employees¹.

The earnings base for salaried employees is equal to 2.4 times the total insurable earnings since employee premiums are based on their total insurable earnings and employer premiums are generally equal to 1.4 times the employee premiums, for a combined total of 2.4.

Historical information regarding total insurable earnings is derived from aggregate assessed premiums gathered from T4 slips (provided by CRA) of all salaried employees. For employees with multiple employments in the year, this information is based on the combined total EI premiums. This means that, although insurable earnings of each employment are capped at the MIE, the combined total insurable earnings can exceed the MIE. The adjustment to insurable earnings and the earnings base reflecting multiple employments is captured in the employee premium refund section below.

The expected total employment income capped at the annual MIE for 2022 to 2030 is derived from:

- the 2021 distribution of the total employment income;
- the 2021 distribution of the total number of earners as a percentage of average employment income; and
- the expected increases in these variables.

Based on this methodology, the total insurable earnings, before any adjustment for premium refunds, are expected to increase by 11.75% in 2022 and by 3.23% in 2023. The average annual increase for the following seven years is 3.28%. For 2022, the resulting insurable earnings reflect the year-to-date assessed premiums and related total expected assessed premiums for 2022. The significant increase in 2022 is mainly attributable to the economic recovery from the COVID-19 pandemic.

4.1.5 Split of Total Insurable Earnings Due to Provincial Plan

For the purposes of determining the reduction that applies to residents of a province with a provincial plan, the earnings base for salaried employees must be split between residents of provinces with and without a provincial plan. The only province that currently has a provincial plan is Québec. Therefore, the earnings base for salaried employees must be split based on the province of residence (between out-of-Québec residents and Québec residents).

The information used to derive historical insurable earnings provided by CRA is on a T4 basis and is therefore based on the province of employment. The historical distribution of insurable earnings on a T4 basis shows that the proportion of insurable earnings that relates to employment in Québec generally decreased until 2015; between 2015 and 2021, a slight increase was observed. Based on the historical pattern, it is expected that the proportion of

¹ Prior to any adjustments for employee premium refunds, see subsection 4.1.6.

insurable earnings that relates to employment in Québec will reach 22.7% in 2022, and will slightly decrease over the 7-year projection period, but will remain close to 21.5%.

The information on historical assessed premiums provided by CRA includes adjustment payments made between the Government of Canada and the Government of Québec each year to reflect the province of residence rather than the province of employment of each employee. These adjustment payments are the object of an administrative agreement between both parties and can be used as a basis to adjust the distribution of insurable earnings to reflect the province of residence.

The methodology used in adjusting the distribution of insurable earnings based on aggregated adjustment payments was validated against administrative data. The administrative data were provided by CRA and are part of the annual exchange of information between the Government of Canada and the Government of Québec.

Based on information provided by CRA, the net annual transfer of insurable earnings on a T4 basis to reflect the actual province of residence was on average 0.23% of total insurable earnings for the last three years of available data (2019 to 2021) with the transfer of insurable earnings on a T4 basis going to Québec from the rest of Canada. It is assumed to remain at 0.23% of total insurable earnings until 2030.

4.1.6 Employee Premium Refunds

In general, salaried employees contribute EI premiums on their total insurable earnings in a given tax year up to the annual MIE. However, when filing their tax returns, some employees may exceed the maximum contribution and receive a refund of all or a portion of the EI premiums paid in the year (e.g., employees with multiple employers in the same year and employees with insurable earnings below \$2,000). The insurable earnings that are subject to any subsequent premium refund must be excluded from the earnings base.

Given that the data used for projection purposes (T4 slips) include insurable earnings for which premiums may later be refunded, an adjustment must be made to reduce the earnings base. It is important to note that the employer does not receive a refund. Thus, only the employee's portion of the total earnings base is adjusted, which is reflected in the formulas presented in Appendix B.

The historical data provided by CRA show that the total insurable earnings subject to a subsequent employee refund as a percentage of total insurable earnings is relatively stable. Based on the average for the last five years of available data (2017 to 2021) this percentage is assumed to be 2.55% from 2022 to 2030.

4.1.7 Self-Employed Earnings

Since 31 January 2010, self-employed workers may voluntarily opt into the EI program to receive EI special benefits for those who are sick, pregnant or have recently given birth, or are caring for their newborn or newly adopted child(ren) and for those caring for a critically ill or injured family member (family caregiver benefit) or at end-of-life (compassionate care benefit). Although self-employed residents of Québec can access maternity and parental benefits through their provincial plan, they may voluntarily opt into the EI program to access other special benefits.

Self-employed individuals who participate in the EI program contribute premiums based on their self-employed earnings, up to the annual MIE, at the employee rate that corresponds to their province of residence, and there are no employer premium contributions. Therefore, as with the insurable earnings of salaried employees, self-employed covered earnings must be split between out-of-Québec residents and Québec residents.

The increase in self-employed earnings reflects the expected increase in the number of participants and in the average earnings of self-employed individuals.

The projected number of participants is based on historical enrolment information, adjusted to reflect expected future changes in enrolment. The increase in average earnings is assumed to be the same as the one for salaried employees.

Based on this methodology, the covered earnings of all self-employed individuals are expected to increase on average by 8% per year from 2024 to 2030.

4.2 Expenditures

EI Part I benefits are projected from actual 2022 benefits paid (base year) but adjusted based on the first six months of known data for 2023.

Table 3 presents a summary of the key expenditure assumptions used in this report, followed by a short description for each of them. A detailed description of the methodology used to project all benefits is available in Appendix D.

Assumptions	2022	2023	2024	2025	2026	2027	2028	2029	2030
Increase in Labour Force*	1.5%	2.2%	0.9%	0.5%	0.3%	0.6%	0.9%	0.9%	0.8%
Unemployment Rate*	5.3%	5.4%	6.2%	6.0%	5.7%	5.7%	5.7%	5.7%	5.7%
Increase in Average Weekly Earnings*	3.1%	3.0%	3.1%	2.9%	2.9%	2.9%	2.9%	2.8%	2.8%
Increase in Average Weekly Benefits	8.1%	3.2%	3.0%	3.1%	3.0%	2.8%	2.9%	2.9%	2.8%
Potential Claimants (as a % of Unemployed)	53.3%	54.3%	55.5%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%
Reciency Rate (as a % of Potential Claimants)	66.8%	62.8%	72.5%	72.5%	72.5%	72.5%	72.5%	72.5%	72.5%
Number of weeks	52.0	52.0	52.4	52.2	52.2	52.2	52.0	52.2	52.2
Percentage of Benefit Weeks for Claimants with Insurable Earnings above the MIE	45.1%	47.0%	47.2%	47.2%	47.2%	47.2%	47.2%	47.2%	47.2%

* Provided by the Minister of Finance.

4.2.1 Labour Force

The labour force affects most of Part I benefits directly by increasing/decreasing the number of potential claimants. The labour force population is expected to increase from 20.8 million in 2022 to 21.2 million in 2023. The average labour force population between 2024 and 2030 is 21.8 million. This assumption is provided by the Minister of Finance.

4.2.2 Unemployment Rate

The unemployment rate affects regular EI benefits directly by also increasing/decreasing the number of potential claimants. The average unemployment rate was 5.3% in 2022 and is expected to increase to 5.4% in 2023 and to 6.2% in 2024. The unemployment rate is then expected to decrease over the following years to reach an ultimate value of 5.7% in 2026. This assumption is provided by the Minister of Finance.

4.2.3 Average Weekly Earnings

The growth in average weekly earnings on a calendar year basis is used, in conjunction with the increase in the MIE, to project the average weekly benefits. The expected growth in average weekly earnings is 3.0% in 2023 and 3.1% in 2024. The average annual growth for years 2025 to 2030 is 2.9%. This assumption is provided by the Minister of Finance.

4.2.4 Average Weekly Benefits

The average weekly benefits growth affects EI expenditures directly through a corresponding increase/decrease in Part I expenditures. The average weekly benefits are equal to the benefit payments divided by the number of benefit weeks paid for Part I benefits.

The annual average weekly benefits growth rates are forecasted at 3.2% for 2023 and 3.0% for 2024. The average annual increase for years 2025 to 2030 is 2.9%. The growth rates are generally the same for all benefit types but the regular benefit was impacted differently by the COVID-19 pandemic recovery between years 2022 and 2023. As such, the assumed average weekly benefit growth for the regular benefit for the year 2023 was increased by an additional 3.8%, for a total of 7.0%.

4.2.5 Potential Claimants

The EI Program is designed to provide temporary income support to eligible insured persons who have lost their jobs through no fault of their own, such as due to a shortage of work, or as a result of seasonal or mass lay-offs and are available for work. The potential claimants represent the number of individuals or the percentage of unemployed individuals that meet the basic coverage criteria of the EI program. The number of potential claimants as a percentage of unemployed decreased from 65.3% in 2021 to 53.3% in 2022. Based on the experience of the first six months of 2023, it is expected to increase to 54.3% in 2023. Afterwards, it is expected to continue to increase up to 57.0% by 2025. The increase of the ultimate assumption from 55.0% in the previous report to 57.0% in the current report is mainly due to a revision of the data from Statistics Canada. Appendix D presents additional information on the potential claimants' calculation.

4.2.6 Reciprocity Rate

The reciprocity rate represents the proportion of potential claimants in a given period who are receiving EI regular benefits. It is directly linked to the target population of the EI program (i.e., potential claimants) and does not consider individuals outside the target population of the EI program, such as the long-term unemployed and those who did not contribute to the program in the previous year. The reciprocity rate is normally lower than 100% for multiple reasons, including that some potential claimants have not accumulated the required number of insurable hours, while other potential claimants do not apply for benefits, are serving the one-week waiting period, or have exhausted the number of weeks they were entitled to receive and remain unemployed.

The reciprocity rate without emergency or temporary measures was estimated to be 91.2% in 2021 and 66.8% in 2022. People having benefited from measures are not considered in the reciprocity rate since they were accounted for separately as recipients of these measures. Based on the experience of the first six months of 2023, the reciprocity rate is assumed to decrease to 62.8% for the whole year 2023. From 2024 onwards, the reciprocity rate is set at 72.5%. The reduction of the ultimate assumption from 75.0% in the previous report to 72.5% in the current report is mainly due to a revision of the data from Statistics Canada.

4.2.7 Number of Weeks

EI expenditures are reported in the EI Operating Account on an accrual basis, that is, they are recorded in the period for which they should have been paid, regardless of the delay in processing the payment. Furthermore, EI benefits are paid on a weekly basis, but only weekdays that belong to a particular period are reported in that period.

The number of weeks affects Part I expenditures as benefits are payable for every weekday of the year, regardless of holidays. The number of workdays in a year ranges from 260 days to 262 days. Therefore, an adjustment is included to reflect the number of days benefits are paid in any year. The number of weeks for years 2022 to 2030 ranges between 52.0 and 52.4.

4.2.8 Percentage of Benefit Weeks for Claimants with Earnings above MIE

From analyses of administrative data provided by ESDC, 45.1% of benefit weeks for claims that accrued in 2022 were based on insurable earnings above the MIE compared to 37.9% in 2021. Based on partial data for 2023, the proportion of benefit weeks for claimants with insurable earnings above the MIE is assumed to increase to 47.0% in 2023. It is expected to further increase in 2024 up to 47.2% (observed average between 2017 and 2019) and to remain constant thereafter. The lower percentage of claims above the MIE for 2021 and 2022 is mostly due to the COVID-19 pandemic that caused greater unemployment for lower income Canadians.

4.2.9 Other Expenditures

Additional information used to project expenditures such as pilot projects and temporary measures, the cost of new program changes, administration costs and employment benefits and support measures (EI Part II benefits) are provided by ESDC.

5 Results

5.1 Overview

This report provides actuarial forecasts and estimates for the purposes of sections 4, 66 and 69 of the EI Act. It has been prepared based on EI provisions as of 22 July 2023, on the information provided by the Ministers of ESD and Finance, and on the methodology and non-prescribed assumptions developed by the Actuary.

The key findings are as follows:

- The 2024 MIE is equal to \$63,200, an increase of 2.8% from the 2023 MIE of \$61,500.
- The 2024 EI 7-year forecast break-even rate is 1.66% of insurable earnings for residents of all provinces except Québec. The 2023 EI 7-year forecast break-even rate was 1.74% in the previous actuarial report. The decrease between the rate of 1.74% and 1.66% is mainly attributable to a lower initial deficit as at 31 December 2023, an increase in the contributions due to a higher number of earners and a decrease in the average weekly benefits when compared to the projections from the previous report. These factors more than offset the expected impact from an increase in the unemployment rate in 2024.
- The 2024 premium reduction for residents of Québec due to its provincial plan is 0.34%.
- The 2024 premium reduction for employers who sponsor qualified wage-loss plans is estimated at \$1,290 million. This translates in premium reductions for employers who sponsor a qualified wage-loss plan corresponding to about 0.23%, 0.37%, 0.37% and 0.41% of insurable earnings for categories 1 through 4 respectively¹.
- The total earnings base is expected to grow each year from \$1,875 billion in 2022 to \$2,426 billion in 2030.
- Total expenditures are expected to decrease from \$26 billion in 2022 to \$24 billion in 2023 before increasing to \$29 billion in 2024 and to \$33 billion in 2030.
- The EI Operating Account shows a cumulative deficit of \$24.7 billion as of 31 December 2022. The projected cumulative deficit as of 31 December 2023 is \$20.2 billion.

5.2 Earnings Base

EI premiums, prior to any adjustment for wage-loss plans, are determined by the product of the premium rate and the earnings base. The national earnings base is required to determine the 7-year forecast break-even rate while the earnings base of provinces not offering a provincial plan is required to determine the reduction due to those plans. Since Québec is the only province offering a provincial plan, the earnings base is split between Québec and out-of-Québec residents.

Based on the methodology and assumptions presented in Section 4, Table 4 shows the earnings base for Québec and out-of-Québec residents as well as the total number of earners.

¹ The corresponding unrounded premium reductions are presented in Table 12.

Table 4 Earnings Base and Number of Earners

Calendar Year	Earnings Base (\$ million)			Number of Earners (thousands)
	Out-of-Québec	Québec	Total	
2021	1,291,411	383,883	1,675,295	20,066
2022	1,445,229	429,454	1,874,683	21,364
2023	1,502,644	432,705	1,935,349	21,507
2024	1,541,117	438,680	1,979,798	21,363
2025	1,594,829	448,978	2,043,807	21,345
2026	1,649,838	459,865	2,109,703	21,374
2027	1,707,541	471,765	2,179,306	21,460
2028	1,772,528	486,545	2,259,073	21,618
2029	1,839,959	502,365	2,342,323	21,778
2030	1,907,988	518,464	2,426,453	21,947

These results are used in the calculation of the 2024 EI 7-year forecast break-even rate and the 2024 QPIP reduction. A detailed explanation of the methodology and assumptions used to derive the results is available in Appendix D.

5.3 Expenditures

This section examines the expenditures side of the 7-year forecast break-even rate. EI expenditures include Part I (income benefits), Part II (Employment Benefits and Support Measures), administration costs, benefit repayments and bad debts. EI benefits may also include temporary spending initiatives, such as pilot projects and special measures announced by the Government of Canada. A detailed explanation of the methodology and assumptions used to derive the results is available in Appendix D.

For the purposes of the 7-year forecast break-even rate calculation, penalties and interest on overdue accounts receivable are included on the expenditures side of the equation.

Table 5 shows the breakdown of the 2022 EI expenditures, as well as a projection up to 2030.

**Table 5 Expenditures
(\$ million)**

Calendar Year	Part I*	Part II	Admin Costs	Benefit Repayments	Bad Debt	Penalties	Interest	Total
2022	20,818	2,488	2,691	(406)	47	(20)	(24)	25,595
2023	19,446	2,425	2,681	(255)	70	(62)	(36)	24,268
2024	24,362	2,208	2,499	(431)	82	(78)	(43)	28,599
2025	25,228	2,101	2,092	(437)	87	(81)	(36)	28,955
2026	25,405	2,101	1,969	(434)	89	(81)	(35)	29,015
2027	26,106	2,101	1,953	(444)	91	(84)	(36)	29,688
2028	27,011	2,101	1,949	(460)	94	(86)	(37)	30,573
2029	28,217	2,101	1,949	(482)	98	(90)	(38)	31,755
2030	29,220	2,101	1,949	(499)	102	(94)	(40)	32,740

* Includes temporary measures between 2020 and 2023 aimed at reducing the impact of the COVID-19 pandemic.

Table 6 shows the breakdown of Part I EI expenditures.

**Table 6 Part I Expenditures
(\$ million)**

Calendar Year	Regular	Fishing	Work-Sharing	Training Benefit*	MP	Special Benefits			Sub-Total	Total
						Sickness	Compassionate	Family Caregiver Benefit		
2022	13,223	378	38	-	4,996	2,017	53	113	7,179	20,818
2023	11,255	388	23	-	5,003	2,581	54	143	7,780	19,446
2024	15,492	402	19	22	5,160	3,066	55	147	8,428	24,362
2025	15,688	413	19	285	5,437	3,179	56	150	8,823	25,228
2026	15,551	426	20	294	5,602	3,299	58	155	9,114	25,405
2027	15,920	438	21	296	5,784	3,428	60	160	9,432	26,106
2028	16,482	448	21	296	5,973	3,564	62	165	9,763	27,011
2029	17,256	463	22	296	6,218	3,726	64	172	10,180	28,217
2030	17,856	476	23	296	6,441	3,883	67	178	10,568	29,220

* In Budget 2019, the Government of Canada announced a new EI Training Support Benefit. It is expected to be launched in 2024.

5.4 Premium Reductions and Rebate

The employer premiums can be reduced through a lower employer multiplier when its employees are covered under a qualified wage-loss plan that reduces EI special benefits otherwise payable, provided that at least 5/12 of the reduction is passed on to employees. Premiums paid by employees and their employers can also be reduced when employees are covered under a plan established under provincial law that reduces EI maternity and parental benefits otherwise payable. An agreement must be in place between the Government of Canada and the province to establish a system for reducing premiums paid by residents of that province and their employers.

Budget 2019 announced an EI Small Business Premium Rebate to offset the upward pressure on EI premiums resulting from the EI Training Support Benefit (originally expected to be launched in late 2020, but now postponed to 2024). This rebate is proposed to be available to any business that pays employer EI premiums equal to or less than \$20,000 for the 2024 calendar year. Using forecasted calendar year expenditures received from the Minister of ESD, the cost of the EI Training Support Benefit in 2024 (including the administration costs related to this benefit) is expected to represent 1.5 cent (1.45 cents unrounded, or 0.0145%). This cost is included in the 7-year forecast break-even rate of 1.66%.

Table 7 shows the projection of the expected premium reductions and rebate up to 2030 taken into account in the determination of the 7-year forecast break-even rate. Temporary and permanent measures recently announced are considered in the projection of the premium reductions for qualified wage-loss plans and provincial plans.

**Table 7 Premium Reductions and Rebate
(\$ million)**

Calendar Year	Qualified Wage-Loss Plans	Provincial Plans	SBPR*
2024	1,290	1,492	26
2025	1,408	1,527	27
2026	1,486	1,564	28
2027	1,737	1,604	29
2028	1,934	1,654	29
2029	2,066	1,708	29
2030	2,184	1,763	29

* Small Business Premium Rebate; the details of the rebate were not confirmed at the time the report was produced and will still need to be approved through legislation. The projected amounts of the rebate were provided by the Minister of ESD.

5.5 7-Year Forecast Break-Even Rate

The 7-year forecast break-even rate is the rate that, based on relevant assumptions, is expected to generate sufficient premium revenue during the next seven years to ensure that, at the end of that seven-year period, the amounts credited and charged to the EI Operating Account (EIOA) after 31 December 2008 are equal.

This rate is expected to generate sufficient premium revenue during the 2024-2030 period to pay for the expected EI expenditures over that same period and to eliminate the projected deficit that has accumulated in the EI Operating Account as of 31 December 2023.

The expected amounts of the premium reductions over the next seven years for qualified wage-loss plans (WLP) and for provincial plans (PP), as well as the Small Business Premium Rebate related to the EI Training Support Benefit expected to launch in 2024 are included in the EI expenditures for purposes of determining the 7-year forecast break-even rate. This ensures that in the absence of wage-loss plans, provincial plans and Small Business Premium Rebate, a premium rate set at the 7-year forecast break-even rate would generate enough revenues to cover all EI expenses for employees of every employer residing in any province.

Table 8 shows the projection of the variables used to determine the 7-year forecast break-even rate. The annual expected pay-as-you-go rates (PayGo) are the rates required to cover the expected expenditures of that year. The 7-year forecast break-even rate is higher than the average PayGo rates since the projected deficit as at 31 December 2023 is considered.

Table 8 Calculation of the 7-Year Forecast Break-Even Rate (\$ million)

Calendar Year	Expenditures Covered by the 7-Year Forecast Break-Even Rate				Total Expenditures Before Reductions and Rebate	Surplus (Deficit) in the EIOA as at 31 December 2023	Earnings Base	Annual PayGo Rate / 7-Year Forecast Break-Even Rate (%)
	El Expenditures	Reduction for WLP	Reduction for PP	SBPR*				
2024	28,599	1,290	1,492	26	31,407		1,979,798	1.59%
2025	28,955	1,408	1,527	27	31,917		2,043,807	1.56%
2026	29,015	1,486	1,564	28	32,093		2,109,703	1.52%
2027	29,688	1,737	1,604	29	33,058		2,179,306	1.52%
2028	30,573	1,934	1,654	29	34,190		2,259,073	1.51%
2029	31,755	2,066	1,708	29	35,558		2,342,323	1.52%
2030	32,740	2,184	1,763	29	36,716		2,426,453	1.51%
2024-30	211,325	12,106	11,311	198	234,939	(20,239)	15,340,463	1.66%**

* Small Business Premium Rebate (related to the EI Training Support Benefit announced in Budget 2019 and proposed to be launched in 2024).

** The deficit in the EIOA as at 31 December 2023 is used in the calculation of the 7-year forecast break-even rate: $(234,939 + 20,239) / 15,340,463 = 1.66\%$.

Table 9 shows the projection of revenues, EI expenditures, and the account balance using the 7-year forecast break-even rate and the premium reductions.

Table 9 Projection of the EI Operating Account using the 7-year forecast break-even rate (\$ million)

Calendar Year	Premium Rate (%)	Revenues					Net Premiums	Expenditures	Annual Surplus (Deficit)	Cumulative Surplus (Deficit) 31 December
		Gross Premiums after Refunds	Reduction for WLP	Reduction for Provincial Plans	SBPR*	Other Adj.**				
2022	1.58%	29,620	(1,186)	(1,632)	-	(4)	26,798	25,595	1,204	(24,661)
2023	1.63%	31,546	(1,322)	(1,558)	-	24	28,691	24,268	4,422	(20,239)
2024	1.66%	32,865	(1,290)	(1,492)	(26)	-	30,056	28,599	1,458	(18,781)
2025	1.66%	33,927	(1,408)	(1,527)	(27)	-	30,966	28,955	2,011	(16,771)
2026	1.66%	35,021	(1,486)	(1,564)	(28)	-	31,943	29,015	2,928	(13,843)
2027	1.66%	36,176	(1,737)	(1,604)	(29)	-	32,806	29,688	3,118	(10,724)
2028	1.66%	37,501	(1,934)	(1,654)	(29)	-	33,883	30,573	3,311	(7,414)
2029	1.66%	38,883	(2,066)	(1,708)	(29)	-	35,080	31,755	3,325	(4,089)
2030	1.66%	40,279	(2,184)	(1,763)	(29)	-	36,303	32,740	3,563	(526)

* Small Business Premium Rebate.

** Adjustments for the timing of premium assessment.

The 2024 EI 7-year forecast break-even rate is 1.66%. This rate would balance out the EI Operating Account at the end of 2030. The cumulative balance in the EI Operating Account at the end of 2030 is not exactly \$0 since the 7-year forecast break-even rate is rounded to the nearest cent.

5.6 Québec Parental Insurance Plan (QPIP) Reduction for 2024

EI maternity and parental (MP) benefits included in Part I special benefits, as well as direct EI administrative costs incurred to provide MP benefits (variable administrative costs (VAC)), are required to determine the QPIP reduction. VAC represent the direct operating costs incurred by

the EI program associated with the administration of EI MP benefits outside Québec. They are determined each year by ESDC in accordance with the agreement between Canada and Québec, which stipulates a minimum VAC amount.

EI MP benefits are projected from the base year 2022 and reflect the impacts of program changes and special measures. The projected EI MP expenditures used to determine the 2024 QPIP reduction are shown in Table 10. They include the cost estimates provided by ESDC for temporary measures.

	Actual	Forecast	
	2022	2023	2024
EI MP Benefits	4,996	5,003	5,160
Variable Administration Costs	37	37	38
MP Expenditures	5,033	5,040	5,198

The QPIP reduction is equal to the ratio of EI MP expenditures (EI MP benefits and VAC) to the earnings base of residents of all provinces without a provincial plan, that is, residents of all provinces except Québec. It is the premium reduction for Québec residents as it relates to the savings to the EI Program resulting from the QPIP.

Table 11 shows the estimates of the variables that are required in the calculation of the 2024 QPIP reduction, as well as the resulting 2024 QPIP reduction.

	2024 Forecast
MP Expenditures	5,198
MP Earnings Base (Out-of-Québec residents)	1,541,117
Unrounded QPIP Reduction	0.3373%
QPIP Reduction	0.34%

Consequently, the premium rate applicable to residents of all provinces except Québec for 2024 would be 1.66%¹. The premium rate applicable to residents of Québec would be 1.32% (1.66% minus 0.34%).

5.7 Qualified Wage-Loss Plan Reductions for 2024

Based on the methodology developed in Appendix B and on the 2024 projected insurable earnings of employees covered by a qualified wage-loss plan, the 2024 estimated reduction in employer premiums due to qualified wage-loss plans is \$1,290 million, compared to \$1,322 million for 2023.

¹ The Commission is responsible for setting the premium rate. More information on the rate setting process along with the inherent deadlines can be found in Appendix A.

EI premiums paid by the employer are equal to the employer multiplier times the premiums deducted by the employer on behalf of its employees. Generally, the employer multiplier is equal to 1.4. However, the employer premiums can be reduced through a lower employer multiplier when its employees are covered under one of four types of qualified wage-loss plans.

Table 12 shows the main results. A detailed explanation of the data and methodology used to derive the results is available in Appendix E.

Table 12 Reduction in Employer Premiums Due to Qualified Wage-Loss Plans

Wage-Loss Plan Category	Unrounded Rate of Reduction	Rounded Rate of Reduction	Employer Multiplier (Out-of-Québec)*	Employer Multiplier (Québec)*	2024 Estimated Insurable Earnings (\$ million)	2024 Estimated Premium Reduction (\$ million)
Category 1	0.2268%	0.23%	1.263	1.228	65,560	149
Category 2	0.3743%	0.37%	1.175	1.116	30,939	116
Category 3	0.3706%	0.37%	1.177	1.119	241,377	895
Category 4	0.4065%	0.41%	1.155	1.092	32,282	131
Total	N/A	N/A	N/A	N/A	370,158	1,290

* The Employer Multipliers shown are based on a 2024 premium rate of 1.66% (1.32% for Quebec residents).

6 Uncertainty of Results

The 7-year forecast break-even rate and the subsequent impact on the EI Operating Account (EIOA) depends on different demographic and economic factors. As actual experience over the next seven years will likely deviate from the assumptions presented throughout this report, this section presents individual tests, combined tests, and alternative scenarios for illustration purposes.

6.1 Individual Tests

The individual tests illustrate the sensitivity of the 7-year forecast break-even rate to changes in the unemployment rate and the reciprocity rate assumptions. Afterwards, the effect of a variation in the premium rate on the EIOA is examined.

6.1.1 Unemployment Rate

The unemployment rate is closely related to the state of the economy and the supply of labour. The following table shows that a variation in the average unemployment rate of 0.5% over the period 2024-2030 would result in an increase/decrease between 0.06% and 0.07% in the 2024 EI 7-year forecast break-even rate (assuming all other assumptions remain constant).

Table 13 Sensitivity of the 7-Year Forecast Break-Even Rate to the Unemployment Rate (UR)

Variation in Average UR (2024-2030)	Average UR (2024-2030)	Resulting 7-Year Forecast Break-Even Rate
(1.0%)	4.8%	1.53%
(0.5%)	5.3%	1.60%
Base	5.8%	1.66%
0.5%	6.3%	1.73%
1.0%	6.8%	1.80%

6.1.2 Reciprocity Rate

The volatility shown by the reciprocity rate in the past can be attributed to several factors, such as the decision of those eligible for EI to apply (or not) for the benefit. The following table shows that a variation in the average reciprocity rate of 5% over the period 2024-2030 would result in an increase/decrease of about 0.05% in the 2024 EI 7-year forecast break-even rate (assuming all other assumptions remain constant).

Table 14 Sensitivity of the 7-Year Forecast Break-Even Rate to the Reciprocity Rate (RR)

Variation in Average RR (2024-2030)	Average RR (2024-2030)	Resulting 7-Year Forecast Break-Even Rate
(10.0%)	62.5%	1.56%
(5.0%)	67.5%	1.61%
Base	72.5%	1.66%
5.0%	77.5%	1.71%
10.0%	82.5%	1.76%

6.1.3 Premium Rate

As shown in the following table, a variation in the premium rate of one-hundredth percentage point (0.01% of insurable earnings) from the 7-year forecast break-even rate would result in a \$1,534 million increase/decrease in the cumulative balance of the EIOA at the end of the 7-year forecast period.

Table 15 Sensitivity of the EIOA Balance to the 7-Year Forecast Break-Even Rate

Variation in EI 7-Year Forecast Break-Even Rate	Resulting EI 7-Year Forecast Break-Even Rate	Cumulative EIOA Balance as at 31 Dec. 2030 (\$ million)	Variation in EIOA Cumulative Balance as at 31 Dec. 2030 (\$ million)
(0.05%)	1.61%	(8,196)	(7,670)
(0.01%)	1.65%	(2,060)	(1,534)
Base	1.66%	(526)	-
0.01%	1.67%	1,008	1,534
0.05%	1.71%	7,144	7,670

6.2 Combined Tests

The combined tests illustrate the sensitivity of the 7-year forecast break-even rate to simultaneous variations in the unemployment rate and the reciprocity rate. Increases/decreases in the average unemployment rate and the average reciprocity rate, of 0.5% and 5% respectively over the period 2024-2030, would result in a increase/decrease between 0.11% and 0.13% in the 2024 EI 7-year forecast break-even rate (assuming all other assumptions remain constant). If the unemployment rate increases by 0.5% while the reciprocity rate decreases by 5% (or vice-versa) it results in a variation of about 0.02% in the 2024 EI 7-year forecast break-even rate.

Table 16 Sensitivity of the 7-Year Forecast Break-Even Rate to the Unemployment Rate (UR) and the Reciprocity Rate (RR)

Variation in Average UR (2024-2030)	Average UR (2024-2030)	Variation in Average RR (2024-2030)	Average RR (2024-2030)	Resulting 7-Year Forecast Break- Even Rate
(0.5%)	5.3%	(5.0%)	67.5%	1.55%
(0.5%)	5.3%	5.0%	77.5%	1.64%
Base	5.8%	Base	72.5%	1.66%
0.5%	6.3%	(5.0%)	67.5%	1.68%
0.5%	6.3%	5.0%	77.5%	1.79%

6.3 Scenarios

Canada's macroeconomic outlook remains uncertain and may result in different outcomes than the base scenario assumptions that were used to determine the EI 7-year forecast break-even rate.

Two alternative scenarios are presented in this section to demonstrate some possible impacts from different economic environments relative to the base scenario. These scenarios are for illustration purposes only and might not be considered as internally consistent. As such, the likelihood of these scenarios occurring was not considered.

These scenarios are created by changing various assumptions. For comparison purposes, Table 17 below presents the key assumptions that vary in the alternative scenarios.

Table 17 Assumptions for Base Scenario

Calendar Year	Labour Force Increase	Unemployment Rate	Increase in Average Employment Income	Reciency Rate
2024	0.9%	6.2%	3.5%	72.5%
2025	0.5%	6.0%	3.2%	72.5%
2026	0.3%	5.7%	3.1%	72.5%
2027	0.6%	5.7%	3.0%	72.5%
2028	0.9%	5.7%	2.9%	72.5%
2029	0.9%	5.7%	2.9%	72.5%
2030	0.8%	5.7%	2.9%	72.5%

6.3.1 Moderate Shock Scenario

Under this scenario, each of the assumptions shown in Table 17 are changed to create pressure over a short-term period on the 2024 7-year forecast break-even rate. This would represent a hypothetical scenario where there is a moderate economic downturn starting in the year 2024 (regardless of the reason for the economic change). As shown in Table 18, the alternative assumptions are assumed to gradually return to the base scenario.

Table 18 Alternate Assumptions for the Moderate Shock Scenario

Calendar Year	Labour Force Increase	Unemployment Rate	Increase in Average Employment Income	Reciency Rate
2024	(2.3%)	7.0%	2.7%	75.0%
2025	0.4%	6.5%	2.7%	75.0%
2026	0.3%	6.0%	2.9%	74.0%
2027	0.5%	5.7%	2.7%	73.0%
2028	0.9%	5.7%	2.9%	72.5%
2029	0.8%	5.7%	2.9%	72.5%
2030	0.8%	5.7%	2.9%	72.5%

The results of this scenario on the 2024 7-year forecast break-even rate are illustrated in Table 19. The 7-year forecast break-even rate calculated for 2024 would increase from 1.66% in the base scenario to 1.72% in this scenario.

Table 19 Impact of the Moderate Shock Scenario on the 7-Year Forecast Break-Even Rate (\$ billion)

Calendar Year	7-Year Break-Even Rate (%)	Net Premiums	Expenditures	Annual Surplus / Deficit on EIOA	Cumulative Surplus / Deficit on EIOA (31 Dec.)
2023					(20.2)
2024	1.72%	30.0	30.2	(0.3)	(20.5)
2025	1.72%	30.8	29.9	0.9	(19.6)
2026	1.72%	31.8	29.0	2.8	(16.9)
2027	1.72%	32.6	28.8	3.9	(13.0)
2028	1.72%	33.7	29.5	4.2	(8.8)
2029	1.72%	34.9	30.5	4.3	(4.5)
2030	1.72%	36.1	31.5	4.6	0.1

6.3.2 High Shock Scenario

Under this scenario, each of the assumptions shown in Table 17 are changed to create pressure over a short-term period on the 2024 7-year forecast break-even rate. This would represent a hypothetical scenario where there is a severe economic downturn starting in the year 2024 (regardless of the reason for the economic change). As shown in Table 20, the alternative assumptions are assumed to gradually return to the base scenario.

Table 20 Alternate Assumptions for the High Shock Scenario

Calendar Year	Labour Force Increase	Unemployment Rate	Increase in Average Employment Income	Reciprocity Rate
2024	(6.9%)	9.5%	2.0%	77.5%
2025	0.4%	8.5%	2.2%	77.5%
2026	0.2%	7.5%	2.6%	76.5%
2027	0.5%	7.0%	2.5%	75.5%
2028	0.8%	6.5%	2.9%	74.5%
2029	0.8%	6.0%	2.9%	73.5%
2030	0.8%	5.7%	2.9%	72.5%

The results of this scenario on the 2024 7-year forecast break-even rate are illustrated in Table 21. The 7-year forecast break-even rate calculated for 2024 would increase from 1.66% in the base scenario to 1.94% in this scenario.

Table 21 Impact of the High Shock Scenario on the 7-Year Forecast Break-Even Rate (\$ billion)

Calendar Year	7-Year Break-Even Rate (%)	Net Premiums	Expenditures	Annual Surplus / Deficit on EIOA	Cumulative Surplus / Deficit on EIOA (31 Dec.)
2023					(20.2)
2024	1.94%	31.5	35.4	(3.9)	(24.1)
2025	1.94%	32.4	34.0	(1.6)	(25.7)
2026	1.94%	33.5	31.9	1.7	(24.0)
2027	1.94%	34.5	31.1	3.3	(20.7)
2028	1.94%	35.8	30.5	5.3	(15.4)
2029	1.94%	37.2	30.0	7.2	(8.2)
2030	1.94%	38.7	29.9	8.8	0.6

7 Reconciliation of Changes in the 7-Year Forecast Break-Even Rate

The main elements of change in the 7-year forecast break-even rate since the 2023 Actuarial Report are presented in Table 22.

Table 22 Reconciliation of Changes in the 7-Year Forecast Break-Even Rate

	7-Year Forecast Break- Even Rate (%)
2023 Actuarial Report - After Rounding	1.74
2023 Actuarial Report - Before Rounding	1.7433
Higher than Projected EI Operating Account as at 31 December 2022	(0.0176)
Change in Unemployment Rate Assumptions	0.0130
Changes in Economics - Earnings Base	(0.0222)
Changes in Economics - Expenditures	(0.0328)
Updated Cost for Program Changes	(0.0004)
Change in 7-year period (2023-2029 to 2024-2030)	(0.0196)
2024 Actuarial Report - Before Rounding	1.6636
2024 Actuarial Report - After Rounding	1.66

The actual 2022 expenditures were lower than projected in the 2023 Actuarial Report. This resulted in a decrease in the cumulative deficit of the EI Operating Account, i.e., \$24,661 million compared to the projected deficit of \$27,255 million. This decreased the 7-year forecast break-even rate by almost 2 cents.

As shown in the sensitivity test section, the unemployment rate assumption has a significant impact on the 7-year forecast break-even rate. In comparison with the 2023 Actuarial Report, the unemployment rate assumption was revised upward, from 5.7% to 5.8% on average for the 2023-2029 period. This increased the 7-year forecast break-even rate by about 1 cent.

The higher projected earnings base, mainly due to a higher expected increase in the number of earners than previously estimated in the 2023 Actuarial Report, decreased the 7-year forecast break-even rate by about 2 cents.

The lower projected expenditures, mainly due to lower projected average weekly benefits than previously estimated in the 2023 Actuarial Report, decreased the 7-year forecast break-even rate by about 3 cents.

Finally, revisions to the expenditures estimates for program changes (i.e., Pilot Projects/Special Temporary Measures and Permanent Measures) did not significantly impact the 7-year forecast break-even rate.

Overall, the 7-year forecast break-even rate decreased from 1.74% in 2023 to 1.66% in 2024.

8 Conclusion

This report was prepared by the Actuary in accordance with the relevant legislation and provides to the Commission the forecasts and estimates for the purposes of sections 4 (MIE), 66 (EI premium rate) and 69 (employers who sponsor qualified wage-loss plans and premium reductions for Québec residents and their employers) of the EI Act.

In accordance with the methodology detailed in the EI Act and the relevant economic data, the 2024 MIE is **\$63,200**. In addition, the 2024 estimated employer premium reduction due to qualified wage-loss plans is **\$1,290 million**, and the 2024 QPIP reduction is **0.34%**.

Based on the assumptions of the relevant economic and demographic variables provided by the Minister of Finance, on the expenditure estimates provided by the Minister of ESD, and on the methodology and other assumptions developed by the Actuary, the 7-year forecast break-even rate that would generate sufficient premium revenue to cover the expected cost of the EI program for the period 2024-2030 and eliminate the projected \$20.2 billion cumulative deficit in the EI Operating Account as of 31 December 2023, is **1.66%** of insurable earnings.

Should the Commission set the 2024 premium rate at the 7-year forecast break-even rate, the 2024 premium rate would be equal to:

- **1.66%** of insurable earnings for residents of all provinces except Québec; and
- **1.32%** of insurable earnings for residents of Québec, after taking into account the QPIP reduction of **0.34%**.

9 Actuarial Opinion

In our opinion, considering that this report was prepared pursuant to the *Employment Insurance Act*:

- the data on which this report is based are sufficient and reliable for the purposes of this report;
- the assumptions are appropriate for the purposes of this report; and
- the methods employed are appropriate for the purposes of this report.

Based on the results of this valuation, we hereby certify that the 7-year forecast break-even rate required to generate sufficient premium revenue to cover the expected cost of the EI program over the period 2024-2030 and eliminate the projected cumulative deficit in the EI Operating Account as of 31 December 2023, is 1.66% of insurable earnings.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The estimates presented in this report are based on prescribed information provided by the Minister of Employment and Social Development and the Minister of Finance.

As of the date of the signing of this report, we have not learned of any subsequent events that would have a material impact on the 2024 7-year forecast break-even rate presented in this report.




Mathieu Desy, FCIA, FSA

Senior Actuary, Employment Insurance Premium Rate-Setting



Marie-Pier Bernier, FCIA, FSA



Thierry Truong, FCIA, FSA

Ottawa, Canada
22 August 2023

Appendix A Summary of EI Legislation

The Unemployment Insurance program was first implemented in 1940, with the last major reform occurring in 1996. At that time, the name of the program was changed from “Unemployment Insurance” to “Employment Insurance” to reflect the program’s primary objective of promoting employment in the labour force and to better emphasize that individuals’ access to the program is linked to significant workforce attachment.

The EI program provides temporary income support to individuals who have lost their employment through no fault of their own or are unable to work due to specific life circumstances. This Appendix provides a brief overview of the EI program.

Temporary measures, as well as future permanent changes, if any, not yet in effect are not shown in this Appendix; they are summarized in Section 2 and considered in the results presented in this report. It is important to note that the temporary measures currently in place take precedence over some of the normal program provisions described below.

A.1 EI Part I Benefits

Although access and entitlement to benefits vary depending on each benefit type, the calculation of weekly benefit rates is the same for most benefit types. Weekly benefits are generally equal to 55% of the claimants’ average weekly insurable earnings, during their variable best weeks over the qualifying period (generally 52 weeks), up to a maximum amount. The number of best weeks taken into account is determined by the regional unemployment rate and varies from 14 to 22 insurable earnings weeks. The maximum amount payable is determined by the MIE.

The EI family supplement provides additional benefits to low-income families with children. The family supplement rate is based on the net family income up to a maximum of \$25,921 per year and the number of children in the family and their ages. The family supplement may increase benefits up to 80% of average weekly insurable earnings.

Benefits are not paid until claimants have served a waiting period of one week of unemployment.

To stay connected to the labour market and earn some additional income, EI claimants can work while they are on claim. This measure is available to those collecting regular, fishing, maternity, parental, sickness, compassionate care, or family caregiver benefits. Claimants can keep 50 cents of their EI benefits for every dollar they earn, up to a maximum of 90 per cent of the weekly insurable earnings used to calculate their EI benefit amount.

A.1.1 Regular Benefits

EI regular benefits are provided to eligible insured persons who have lost their jobs through no fault of their own (for example, due to a shortage of work, seasonal or mass lay-offs) and are available for and able to work but can’t find a job.

To qualify for regular benefits, individuals must have been without work and without pay for at least seven consecutive days. Claimants must have worked at least the minimum required hours of insurable employment, between 420 and 700 hours, as determined by the regional

unemployment rate, in the last 52-week qualifying period or since their last claim, whichever is shorter. The number of insurable hours required to qualify is increased in cases of violations regarding prior EI claims. Claimants must also be available and actively looking for work in order to maintain eligibility.

The maximum number of regular benefit weeks varies from 14 to 45 weeks, depending on the number of insurable hours accumulated in the qualifying period and the regional unemployment rate. In certain circumstances, the maximum duration of benefits can be extended through temporary special measures.

A.1.2 Fishing Benefits

EI provides fishing benefits to qualifying self-employed fishers who are actively seeking work. Unlike regular EI benefits, eligibility for EI fishing benefits is determined by the claimant's insurable fishing earnings accumulated during the qualifying period, not the number of hours worked. A self-employed person engaged in fishing who has earned a minimum of between \$2,500 and \$4,200 (depending on the regional unemployment rate) during the maximum 31-week qualifying period is eligible to receive up to 26 weeks of EI fishing benefits.

A.1.3 Work-Sharing Benefits

To avoid lay-offs due to a temporary reduction in the normal level of business activity that is beyond the control of the employer, employers and employees can enter into a Work-Sharing agreement with the Commission through Service Canada to provide EI benefits to eligible workers willing to work a temporarily reduced work week. This enables employers to retain staff and adjust their work activity during temporary work shortages, as well as avoid the expenses of hiring and training new staff once business levels return to normal. Employees are able to retain their skills and jobs while receiving EI benefits for the days that they do not work.

Work-Sharing agreements have a minimum duration of 6 weeks and a maximum of 26 weeks, with a possible extension of up to 12 weeks for a maximum duration of 38 weeks. From time to time, the maximum duration of Work-Sharing agreements may be extended through temporary special measures.

A.1.4 Special Benefits

To qualify for special benefits, the claimant's normal weekly earnings must be reduced by over 40% for at least one week. In addition, special benefits require a minimum of 600 hours of insurable employment in the 52-week qualifying period. Special benefits include:

- Maternity benefits, for people who are away from work because they are pregnant or have recently given birth. These benefits can be paid for a maximum of 15 weeks. They can start as early as 12 weeks before the expected date of birth and can end as late as 17 weeks after the actual date of birth.
- Parental benefits, for a parent to take care of their newborn or newly adopted child(ren). Parents may share the available weeks of parental benefits. There are two options available:
 - *Standard parental benefits* can be paid for a maximum of 40 weeks at 55% of the claimant's average weekly insurable earnings (up to a maximum) and must be claimed

within a 52-week period (12 months) after the week the child was born or placed for the purpose of adoption. As no parent can access more than 35 weeks, sharing parental benefits is required to access the additional weeks.

- *Extended parental benefits* can be paid for a maximum of 69 weeks at 33% of the claimant's average weekly insurable earnings (up to a maximum) and must be claimed within a 78-week period (18 months) after the week the child was born or placed for the purpose of adoption. As no parent can access more than 61 weeks, sharing parental benefits is required to access the additional weeks.
- Sickness benefits, for people who are unable to work due to illness, injury or quarantine. These benefits can be paid for a maximum of 26 weeks (on or after 18 December 2022).
- Compassionate care benefits, for people who take a temporary leave from work to provide end-of-life care or support for a family member who has a significant risk of death in the next 6 months. These benefits can be paid for a maximum of 26 weeks, which can be shared among eligible family caregivers.
- Family Caregiver Benefit for Children, for family members who must be away from work to care for or support a critically ill or injured person under 18. This benefit can be paid for a maximum of 35 weeks, which can be shared among eligible family caregivers.
- Family Caregiver Benefit for Adults, for family members who must be away from work to care for or support a critically ill or injured person 18 or over. This benefit can be paid for a maximum of 15 weeks, which can be shared among eligible family caregivers.

Since 2006, the Province of Québec has been responsible for providing maternity and parental benefits to residents of Québec through the QPIP. All other types of EI benefits remain available to residents of Québec.

Self-employed fishers can qualify for special benefits with fishing earnings of \$3,760 or more during the 31-week qualifying period.

Self-employed Canadians voluntarily enter into an agreement with the Commission through Service Canada to contribute EI premiums and access EI special benefits. They must be registered for at least one year prior to claiming benefits and their self-employment earnings must meet the minimum self-employment eligibility threshold in the year preceding the claim.

Self-employed residents of Québec entering into an agreement with the Commission cannot access EI maternity and parental benefits, as maternity and parental (including adoption) benefits are already payable through QPIP, but can access sickness, compassionate care, and family caregiver benefits.

A.2 EI Part II Benefits

Part II of the EI Act includes Employment Benefits and Support Measures, which are labour market programs and services established to help Canadians find and keep employment and to develop a labour force that meets the current and emerging needs of employers. These programs are delivered mostly by provincial and territorial governments through Labour Market Development Agreements.

A.3 Financing

The EI program is financed by contributions from employees and employers, via premiums paid on insurable earnings up to the MIE. Employee premiums apply to insurable earnings, up to the MIE. However, the EI program has specific provisions for contributors who are unlikely to qualify for benefits, e.g., employees with insured earnings of less than \$2,000 are entitled to a refund of their EI premiums when they file an income tax return.

In addition, in accordance with subsection 69(2) of the EI Act and related regulations, a mechanism to reduce EI premiums paid by Québec residents and their employers was introduced. The reduced premium rate reflects the savings to the EI program due to the existence of the QPIP.

Since 31 January 2010, self-employed individuals may voluntarily opt into the EI program to receive EI special benefits. Self-employed individuals pay the same EI premium rate as salaried employees but are not required to pay the employer portion of premiums, as they do not have access to EI regular benefits.

Employers pay premiums at the rate of 1.4 times those of employees. Employers bear a higher overall share of program costs based on the principle that they have more control over layoffs. However, in accordance with subsection 69(1) of the EI Act, employers who sponsor a qualified wage-loss plan which reduces the EI special benefits otherwise payable receive a premium reduction if they meet the requirements set out by the Commission. In such cases, the employer pays premiums at a rate that is lower than 1.4 times those of employees, and a portion of those savings must be returned to their employees.

A.4 Premium Rate

In accordance with subsection 66(1) of the EI Act, the Commission shall set the premium rate for each year in order to generate just enough premium revenue to ensure that, at the end of the seven-year period that commences at the beginning of that year, the total of the amounts credited to the EI Operating Account after 31 December 2008 is equal to the total of the amounts charged to that Account after that date. This calculated premium rate is referred to as the 7-year forecast break-even rate. In accordance with subsection 66(7), the premium rate is limited to an annual increase or decrease of 0.05%.

Legislative Framework

The EI Act includes the following dates by which various responsibilities related to the setting of the EI premium rate must be met.

22 July

The Minister of Employment and Social Development (ESD) shall provide to the Actuary and the Commission the information prescribed in subsection 66.1(1) of the EI Act.

The Minister of Finance shall provide to the Actuary and the Commission the information prescribed in subsection 66.2(1) of the EI Act.

22 August

In accordance with section 66.3 of the EI Act, the Actuary shall prepare actuarial forecasts and estimates for the purposes of sections 4, 66 and 69 of the EI Act, and shall provide the Commission with a report that sets out:

- the forecast premium rate for the following year and a detailed analysis in support of the forecast;
- the calculations performed under sections 4 and 69 of the EI Act;
- the information provided under section 66.1 of the EI Act; and
- the source of the data, the actuarial and economic assumptions and the actuarial methodology used.

31 August

The Commission shall provide the Ministers of ESD and Finance with the report referred to in section 66.3 and a summary of that report.

14 September

The Commission shall set the premium rate for the following year and make available to the public the report referred to in section 66.3 of the EI Act and a summary of that report. After the premium rate is set and the report and its summary are made available to the public, the Minister of ESD shall cause them to be laid before each House of Parliament on any of the next 10 days during which that House is sitting.

30 September

The Governor in Council may substitute a premium rate for the following year that is different from the one set by the Commission, if it is considered to be in the public interest. Additionally, it may set the premium rate for the following year if the Commission has not done so by September 14. The Governor in Council must set the premium rate based on the joint recommendation of the Ministers of ESD and Finance.

Appendix B Premium Calculation Methodology

B.1 Premium Rate

Based on relevant assumptions and prior to any limit to the annual change in the premium rate, the 7-year forecast break-even rate for 2024 is the premium rate that is expected to generate sufficient premium revenue to ensure that at the end of 2030 the amounts credited and charged to the EI Operating Account after 31 December 2008 are equal. It is therefore based on the projected balance of the EI Operating Account as of 31 December 2023 and the projection over a period of seven years (2024-2030) of both the earnings base and EI expenditures.

The earnings base represents the total insurable earnings on which salaried employees and their employers pay EI premiums, and the earnings on which self-employed individuals that opted into the EI program pay EI premiums. The employer portion of the earnings base for salaried employees is equal to 1.4 times the employee portion of the earnings base for salaried employees, prior to the adjustment to reflect employee premium refunds.

Premium reductions are granted to employers who sponsor a qualified wage-loss plan as well as to employees residing in a province that has established a provincial plan and their employers. The expected costs of these premium reductions over the next seven years are included in the EI expenditures for purposes of determining the 7-year forecast break-even rate. More information on these premium reductions as well as the methodology used for calculating the applicable reductions for 2024 are provided in subsections B.2 (wage-loss) and B.3 (provincial plan).

For purposes of determining the 7-year forecast break-even rate, the earnings base and EI expenditures are projected over a seven-year period using the expected growth rates in the relevant economic and demographic variables applied to the base year, i.e., the last year for which complete data are available. The base year for the earnings base is 2021, which is the most recent year for which fully assessed T4 data are available. However, for certain assumptions, the 2022 partially assessed information is used. Complete data for 2022 will not become available until January 2024. EI benefits are projected from actual 2022 benefits paid (base year) but adjusted based on the first six months of known data for 2023.

The earnings base and EI expenditures are projected from the base year using:

- Data and assumptions provided by the Minister of ESD, including prescribed information as set out in section 66.1 of the EI Act;
- Assumptions and forecasts provided by the Minister of Finance in accordance with section 66.2 of the EI Act;
- Additional data provided by Service Canada, ESDC, and the Canada Revenue Agency (CRA); and
- Methodology and other assumptions developed by the Actuary.

The 7-year forecast break-even rate is calculated such that the sum of expected revenues from insurable and self-employed covered earnings over the next seven years and the EI Operating Account balance as of 31 December 2023 are equal to the expected EI expenditures over the same period. For this purpose, the expected EI expenditures include the expected amount of premium reductions granted to employers who sponsor a qualified wage-loss plan as well as to employees residing in a province that has established a provincial plan and their employers.

The expected EI expenditures are comprised of:

- Direct program expenditures, including:
 - EI Part I benefits, net of benefit repayments that apply in certain situations (e.g., if a claimant's income for a tax year exceeds 1.25 times the annual MIE, the claimant may be required to repay a portion of benefits received);
 - EI Part II benefits, that is, employment benefits and support measures;
 - Additional benefits paid through various pilot projects and special measures;
 - Administration costs; and
 - Other costs such as bad debt expense, net of penalties and interests recovered from claimants.
- Premium reductions granted to employers who sponsor qualified wage-loss plans;
- Premium reductions granted to employees residing in a province that has established a provincial plan and to their employers; and
- Premium rebate granted to small businesses related to the new EI Training Support Benefit expected to be launched in calendar year 2024. The details of the rebate still need to be confirmed through legislation.

The expected revenues are comprised of:

- Employer premiums paid on behalf of salaried employees over the next seven years prior to premium reductions and rebate;
- Employee premiums over the next seven years for earnings included in insured employment of salaried employees, net of refunds that apply in certain situations (e.g., insurable earnings below \$2,000, over contributions due to multiple employments in the year) and prior to premium reductions for provincial plans; and
- Employee premiums over the next seven years for self-employed individuals who voluntarily opted into the EI program prior to premium reductions for provincial plans.

Depending on the projected cumulative balance in the EI Operating Account as at 31 December 2023, the 7-year forecast break-even rate could either increase or decrease. For 2024, given that the projected EI Operating Account as of 31 December 2023 is projected to be in deficit, the amortization of the projected EI Operating account balance increases the 7-year forecast break-even rate.

The formula for calculating the 7-year forecast break-even rate is developed as follows:

El Expenditures (over the next 7 years) = Revenues (over the next 7 years) + EIOA as at 31 December 2023

Direct Program Expenditures + R_{WLP} + R_{PP} + R_{SBPR} = $1.4 \times \text{Rate} \times \text{TIE}$ + $\text{Rate} \times \text{TIE} \times (1 - \text{PR}\%)$ + $\text{Rate} \times \text{TSEE}$ + EIOA

Employer premiums paid on behalf of salaried employees, prior to reductions for wage-loss plans, provincial plans and the Small Business Premium Rebate

Salaried employee premiums net of employee refunds prior to reductions for provincial plans

Employee premiums for self-employed prior to reductions for provincial plans

7-year forecast break-even rate = $\frac{\text{Direct Program Expenditures} + R_{WLP} + R_{PP} + R_{SBPR} - \text{EIOA}}{1.4 \times \text{TIE} + \text{TIE} \times (1 - \text{PR}\%) + \text{TSEE}}$

$1.4 \times \text{TIE} + \text{TIE} \times (1 - \text{PR}\%) + \text{TSEE}$

Earnings base for residents of all provinces over the next 7 years

Where:

R_{WLP} = amount of reduction in employer premiums due to qualified wage-loss plans over the next 7 years;

R_{PP} = amount of reduction in employee and employer premiums due to provincial plans over the next 7 years;

R_{SBPR} = small business premium rebate to offset costs of the new EI training support benefit proposed in Budget 2019 and expected to launch in 2024;

EIOA = EI Operating Account as of 31 December 2023 (surplus/(deficit));

TIE = total insurable earnings over the next 7 years for salaried employees prior to adjustments for employee premium refunds;

PR% = average adjustment over the next 7 years to reflect employee premium refunds (as a percentage of TIE);

TSEE = total self-employed earnings over the next 7 years for individuals who opt into the EI program.

A description of the assumptions used in projecting the variables included in the above formulas is provided in Section 4 of the main report, with additional supporting information provided in Appendix D.

B.2 Reduction in Employer Premiums Due to Qualified Wage-Loss Plans

Generally, EI premiums paid by the employer are equal to 1.4 times the premiums deducted by the employer on behalf of the employee, referred to as the employer multiplier. However, pursuant to subsection 69(1) of the EI Act, the employer premiums can be reduced through a lower employer multiplier when its employees are covered under a qualified wage-loss plan which reduces EI special benefits otherwise payable, provided that at least 5/12 of the reduction is passed on to the employees.

In accordance with sections 63, 64, 65 and 66 of the Employment Insurance Regulations (EI Regulations), there are four distinct categories of qualified wage-loss plans, and a separate rate of reduction, expressed as a percentage of insurable earnings, is calculated annually for each category. These rates of reduction are then converted into reduced employer multipliers for

each category and applicable premium rate. The principle in determining the rates of reduction is that the EI program is paying lower sickness benefits due to the presence of qualified wage-loss plans, and that these savings to the EI program should be passed on to the employers who sponsor these plans and their employees. For administrative simplicity, the full premium reduction is provided to the employer who is then responsible for returning the employees' portion of the reduction to them.

As discussed in the previous subsection, the projection over seven years of the reduction in employer premiums due to qualified wage-loss plans is taken into account in the determination of the 7-year forecast break-even rate. For this purpose, it is viewed as a cost to the EI program and included in the numerator of the 7-year forecast break-even rate calculation. However, the cost to the EI program of granting premium reductions to employers with qualified wage-loss plans is offset by the savings to the EI program generated by lower EI sickness benefits due to the existence of qualified wage-loss plans. In addition to determining the 7-year forecast break-even rate, one of the purposes of this report is to determine the reduction in employer premiums due to qualified wage-loss plans that will apply for 2024. The remainder of this subsection provides summarized information on this.

The methodology to calculate the rates of reduction applicable for 2024 is prescribed in section 62 of the EI Regulations. Pursuant to this section, the employer's premium rate shall be reduced by the percentage by which the first payer cost ratio in respect of all insured persons exceeds the experience cost ratio in respect of insured persons covered by a qualified wage-loss plan of that employer's category. The formula used in determining the rate of reduction of each category is provided below:

$$\text{Rate of reduction}(x) = \text{First Payer Cost ratio} - \text{Experience Cost ratio}(x)$$

Where: x = Category of wage-loss plan (1 to 4).

First-Payer Cost (FPC) ratio

The FPC ratio, which is identical for all insured persons and categories, represents the average estimated job-attached¹ EI sickness benefits that would have been paid if benefits payable under a group sickness or disability wage-loss indemnity plan or paid sick leave plan were disregarded for purposes of determining benefits otherwise payable to persons under the EI Act. It is expressed as a percentage of average insurable earnings for all insured persons. The FPC for each year is determined by multiplying the hypothetical number of first payer job-attached EI sickness benefit weeks by the average weekly sickness benefits that would apply in such circumstance.

For the purposes of calculating the 2024 rates of reduction, the FPC ratio is equal to the average of the FPC for the years 2020 to 2022, divided by the average insurable earnings of all insured persons for the years 2020 to 2022. The formula used in determining the FPC ratio is provided

1 A sickness claim is considered job-attached if the interruption of earnings with the employer was by reason of illness, injury or quarantine.

below:

$$\text{FPC ratio} = \frac{\text{FPC (2022)} + \text{FPC (2021)} + \text{FPC (2020)}}{\text{TIE (2022)} + \text{TIE (2021)} + \text{TIE (2020)}}$$

Where: TIE = total insurable earnings for all salaried employees prior to adjustments for employee premium refunds.

Experience Cost (EC) ratio

The EC ratio is different for each category and reflects the actual average job-attached EI sickness benefits paid for each category. It is expressed as a percentage of average insurable earnings for the insured persons in that category.

The EC for each year and category, as well as the allocation of insurable earnings amongst categories are based on an analysis of administrative data provided by Service Canada and ESDC.

Similarly to the calculation of the FPC ratio, for the purposes of calculating the 2024 rates of reduction, the EC ratio of each category is based on the years 2020 to 2022. The formula used in determining the EC ratio of each category is provided below:

$$\text{EC ratio (x)} = \frac{\text{EC(x) (2022)} + \text{EC(x) (2021)} + \text{EC(x) (2020)}}{\text{TIE(x) (2022)} + \text{TIE(x) (2021)} + \text{TIE(x) (2020)}}$$

Where: x = Category of wage-loss plan (1 to 4);
TIE(x) = total insurable earnings for salaried employees of the category x, prior to adjustments for employee premium refunds.

Rates of Reduction and Amount of Premium Reduction

The resulting uniform FPC ratio applicable to all categories and the EC ratio of each category are used to determine the 2024 rates of reduction per category. The 2024 estimated insurable earnings per category are then used to estimate the 2024 employer premium reduction due to qualified wage-loss plans. The estimated employer premium reductions due to qualified wage-loss plans for years 2025 to 2030 reflect the enhancement of sickness benefits from 15 to 26 weeks that started on 18 December 2022.

Additional supporting information on the calculation of the 2024 employer premium reduction due to qualified wage-loss plans and of each separate component is provided in Appendix E.

B.3 Reduction in Premiums Due to Provincial Plan

In accordance with subsection 69(2) of the EI Act and related regulations, premiums paid by employees and their employers can be reduced when employees are covered under a plan established under provincial law which reduces EI maternity and parental benefits otherwise payable, provided that an agreement has been entered into between the Government of Canada and the province to establish a system for reducing premiums paid by residents of that province and their employers.

As discussed in the previous subsection, the projection over seven years of the reduction in premiums due to the presence of provincial plans is taken into account in the determination of the 7-year forecast break-even rate. For this purpose, it is viewed as a cost to the EI program and included in the numerator of the 7-year forecast break-even rate calculation. However, the cost to the EI program of granting these premium reductions is offset by the savings to the EI program generated by lower EI MP benefits due to the existence of provincial plans. In addition to determining the 7-year forecast break-even rate, one of the purposes of this report is to determine the reduction in premiums due to provincial plans that will apply for 2024. The remainder of this subsection provides more information on this.

Since 1 January 2006, the province of Québec has been responsible for providing maternity and parental benefits to the residents of Québec through the QPIP. Pursuant to subsection 69(2) of the EI Act and related regulations, a mechanism to reduce EI premiums paid by Québec residents and their employers was introduced. The reduced premium rate reflects the savings to the EI program due to the existence of the QPIP. To date, the QPIP is the only provincial plan established in Canada.

Pursuant to the agreement signed between the Government of Canada and the Government of Québec and in accordance with Part III.1 of EI Regulations, the 2024 premium reduction for the MP provincial plan in the province of Québec, also referred to as the QPIP reduction, is equal to the ratio of the 2024 EI MP expenditures, including EI MP benefits and the variable administrative costs related to administering EI MP benefits, to the 2024 earnings base of residents outside the province of Québec. Accordingly, the formula for the QPIP reduction is as follows:

$$2024 \text{ QPIP Reduction} = \frac{2024 \text{ EI MP Expenditures}}{1.4 \times TIE_{(2024 \text{ OQ})} + TIE_{(2024 \text{ OQ})} \times (1 - PR\%) + TSEE_{(2024 \text{ OQ})}}$$

2024 earnings base for out-of-Québec residents

Where:

- TIE_(2024 OQ) = 2024 total insurable earnings for out-of-Québec resident salaried employees, prior to adjustments for employee premium refunds;
- PR% = adjustment to reflect 2024 employee premium refunds (as a percentage of TIE);
- TSEE_(2024 OQ) = 2024 total self-employed earnings for out-of-Québec residents who opted into the EI program.

Appendix C Maximum Insurable Earnings (MIE)

Section 4 of the EI Act provides details on how to determine the yearly MIE, the income level up to which EI premiums are paid and up to which EI benefits are calculated.

Based on the EI Act, the annual MIE is set at \$39,000, beginning in 1996, until this threshold is surpassed by 52 times the product obtained by multiplying:

- (a) the average for the 12-month period ending on April 30 in the preceding year of the Average Weekly Earnings (AWE), according to the latest revision of Statistics Canada¹, for each month in that period

by

- (b) the ratio that the average for the 12-month period ending on April 30 in that preceding year of the AWE for each month in that 12-month period bears to the average for the 12-month period ending twelve months prior to April 30 of that preceding year of the AWE for each month in that 12-month period ending twelve months prior to April 30 of that preceding year.

In the year in which the threshold is surpassed, the MIE is equal to the amount calculated as described above and is rounded down to the nearest multiple of \$100.

For subsequent years, the MIE before rounding is equal to the previous year's MIE before rounding, multiplied by the average of the AWE for each month for the twelve-month period ending on April 30 of the previous year divided by the average of the AWE for each month for the twelve-month period ending on April 30 in the year prior to the previous year. This unrounded MIE is then rounded down to the nearest multiple of \$100.

In accordance with the EI Act, the first time the \$39,000 threshold was exceeded was for 2007. The revised unrounded MIE for 2007 is \$40,072.93².

The unrounded MIE for 2024 is equal to the unrounded MIE from 2007 (\$40,072.93) multiplied by the average of the AWE for each month for the twelve month period ending 30 April 2023 (\$1,174.4817) divided by the average of the AWE for each month for the twelve month period ending 30 April 2006 (\$743.5875).

$$\begin{aligned} \text{MIE}_{2024} &= \text{MIE}_{2007} \times \frac{\text{AWE}_{2023}}{\text{AWE}_{2006}} \\ &= \$40,072.93 \times \frac{\$1,174.4817}{\$743.5875} = \$63,294.40 \end{aligned}$$

Rounded down to the nearest multiple of \$100, the MIE is **\$63,200** for 2024. This is an increase of \$1,700 or 2.8% from the 2023 MIE of \$61,500.

¹ The AWE series has been revised by Statistics Canada since the 2023 Actuarial Report.

² $52 \times \text{AWE}_{2006} \times \frac{\text{AWE}_{2006}}{\text{AWE}_{2005}} = 52 \times \$743.5875 \times \frac{\$743.5875}{\$717.4908}$

Table 23 Maximum Insurable Earnings (\$)

Year	12-Month AWE Average as of 30 April	Revised Unrounded MIE	Applicable MIE	% Change in Applicable MIE
2006	743.5875	39,000.00	39,000	-
2007	764.8850	40,072.93	40,000	-
2008	796.6125	41,220.69	41,100	2.8%
2009	814.8283	42,930.52	42,300	2.9%
2010	830.0717	43,912.20	43,200	2.1%
2011	862.3008	44,733.68	44,200	2.3%
2012	878.4875	46,470.56	45,900	3.8%
2013	901.4475	47,342.88	47,400	3.3%
2014	919.2717	48,580.22	48,600	2.5%
2015	943.5358	49,540.79	49,500	1.9%
2016	952.9858	50,848.42	50,800	2.6%
2017	961.6483	51,357.69	51,300	1.0%
2018	985.6400	51,824.53	51,700	0.8%
2019	1,007.1858	53,117.47	53,100	2.7%
2020	1,045.1500	54,278.60	54,200	2.1%
2021	1,119.1500	56,324.55	56,300	3.9%
2022	1,141.6792	60,312.50	60,300	7.1%
2023	1,174.4817	61,526.63	61,500	2.0%
2024	N/A	63,294.40	63,200	2.8%

MIE for years prior to 2024 are not revised and are based on the legislation that applied at the time they were determined. However, the 2024 MIE reflects retroactive adjustments to the calculation in accordance with current legislation.

2024 Minimum Self-Employed Earnings (MSEE)

To qualify for EI special benefits, self-employed individuals who opted in the EI program need to earn at least the MSEE during the calendar year before the year they submit a claim. For claims filed in 2023, in accordance with subsection 11.1 of the EI Regulations, the unrounded MSEE of 2023 was \$8,255.11 of self-employed earnings in 2022. It is adjusted annually on a compound basis by the same ratio used for the indexation of the MIE (see previous section), rounded down to the nearest dollar.

$$MSEE_{2024} = MSEE_{2023} \times \frac{AWE_{2023}}{AWE_{2022}} = \$8,255.11 \times \frac{\$1,174.4817}{\$1,141.6792} = \$8,492.29$$

The MSEE for claims filed in 2024 is therefore set at \$8,492 of self-employed earnings in 2023.

Appendix D Data, Methodology and Assumptions

This appendix describes the data, methodology and assumptions that underlie the projections of the earnings base and expenditures included in this report. Although the assumptions have been developed using the most up-to-date available information, the resulting estimates should be interpreted with caution. These estimates are projections, and eventual differences between future experience and these projections will be analyzed and taken into account in subsequent reports.

D.1 Prescribed Data

D.1.1 Minister of Employment and Social Development

Under subsection 66.1(1) of the EI Act, the Minister of ESD shall provide the Actuary, on or before 22 July of each year, with:

- the forecast change in payments to be made under paragraphs 77(1) (a), (b) or (c) of the EI Act during each of the following seven years if any changes to the payments to be made are announced;
- the forecast administration costs to be paid under paragraphs 77(1) (d), (d.1) and (g) of the EI Act during each of the following seven years, including any forecast change in those costs resulting from any change to the payments to be made under paragraphs 77(1) (a), (b) or (c) of the EI Act; and
- the total amounts charged to the EI Operating Account as of the last day of the most recent month for which that total is known.

For the purposes of determining the 2024 EI 7-year forecast break-even rate under section 66 of the EI Act, the Minister of ESD has provided the Actuary with the following information:

**Table 24 Prescribed Information Provided by the Minister of ESD
(\$ million)**

Part I	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Pilot Projects/Special Temporary Measures									
Support for Eligible Seasonal Claimants in Targeted Regions	63.3	117.3	123.4	53.5	-	-	-	-	-
Work-Sharing Program - COVID-19	20.7	4.5	-	-	-	-	-	-	-
EI Transition Benefits									
Regular Benefits									
13.1% UR, 300 Hours Credit & Max 50 weeks	1,510.4	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$500	191.6	-	-	-	-	-	-	-	-
Special Benefits									
13.1% UR & 480 Hours Credit*	190.0	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$500	130.6	-	-	-	-	-	-	-	-
Fishing Benefits									
Enhanced Access - Prior Years Earnings	0.5	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$500	1.1	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$300									
Regular Benefits	51.5	0.3	-	-	-	-	-	-	-
Special Benefits	35.1	0.2	-	-	-	-	-	-	-
Fishing Benefits	0.3	-	-	-	-	-	-	-	-
EI Simplification									
Regular Benefits - Flat 420-hour Entrance Requirement & Minimum 14 Weeks Benefits	494.2	111.4	0.2	-	-	-	-	-	-
Regular Benefits - Simplified Rules on Separation	835.4	195.5	0.4	-	-	-	-	-	-
Special Benefits - Flat 420-hour Entrance Requirement**	297.9	67.0	0.1	-	-	-	-	-	-
Fishing Benefits - \$2,500 Entrance Requirement	0.4	0.1	-	-	-	-	-	-	-
Sub-Total	3,823.0	496.3	124.1	53.5	-	-	-	-	-
Recent Proposed and Permanent Changes									
Extending Maximum EI Sickness Weeks from 15 to 26	-	360.4	786.4	841.4	890.4	942.0	996.6	1,054.4	1,115.6
EI Canada Training Benefit									
Training Support Benefit	-	-	21.6	285.0	294.0	296.3	296.3	296.3	296.3
Small Business Premium Rebate	-	-	26.4	27.3	28.2	28.9	29.0	29.0	29.0
Sub-Total	-	360.4	834.4	1,153.7	1,212.6	1,267.2	1,321.9	1,379.7	1,440.9
Total	3,823.0	856.7	958.5	1,207.2	1,212.6	1,267.2	1,321.9	1,379.7	1,440.9

* Rather than receiving a credit of hours, self-employed individuals can qualify with a lower earnings threshold of \$5,000.

** Rather than receiving a credit of hours, self-employed individuals can qualify with a lower earnings threshold of \$5,289.

Part II	Actual		Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Employment Benefits and Support Measures***	2,489.8	2,526.4	2,101.4	2,101.4	2,101.4	2,101.4	2,101.4	2,101.4	2,101.4
Administration Costs****	2,708.8	2,687.8	2,419.8	1,982.9	1,964.5	1,948.9	1,948.9	1,948.9	1,948.9

*** Includes additional LMDA investment announced in Budget 2017 and in Budget 2023.

**** Includes administration costs for the new EI Training Support Benefit proposed in Budget 2019 and expected to launch in 2024.

In addition, the Minister of ESD provided an EI Operating Account summary that shows a preliminary cumulative deficit of \$22.2 billion as of 31 March 2023, the most recent month for

which that total is known.

Additional information with regards to the pilot projects, special measures and new permanent changes shown in Table 24 can be found below.

Pilot Projects and Special Temporary Measures

Budget 2018 first introduced a seasonal claimants' pilot project to provide up to five additional weeks (to a maximum of 45 weeks) of EI regular benefits to eligible seasonal claimants in 13 targeted EI economic regions. Budget 2023 extended these rules until October 2024.

In March 2020, as part of the Government of Canada's COVID-19 Economic Response Plan, the Government announced temporary changes to the Work-Sharing program. These changes included extending the duration of Work-Sharing agreements, waiving the mandatory cooling off period, expanding eligibility criteria, and streamlining the application process. Budget 2021 announced an extension to these temporary measures until 24 September 2022.

Transition Measures to Facilitate Access to EI

Due to the COVID-19 pandemic, several interim orders were enacted over a short period of time with the aim of facilitating access to EI. Below is a summary of the provisions impacting eligible EI claims established between 27 September 2020 and 25 September 2021:

- A minimum unemployment rate of 13.1% used for all EI regions, which resulted in a uniform entrance requirement of 420 hours for eligibility to EI regular benefits (before application of hours credits).
- A one-time credit of 300 insurable hours, which combined with the minimum unemployment rate of 13.1%, resulted in benefit eligibility with 120 hours of work for EI regular benefits.
- A one-time credit of 480 insurable hours resulted in benefit eligibility with 120 hours of work for EI special benefits.
- A minimum weekly benefit rate of \$500 for EI regular benefits, fishing benefits and special benefits (\$300 for extended parental benefits).
- A maximum of 50 weeks of EI regular benefits.
- The allowance for fishers to have had their fishing benefits calculated using their actual fishing earnings for their current claim, or their fishing earnings from their claim for the same season from one of the two previous years, whichever was higher. This measure was extended to 18 December 2021.

Also, temporary measures were announced in Budget 2021 to facilitate access to EI in response to the COVID-19 pandemic and are summarized below. These measures were in effect from 26 September 2021 until 24 September 2022.

- A uniform entrance requirement of 420 insurable hours for eligibility to EI regular and special benefits.
- A common entrance requirement of \$2,500 in earnings for fishers to qualify for fishing benefits.

- A reduced entrance requirement of \$5,289 in earnings to access special benefits for self-employed workers who have opted in to the EI program.
- Ensuring that all insurable hours and employment counted towards a claimant's eligibility, as long as the last job separation was found to be valid.
- Allowance for claimants to start receiving EI benefits sooner by simplifying rules around the treatment of severance, vacation pay, and other monies paid on separation.

Self-employed workers who have opted in to the EI program to access special benefits also benefited from a transition measure. For claims established between 3 January 2021 and 25 September 2021, they were able to use a 2020 earnings threshold of \$5,000 compared to the previous threshold of \$7,555.

On 30 July 2021, the Government announced a minimum benefit rate of \$300 per week for EI claims established between 26 September 2021 and 20 November 2021 in order to ensure that EI claimants received a treatment similar to Canada Recovery Benefit claimants.

Recent Proposed and Permanent Changes

Budget 2023 confirmed the commitment made by the Government to establish the EI Board of Appeal, originally announced in 2019, to replace the current EI appeals process under the Social Security Tribunal General Division.

Budget 2022 announced amendments to Part II of the EI Act to broaden client and program eligibility and the types of interventions funded under Labour Market Development Agreements with provinces and territories.

Budget 2021 announced the enhancement of sickness benefits from 15 to 26 weeks. This extension became effective on 18 December 2022.

Budget 2019 announced a new EI Training Support Benefit to help workers cover their living expenses when they require time off work to pursue training. The benefit will provide eligible claimants with up to four weeks of income support in a four-year period at 55 per cent of their average weekly insurable earnings. In addition, the Government announced an EI Premium Rebate for Small Businesses to help offset the upward pressure on EI premiums resulting from the introduction of the new EI Training Support Benefit. This rebate would be available to employers who pay employer EI premiums equal to or less than \$20,000. The EI Training Support Benefit and the EI Premium Rebate for Small Business were originally expected to launch in late 2020, but ESDC has indicated that it would be delayed to 2024.

Part II

Budget 2017 announced additional funding under the LMDAs over six years starting in 2017-2018 to provide more opportunities to Canadians to upgrade their skills, gain experience or get help to start their own business. Budget 2023 announced additional funding under the LMDAs for 2023-2024.

D.1.2 Minister of Finance

Under subsection 66.2(1) of the EI Act, the Minister of Finance shall provide the Actuary, on or before 22 July of each year, with the following:

- the most current forecast values of the economic variables relevant to the determination of the 7-year forecast break-even rate for the following seven years;
- the forecast amounts to be credited and charged to the EI Operating Account for the current year and an estimate of the total amounts credited to the Account as at 31 December of the previous year.

Accordingly, for the purposes of determining the 2024 EI 7-year forecast break-even rate under section 66 of the EI Act, the Minister of Finance has provided the Actuary with the following information:

Table 25 Prescribed Information Provided by the Minister of Finance (thousands)

Economic Variables	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Population (15+)	31,772	32,420	32,980	33,464	33,928	34,382	34,823	35,250	35,662
Labour Force	20,795	21,249	21,430	21,529	21,600	21,721	21,913	22,099	22,279
Employment	19,700	20,100	20,097	20,244	20,359	20,486	20,665	20,834	21,006
Employees	17,048	17,436	17,288	17,253	17,260	17,322	17,452	17,583	17,721
Self-Employed	2,651	2,664	2,809	2,992	3,099	3,163	3,213	3,251	3,285
Unemployed	1,095	1,149	1,333	1,285	1,241	1,235	1,248	1,265	1,273
Unemployment Rate	5.3%	5.4%	6.2%	6.0%	5.7%	5.7%	5.7%	5.7%	5.7%
Average Weekly Earnings (\$)	1,165	1,200	1,237	1,273	1,310	1,347	1,386	1,425	1,466
Average Employment Income Growth	3.6%	3.3%	3.5%	3.2%	3.1%	3.0%	2.9%	2.9%	2.9%

D.2 Earnings Base

The earnings base represents the total insurable earnings on which salaried employees and their employers pay EI premiums, and the earnings on which self-employed individuals that opted into the EI program pay EI premiums. The earnings base is comprised of:

- the total insurable earnings on which employers pay EI premiums prior to any adjustment for qualified wage-loss plans or the small business premium rebate;
- the total insurable earnings on which employees pay EI premiums, adjusted to reflect employee premium refunds; and
- the earnings on which self-employed individuals that opted into the EI program pay EI premiums.

Section 4 of the report presents an overview of the assumptions used in determining the earnings base. The following subsections provide additional information and data in support of the development of these assumptions.

D.2.1 Number of Earners

In order to calculate the earnings base, an assumption is required for the number of earners, as well as the split of these earners between those who have earnings below and above the MIE.

The annual statistic on the number of employees provided by the Minister of Finance represents an average of the number of individuals who work for a public or private sector employer in a month. The number of earners provided by CRA is always greater than the average monthly number of employees since it represents a count of all individuals who received one or more T4 slips in the year and had employment income and/or insurable earnings during the year. This is mainly due to the fact that the number of earners includes all individuals who had earnings at any time during the year, whereas the number of employees only indicates a monthly average.

A historical comparison of the number of employees and the number of earners is presented in Table 26. The preliminary number of earners for 2022 is set such that the resulting insurable earnings are in line with the expected assessed premiums for 2022, which are derived from the 2022 year-to-date assessed premiums and the 2022 increase in average employment income provided by the Minister of Finance. Historical numbers might change due to data revisions.

Table 26 Historical Comparison of the Number of Employees and Number of Earners (thousands)

Year	Number of Employees	Increase in Number of Employees	Number of Earners (CRA T4 Data)	Increase in Number of Earners	Difference in Annual Increases (%)
2016	15,323		18,874		
2017	15,666	2.24%	19,219	1.83%	(0.41%)
2018	15,908	1.55%	19,620	2.09%	0.54%
2019	16,286	2.37%	19,944	1.65%	(0.72%)
2020	15,310	(5.99%)	19,600	(1.73%)	4.26%
2021	16,299	6.46%	20,066	2.38%	(4.08%)
2022	17,048	4.60%	21,364	6.47%	1.87%

The projected number of earners is obtained by a regression based on a correlated historical relationship from 1991 to 2021 between the number of earners and the number of employees. Table 27 shows projected number of employees as provided by the Minister of Finance as well as the projected number of earners for the years 2023 to 2030.

Table 27 Projected Number of Earners (thousands)

Year	Projected Number of Employees	Increase in Number of Employees	Projected Number of Earners	Increase in Number of Earners
2023	17,436		21,507	
2024	17,288	(0.85%)	21,363	(0.67%)
2025	17,253	(0.20%)	21,345	(0.08%)
2026	17,260	0.04%	21,374	0.14%
2027	17,322	0.36%	21,460	0.40%
2028	17,452	0.75%	21,618	0.73%
2029	17,583	0.75%	21,778	0.74%
2030	17,721	0.78%	21,947	0.78%

As shown in Table 28, based on information with regards to the historical number of earners across income ranges, the distribution of earners by level of average employment income is fairly stable from year to year.

Table 28 Historical Distribution of Earners by Level of Average Employment Income

Year	Average Employment Income (\$)	Range as a % of Average Employment Income					
		0 - 25%	25 - 50%	50 - 75%	75 - 100%	100 - 125%	> 125%
2016	46,872	21.4%	14.6%	13.2%	12.4%	10.0%	28.4%
2017	48,200	21.6%	14.5%	13.3%	12.4%	9.9%	28.2%
2018	49,709	20.9%	14.4%	13.8%	12.7%	10.2%	28.0%
2019	51,082	20.8%	14.4%	13.8%	12.8%	10.2%	27.9%
2020	51,422	23.1%	13.8%	12.3%	12.0%	10.1%	28.7%
2021	54,958	22.2%	13.4%	13.2%	12.8%	10.3%	28.1%

The 2021 distribution of the number of earners by level of average employment income is used to determine the proportion of earners with employment income below and above the MIE for years 2022 to 2030.

Table 29 shows the resulting split of the number of earners between those with employment income below the MIE and those with employment income above the MIE. Actual data is also shown for years 2016 to 2021.

Table 29 Number of Earners Below and Above the MIE

Year	MIE (\$)	MIE as a Proportion of Average Employment Income	Proportion of Earners Below MIE	Thousands		
				Total Number of Earners	Number of Earners Below MIE	Number of Earners Above MIE
2016	50,800	1.0838	65.3%	18,874	12,327	6,547
2017	51,300	1.0643	64.7%	19,219	12,425	6,794
2018	51,700	1.0400	63.8%	19,620	12,513	7,107
2019	53,100	1.0395	63.7%	19,944	12,697	7,247
2020	54,200	1.0540	63.7%	19,600	12,478	7,121
2021	56,300	1.0244	62.8%	20,066	12,611	7,455
2022	60,300	1.0594	64.4%	21,364	13,756	7,608
2023	61,500	1.0457	63.8%	21,507	13,717	7,790
2024	63,200	1.0386	63.4%	21,363	13,554	7,809
2025	65,300	1.0394	63.5%	21,345	13,551	7,795
2026	67,300	1.0389	63.5%	21,374	13,565	7,810
2027	69,200	1.0376	63.4%	21,460	13,605	7,855
2028	71,200	1.0373	63.4%	21,618	13,702	7,916
2029	73,300	1.0378	63.4%	21,778	13,809	7,968
2030	75,300	1.0364	63.3%	21,947	13,902	8,045

D.2.2 Average and Total Employment Income

The projected increase in average employment income, provided by the Minister of Finance, combined with the increase in the projected number of earners, are used to determine the total employment income. Table 30 shows the derivation of the projected total employment income for years 2022 to 2030, as well as actual data provided by CRA for years 2016 to 2021.

Table 30 Projected Total Employment Income

Year	Number of Earners from CRA T4 Data (thousands)	Increase in Number of Earners	Average Employment Income from CRA T4 Data (\$)	Increase in Average Employment Income	Increase in Total Employment Income	Total Employment Income (\$ thousand)
2016	18,874		46,872			884,643,535
2017	19,219	1.83%	48,200	2.83%	4.71%	926,339,401
2018	19,620	2.09%	49,709	3.13%	5.28%	975,279,385
2019	19,944	1.65%	51,082	2.76%	4.46%	1,018,784,902
2020	19,600	(1.73%)	51,422	0.67%	(1.07%)	1,007,872,380
2021	20,066	2.38%	54,958	6.87%	9.41%	1,102,762,945
2022	N/A	6.47%	N/A	3.57%	10.27%	1,216,047,887
2023	N/A	0.67%	N/A	3.32%	4.01%	1,264,858,797
2024	N/A	(0.67%)	N/A	3.47%	2.77%	1,299,957,027
2025	N/A	(0.08%)	N/A	3.24%	3.16%	1,341,013,754
2026	N/A	0.14%	N/A	3.11%	3.25%	1,384,575,004
2027	N/A	0.40%	N/A	2.96%	3.37%	1,431,302,255
2028	N/A	0.73%	N/A	2.92%	3.68%	1,483,907,011
2029	N/A	0.74%	N/A	2.89%	3.65%	1,538,099,979
2030	N/A	0.78%	N/A	2.87%	3.67%	1,594,555,841

As shown in Table 31, the historical distribution of total employment income as a percentage of average employment income is usually stable from year to year.

Table 31 Historical Distribution of Employment Income as a % of Average Employment Income

Year	Average Employment Income (\$)	Range as a % of Average Employment Income					
		0 - 25%	25 - 50%	50 - 75%	75 - 100%	100 - 125%	> 125%
2016	46,872	2.3%	5.4%	8.2%	10.8%	11.2%	62.1%
2017	48,200	2.3%	5.4%	8.3%	10.8%	11.1%	62.0%
2018	49,709	2.3%	5.4%	8.6%	11.0%	11.4%	61.3%
2019	51,082	2.3%	5.4%	8.6%	11.2%	11.4%	61.2%
2020	51,422	2.5%	5.1%	7.7%	10.4%	11.3%	63.0%
2021	54,958	2.3%	5.0%	8.3%	11.1%	11.5%	61.8%

The 2021 distribution of total employment income as a percentage of average employment income is used to determine the proportion of employment income that relates to earners with employment income below and above the MIE for years 2022 to 2030. Table 32 shows the total employment income split between earners with employment income below the MIE and earners

with employment income above the MIE for years 2022 to 2030. Actual data is also shown for years 2016 to 2021.

Table 32 Distribution of Employment Income for Earners Below and Above the MIE

Year	MIE (\$)	MIE as a Proportion of Average Employment Income	Proportion of Employment Income for Earners Below MIE	(\$ thousand)		
				Total Employment Income	Total Employment Income for Earners Below MIE	Total Employment Income for Earners Above MIE
2016	50,800	1.0838	30.6%	884,643,535	271,084,982	613,558,553
2017	51,300	1.0643	29.8%	926,339,401	275,896,851	650,442,550
2018	51,700	1.0400	29.2%	975,279,385	285,255,566	690,023,819
2019	53,100	1.0395	29.3%	1,018,784,902	298,240,070	720,544,832
2020	54,200	1.0540	28.3%	1,007,872,380	285,174,882	722,697,498
2021	56,300	1.0244	28.0%	1,102,762,945	308,372,705	794,390,240
2022	60,300	1.0594	29.6%	1,216,047,887	359,697,164	856,350,723
2023	61,500	1.0457	28.9%	1,264,858,797	365,983,620	898,875,178
2024	63,200	1.0386	28.6%	1,299,957,027	371,706,951	928,250,075
2025	65,300	1.0394	28.6%	1,341,013,754	383,966,608	957,047,146
2026	67,300	1.0389	28.6%	1,384,575,004	396,132,434	988,442,570
2027	69,200	1.0376	28.5%	1,431,302,255	408,552,864	1,022,749,390
2028	71,200	1.0373	28.5%	1,483,907,011	423,360,032	1,060,546,979
2029	73,300	1.0378	28.6%	1,538,099,979	439,239,929	1,098,860,049
2030	75,300	1.0364	28.5%	1,594,555,841	454,272,093	1,140,283,748

D.2.3 Total Insurable Earnings

Total insurable earnings for salaried employees are equal to total employment income, up to the annual MIE, earned by a person employed in insured employment. They are used to determine the earnings base for salaried employees. Prior to any adjustments for employee premium refunds, the earnings base for salaried employees is equal to 2.4 times the total insurable earnings.

Historical information regarding total insurable earnings is derived from aggregate assessed EI premiums gathered from T4 slips of all salaried employees and is provided by CRA. Insurable earnings can be calculated by dividing gross EI premium revenues by 2.4 times the weighted-average premium rate. Gross EI premium revenues are derived by adding the following components to the net EI assessed premiums:

- Unadjusted employee premium refunds (multiple employments, insurable earnings below \$2,000 and net adjustments for Québec residents working outside of Québec and vice-versa);
- Overage (correction to EI premiums due to employer-related administrative errors);
- Employer premium reductions for qualified wage-loss plans;
- Net adjustment payments between the Government of Canada and the Government of Québec for Québec residents working outside of Québec and vice-versa; and

- Other accounting adjustments.

Gross EI premium revenues represent employee EI premiums deducted at source and the corresponding employer premium before adjusting for qualified wage-loss plans and reflect the employee's province of work. Therefore, the annual weighted-average premium rates are calculated from the split of insurable earnings between Québec and out-of-Québec as reflected in the T4 data provided by CRA (i.e., on a province of employment basis, not province of residence). The derivation of insurable earnings for years 2016 to 2021 from the CRA statement of premium revenue is shown in Table 33. Net premiums assessed for 2016 shown in the table are prior to the reduction in premiums due to the small business job credit.

Table 33 Derived Insurable Earnings from Assessed Premiums
 (\$ million)

	2016	2017	2018	2019	2020	2021
Net Premiums Assessed	23,915.1	21,196.7	22,645.6	23,069.0	21,910.7	23,787.8
Unadjusted Employee Premium Refunds	241.1	242.6	266.5	266.1	219.8	309.9
Overage	2.7	3.2	2.9	2.7	2.5	2.7
Wage-Loss Premium Reduction	871.2	922.2	953.1	992.3	1,023.0	1,135.2
Net Adjustment Payments (QPIP)	7.3	6.6	5.6	6.1	7.3	6.2
Other Accounting Adjustments	21.7	7.3	6.3	2.5	1.4	2.6
Gross EI Premium Revenues	25,059.2	22,378.6	23,880.0	24,338.7	23,164.6	25,244.4
Distribution of Insurable Earnings (Province of Employment):						
Out-of-Québec	78.2%	78.1%	78.0%	77.8%	77.5%	77.3%
Québec	21.8%	21.9%	22.0%	22.2%	22.5%	22.7%
EI Premium Rate:						
Out-of-Québec	1.88%	1.63%	1.66%	1.62%	1.58%	1.58%
Québec	1.52%	1.27%	1.30%	1.25%	1.20%	1.18%
Weighted Average Premium Rate	1.80%	1.55%	1.58%	1.54%	1.49%	1.49%
Total Insurable Earnings	579,630	601,138	629,386	659,464	645,880	706,339

For employees with multiple employments in a year, the information is based on the combined total EI premiums. This means that although insurable earnings of each employment are capped at the MIE, the combined total insurable earnings can exceed the MIE. The adjustment to insurable earnings and the earnings base to reflect multiple employments is captured in the employee premium refund section.

The 2021 distributions of total number of earners and total employment income as a percentage of average employment income are used to calculate insurable earnings for years 2022 to 2030. Total employment income capped at the MIE is derived from these distributions. The resulting capped employment income is adjusted for consistency with total insurable earnings, which takes into account multiple employments as well as excluded employments. The adjustment varies based on expected changes in the unemployment rate. For 2022, the adjustment is expected to be 96.4% and then decreases to 96.3% for 2024. It then increases to its ultimate value of 96.4% in year 2025.

Table 34 shows details of the projected total insurable earnings calculations for years 2022 to 2030, as well as actual data for years 2016 to 2021. The resulting insurable earnings for 2022 reflect the year-to-date assessed premiums and related total expected assessed premiums for the year.

Table 34 Projected Total Insurable Earnings

Year	MIE (\$)	Total Employment Income for Earners Below MIE (\$ thousand)	Number of Earners Above MIE (thousands)	Total Employment Income for Earners Above MIE, Capped at MIE (\$ thousand)	Total Employment Income, Capped at MIE (\$ thousand)	Total Insurable Earnings (\$ thousand)	Increase in Total Insurable Earnings
2016	50,800	271,084,982	6,547	332,577,288	603,662,269	579,630,252	
2017	51,300	275,896,851	6,794	348,518,759	624,415,610	601,138,318	3.71%
2018	51,700	285,255,566	7,107	367,436,863	652,692,429	629,385,708	4.70%
2019	53,100	298,240,070	7,247	384,804,549	683,044,619	659,463,657	4.78%
2020	54,200	285,174,882	7,121	385,979,175	671,154,057	645,879,678	(2.06%)
2021	56,300	308,372,705	7,455	419,724,776	728,097,481	706,338,547	9.36%
2022	60,300	359,697,164	7,608	458,788,514	818,485,679	789,328,424	11.75%
2023	61,500	365,983,620	7,790	479,091,012	845,074,632	814,853,487	3.23%
2024	63,200	371,706,951	7,809	493,529,754	865,236,706	833,553,245	2.29%
2025	65,300	383,966,608	7,795	508,985,886	892,952,494	860,490,209	3.23%
2026	67,300	396,132,434	7,810	525,597,160	921,729,593	888,221,149	3.22%
2027	69,200	408,552,864	7,855	543,572,961	952,125,825	917,512,360	3.30%
2028	71,200	423,360,032	7,916	563,602,833	986,962,865	951,082,939	3.66%
2029	73,300	439,239,929	7,968	584,081,521	1,023,321,451	986,119,749	3.68%
2030	75,300	454,272,093	8,045	605,791,028	1,060,063,120	1,021,525,716	3.59%

D.2.4 Split of Total Insurable Earnings Due to Provincial Plan

On 1 March 2005, an agreement was reached between the Government of Canada and the Government of Québec, which gave the Government of Québec the means to set up, starting 1 January 2006, the Québec Parental Insurance Plan (QPIP). Under the QPIP, Québec is responsible for maternity and parental (MP) benefits claimed by residents of Québec. The final agreement between the Governments of Canada and Québec includes a financial mechanism whereby the Government of Canada reduces EI premiums paid by Québec residents and their employers so that the Government of Québec can collect premiums for its own program. The premium reduction reflects the savings to the EI Account realized as a result of Québec's program, including MP benefits that are no longer paid under EI and administrative savings.

Given that eligibility for the QPIP is based on the province of residence, for the purposes of calculating the QPIP reduction, insurable earnings must be split between Québec and all other provinces based on the province of residence. The information regarding historical insurable earnings provided by CRA (T4 basis) is based on the province of employment. Therefore, an adjustment is required to transfer insurable earnings from Québec to out-of-Québec and vice-versa to reflect the province of residence.

Split Based on Province of Employment (T4)

Premiums are remitted by employers and employees based on province of employment, i.e., on a T4 basis. The information regarding historical insurable earnings provided by CRA is also on a T4 basis and is therefore based on the province of employment. The historical distribution of insurable earnings on a T4 basis shows that the proportion of insurable earnings that relates to employment in Québec generally increased between 2016 and 2021, followed by a slight decrease in 2022. It is expected that the proportion of insurable earnings that relates to employment in Québec will slightly decrease over the 7-year projection period as highlighted in Table 35.

Table 35 Split of Insurable Earnings Between Québec and Out-of-Québec, Based on Province of Employment (T4 data)

Year	Proportion of Insurable Earnings for Employment in Québec	Proportion of Insurable Earnings for Employment Out-of-Québec
2016	21.84%	78.16%
2017	21.91%	78.09%
2018	21.97%	78.03%
2019	22.22%	77.78%
2020	22.53%	77.47%
2021	22.71%	77.29%
2022	22.68%	77.32%
2023	22.13%	77.87%
2024	21.93%	78.07%
2025	21.74%	78.26%
2026	21.57%	78.43%
2027	21.42%	78.58%
2028	21.31%	78.69%
2029	21.22%	78.78%
2030	21.14%	78.86%

The proportions shown in the table above are used to split the insurable earnings between Québec and out-of-Québec based on province of employment. Adjustments to these proportions are required to reflect the province of residence.

Split Based on Province of Residence (T1)

The premiums are remitted based on the province of employment, in accordance with the Canada-Québec Agreement and for the purpose of facilitating inter-provincial mobility. However, when a worker's premium, as well as the related employer's premium is collected under the EI MP or the QPIP, and the person for whom the premium is collected is not covered by the regime to which they have contributed because of their province of residence, adjustment payments between the Government of Canada and the Government of Québec are made as long as this person is covered under the other regime. These adjustment payments are based on information included in individual tax returns and reflect the province of residence as of 31 December.

The information on historical assessed premiums provided by CRA includes the annual adjustment payments between the Government of Canada and the Government of Québec. A split between the employee adjustment payments and the employer adjustment payments, and a split between the transfer from the Government of Canada to the Government of Québec and vice-versa is provided. Table 36 shows the detailed adjustment payments between both parties for calendar years 2016 to 2021. The adjustment payments for calendar year 2021 are preliminary.

Table 36 Historical Adjustment Payments Between the Government of Canada and the Government of Québec to Reflect Province of Residence (\$ thousand)

	2016	2017	2018	2019	2020	2021
Adjustment Payments from Government of Canada to Government of Québec (i.e. for Québec residents working outside of Québec):						
Employee Portion	13,145	13,652	14,238	15,164	15,511	18,006
Employer Portion	17,283	17,884	18,620	19,949	20,445	24,051
Total	30,428	31,537	32,858	35,112	35,956	42,058
Adjustment Payments from Government of Québec to Government of Canada (for non-Québec residents working in Québec):						
Employee Portion	13,562	14,782	16,078	16,681	16,011	19,302
Employer Portion	9,528	10,196	11,179	12,292	12,639	16,583
Total	23,090	24,978	27,257	28,972	28,650	35,885
Net Adjustment Payment from Government of Canada to Government of Québec:						
Employee Portion	(417)	(1,130)	(1,840)	(1,517)	(500)	(1,295)
Employer Portion	7,755	7,688	7,441	7,657	7,806	7,468
Total	7,338	6,558	5,601	6,140	7,306	6,173

The rules on how these adjustment payments are calculated are established in Division 4 of the *Employment Insurance Regulations* and Division 5 of *An Act Respecting Parental Insurance (QPIP)*. Under these rules, the employer adjustment payment for each T4 slip of a given employee is generally equal to that employee's insurable earnings times the QPIP reduction times the employer's multiplier. Therefore, by using the aggregate employer adjustment payments provided by CRA and an average employer multiplier, it is possible to calculate the insurable earnings of Québec residents working outside of Québec and vice-versa. Given that a similar exercise is not possible using the employee adjustment payments due to different rules that apply to various individual situations, the employer adjustment payments are used to calculate the transfer of insurable earnings on a province of employment basis from Québec to out-of-Québec and vice-versa to reflect the province of residence.

Based on information provided by CRA, insurable earnings for employees who reside in Québec and work outside of Québec correspond to 0.64% of total insurable earnings on average for the last three years of available data (2019 to 2021). Insurable earnings for employees who reside outside of Québec and work in Québec correspond to 0.41% of total insurable earnings for the same period. The resulting net effect is that, from the split based on province of employment, an average net transfer of 0.23% of total insurable earnings from out-of-Québec to Québec occurs to reflect the province of residence. This is outlined in Table 37.

Table 37 Adjustment to Insurable Earnings Split to Reflect Province of Residence (\$ thousand)

	2016	2017	2018	2019	2020	2021
Total Insurable Earnings (\$)	579,630,252	601,138,318	629,385,708	659,463,657	645,879,678	706,338,547
QPIP Reduction	0.36%	0.36%	0.36%	0.37%	0.38%	0.40%
Average Employer Multiplier:						
Out-of-Québec Employers	1.32	1.30	1.30	1.30	1.29	1.29
Québec Employers	1.31	1.29	1.30	1.30	1.29	1.30
Employer Adjustment Payments:						
From Government of Canada to Government of Québec	17,283	17,884	18,620	19,949	20,445	24,051
From Government of Québec to Government of Canada	9,528	10,196	11,179	12,292	12,639	16,583
Estimated Transfer of Insurable Earnings to Reflect Province of Residence (Employer Adjustment Payments / (QPIP reduction x Average Employer Multiplier))						
From Government of Canada to Government of Québec (\$)	3,644,693	3,820,121	3,970,754	4,147,444	4,166,407	4,645,485
From Government of Québec to Government of Canada (\$)	2,025,281	2,193,687	2,395,209	2,556,477	2,569,908	3,189,010
Net Transfer (from Canada to Québec) (\$)	1,619,412	1,626,434	1,575,544	1,590,967	1,596,499	1,456,476
Estimated Transfer of Insurable Earnings to Reflect Province of Residence as a % of Total Insurable Earnings						
From Government of Canada to Government of Québec	0.63%	0.64%	0.63%	0.63%	0.65%	0.66%
From Government of Québec to Government of Canada	0.35%	0.36%	0.38%	0.39%	0.40%	0.45%
Net From Government of Canada to Government of Québec	0.28%	0.27%	0.25%	0.24%	0.25%	0.21%

The information included in the administrative files that are exchanged between CRA and Revenu Québec was used to validate the methodology developed to estimate the transfer of insurable earnings using aggregate data. This file includes information on all tax filers who are Québec residents and work outside of Québec and vice-versa. The actual insurable earnings of Québec residents working outside of Québec (roughly 134,000 people in 2021) and of non-Québec residents working in Québec (roughly 116,000 people in 2021) were close to the ones calculated on an aggregate basis.

It is assumed that the net transfer of insurable earnings on a T4 basis to reflect actual province of residence for years 2022 to 2030 will be equal to the average transfer for years 2019 to 2021, that is 0.23%. The resulting insurable earnings on a province of residence basis are outlined in Table 38.

Table 38 Split of Salaried Insurable Earnings Based on Province of Residence

Year	Proportion of Insurable Earnings - Province of Work (T4 Basis)			Proportion of Insurable Earnings - Province of Residence		Total Insurable Earnings - Province of Residence (\$ thousand)		
	Out-of-Québec	Québec	Net Transfer to Québec	Out-of-Québec	Québec	Canada	Out-of-Québec	Québec
2021	77.29%	22.71%	0.21%	77.08%	22.92%	706,338,547	544,472,588	161,865,960
2022	77.32%	22.68%	0.23%	77.09%	22.91%	789,328,424	608,493,282	180,835,142
2023	77.87%	22.13%	0.23%	77.64%	22.36%	814,853,487	632,652,248	182,201,240
2024	78.07%	21.93%	0.23%	77.84%	22.16%	833,553,245	648,837,846	184,715,399
2025	78.26%	21.74%	0.23%	78.03%	21.97%	860,490,209	671,440,510	189,049,699
2026	78.43%	21.57%	0.23%	78.20%	21.80%	888,221,149	694,588,939	193,632,211
2027	78.58%	21.42%	0.23%	78.35%	21.65%	917,512,360	718,870,934	198,641,426
2028	78.69%	21.31%	0.23%	78.46%	21.54%	951,082,939	746,219,674	204,863,265
2029	78.78%	21.22%	0.23%	78.55%	21.45%	986,119,749	774,597,063	211,522,686
2030	78.86%	21.14%	0.23%	78.63%	21.37%	1,021,525,716	803,225,671	218,300,046

D.2.5 Employee Premium Refunds

In general, salaried employees contribute EI premiums on their total insurable earnings in a given tax year up to the annual MIE limit. However, when filing their tax returns, employees will receive a refund if they have exceeded the maximum contribution due to multiple employments in the same year or if their insurable earnings were below \$2,000. The insurable earnings that are subject to any subsequent premium refund must be excluded from the earnings base. The data from T4 slips that are used for projection purposes include insurable earnings for which premiums may later be refunded. Therefore, an adjustment must be made to reduce the earnings base. In addition, since the employer does not receive a refund, only the employee's portion of the total earnings base is adjusted.

The annual employee refunds provided by CRA reflect the net impact of total EI premiums paid and the employee adjustment payments between the Government of Canada and the Government of Québec to account for employees who reside in Québec and work outside of Québec and vice-versa.

For example, the information provided for a resident outside of Québec who is working in Québec for the same employer throughout the year will include a refund equal to the difference between the premium paid to the QPIP and the premium owed for EI MP coverage. However, the total insurable earnings should not be adjusted to reflect this refund.

Another example is the case of a Québec resident who is working outside of Québec and who has exceeded the maximum EI contribution due to multiple employments in the year. In this case, the refund provided by CRA is net of the QPIP premium payable. The insurable earnings base should be adjusted for the refund related to the EI premium overpayment rather than the EI premium overpayment minus the QPIP premium payable.

The refunds provided by CRA must therefore be adjusted to reflect only refunds that relate to multiple employment and insurable earnings below \$2,000. They should be decreased by any refund that relates to QPIP premiums paid by out-of-Québec residents who worked in Québec and increased by any QPIP premiums payable by Québec residents who had multiple employments and worked outside of Québec. Given that the latter is not as common, the adjusted premium refunds will be lower than the refunds provided by CRA.

The adjusted premium refunds are estimated such that the net assessed premiums shown in Table 33 remain unchanged after taking into account the split of insurable earnings based on province of residence. In the reconciliation of the net assessed premiums using the province of residence (Table 39), the net adjustment payments (QPIP) shown in Table 33 are re-allocated between two items: the gross premium revenues and the premium refunds. Consequently, Table 39 shows net adjustment payments (QPIP) of \$0.

The portion of net adjustment payments that is re-allocated to gross premium revenues is calculated by taking the difference between gross premiums calculated using the weighted-average premium rate on a province of residence basis and gross premiums calculated using the weighted-average premium rate on a province of employment basis. Given that the proportion of Québec insurable earnings is higher under the province of residence basis and that Québec residents have a lower premium rate, the gross premium revenues on a province of residence basis are lower than those on a province of employment basis.

The portion of net adjustment payments that has not been allocated to the change in gross premium revenues to reflect the province of residence is allocated to premium refunds. The resulting adjusted premium refunds relate only to multiple employment and insurable earnings below \$2,000 and do not reflect any other adjustments due to the province of employment being different than the province of residence.

Table 39 shows the reconciliation of net premiums and the inherent calculation of adjusted premium refunds for years 2016 to 2021. By comparing this table to Table 33 for year 2021, it can be seen that adjustment payments of \$6.2 million are reflected in Table 39 through gross premiums that are \$14.2 million lower (\$25,244.4 – \$25,230.2) and in Table 40 through premium refunds that are \$8.1 million lower (\$309.9 – \$301.8), with no resulting effect on the total net premium.

**Table 39 Calculation of the Adjusted Premium Refunds
(\$ million)**

	2016	2017	2018	2019	2020	2021
Total Insurable Earnings	579,630	601,138	629,386	659,464	645,880	706,339
Split of Insurable Earnings (Province of Residence):						
Outside Québec	77.9%	77.8%	77.8%	77.5%	77.2%	77.1%
Québec	22.1%	22.2%	22.2%	22.5%	22.8%	22.9%
EI Premium Rate:						
Outside Québec	1.88%	1.63%	1.66%	1.62%	1.58%	1.58%
Québec	1.52%	1.27%	1.30%	1.25%	1.20%	1.18%
Weighted Average Premium Rate	1.80%	1.55%	1.58%	1.54%	1.49%	1.49%
Gross Premium Revenues	25,045.1	22,364.5	23,866.4	24,324.7	23,149.9	25,230.2
Adjusted Premium Refunds	234.4	235.2	258.5	258.2	212.4	301.8
Overage	2.7	3.2	2.9	2.7	2.5	2.7
Wage-Loss Premium Reduction	871.2	922.2	953.1	992.3	1,023.0	1,135.2
Net Adjustment Payments (QPIP)	-	-	-	-	-	-
Other Accounting Adjustments	21.7	7.3	6.3	2.5	1.4	2.6
Net Premium Assessed	23,915.1	21,196.7	22,645.6	23,069.0	21,910.7	23,787.8

The adjusted premium refunds divided by the average premium rate are used to estimate the total insurable earnings subject to a subsequent employee refund. The calculations are based on historical data provided by CRA. Table 40 shows that the total insurable earnings subject to a subsequent employee refund as a percentage of total insurable earnings averages 2.55% from 2017 to 2021. It is assumed to remain constant at 2.55% until 2030.

**Table 40 Total Insurable Earnings Subject to a Subsequent Premium Refund
(\$ million)**

	2016	2017	2018	2019	2020	2021
Total Insurable Earnings (TIE)	579,630	601,138	629,386	659,464	645,880	706,339
Adjusted Premium Refunds	234.4	235.2	258.5	258.2	212.4	301.8
Average Premium Rate	1.80%	1.55%	1.58%	1.54%	1.49%	1.49%
TIE Subject to Refund	13,022	15,172	16,363	16,799	14,220	20,280
TIE Subject to Refund (% of TIE)	2.25%	2.52%	2.60%	2.55%	2.20%	2.87%

D.2.6 Self-Employed Earnings

Pursuant to the *Fairness for the Self-Employed Act*, starting 31 January 2010, self-employed persons can enter into a voluntary agreement with the Commission through Service Canada to participate in the EI program, contribute EI premiums at the employee rate and have access to special benefits. Self-employed residents of Québec will continue to receive maternity and parental benefits through the QPIP, however they are able to access sickness, compassionate care, and Family Caregiver Benefits through the EI program. As such, the earnings base used in calculating the 7-year forecast break-even rate must take into account the covered earnings of self-employed individuals who opt into the EI program.

Participants in the self-employed EI program contribute premiums on their covered earnings, (i.e., their self-employed earnings up to the annual MIE), at the employee rate corresponding to their province of residence, and there are no employer premium contributions. Therefore, as

with salaried employees' insurable earnings, self-employed covered earnings must be split between residents of Québec's covered earnings and residents out-of-Québec's covered earnings.

The expected increase in self-employed covered earnings reflects the expected increase in the number of participants, and the expected increase in average earnings of self-employed individuals.

Projected Number of Participants

ESDC tracks the number of weekly self-employed enrolments by province for the EI program and was able to provide enrolment data for each week up to June 2023. The enrolment data also includes adjustments for individuals who have opted out of the program in each week. Table 41 shows the evolution of the number of participants starting with the cumulative number as at 31 December 2010, with a split between Québec and out-of-Québec residents.

The higher than usual increase in the number of participants in 2020 is most likely due to the COVID-19 pandemic. The assumption to complete year 2023 is based on the last 3-year average (2020-2022) of weekly enrolments for the last six months of each year. Between 2024 and 2030, the number of participants is expected to grow based on the average weekly enrolments of the pre-pandemic year 2019 and 2022. The growth in enrolment has increased when compared to the projection used in the previous report due to higher observed enrolments in 2022. The number of enrolments is projected independently for Québec and out-of-Québec residents and reflects the slower pace of enrolment of Québec residents.

Using cumulative enrolments up to June 2023 and projected enrolments, Table 41 shows the historical and projected number of self-employed participants from 2010 to 2030.

Table 41 Projected Self-Employed EI Participants

Cumulative Participants as of the last week of:	Out-of-Québec Residents	Québec Residents	Total
2010	4,443	1,367	5,810
2011	7,114	2,482	9,596
2012	9,059	3,092	12,151
2013	10,574	3,358	13,932
2014	11,893	3,482	15,375
2015	13,422	3,656	17,078
2016	14,997	3,824	18,821
2017	16,708	3,978	20,686
2018	18,483	4,198	22,681
2019	20,322	4,429	24,751
2020	33,059	7,892	40,951
2021	37,734	8,701	46,435
2022	41,766	9,448	51,214
2023	46,023	10,215	56,238
2024	48,920	10,697	59,617
2025	51,818	11,179	62,997
2026	54,715	11,661	66,376
2027	57,613	12,143	69,756
2028	60,566	12,634	73,200
2029	63,463	13,116	76,579
2030	66,361	13,598	79,959

Increase in Average Earnings

Historical data on the evolution of average earnings of self-employed individuals who opted into the EI program compared to average earnings of all self-employed individuals or of salaried employees are either not available or incomplete. As such, it is assumed that the average earnings of self-employed individuals who have opted into the EI program will increase at the same pace as the average earnings of salaried employees from 2023 to 2030.

The most recent year for which complete data is available with regards to self-employed EI premiums and inherent covered earnings is tax year 2021. The projected increase in average employment earnings, combined with the increase in the number of self-employed participants are used to determine the self-employed covered earnings for years 2023 to 2030. It is important to note that regardless of the timing of enrolment during the year, premiums are paid on total covered earnings in that year. Table 42 shows the projected self-employed covered earnings for Québec residents and out-of-Québec residents for years 2022 to 2030.

Table 42 Projected Covered Earnings for Self-Employed EI Participants (\$ thousand)

Year	Out-of-Québec Residents				Québec Residents				Canada
	Increase in Average Earnings	Increase in Number of Participants	Increase in Covered Earnings	Total Covered Earnings	Increase in Average Earnings	Increase in Number of Participants	Increase in Covered Earnings	Total Covered Earnings	Total Covered Earnings
2022				354,476				58,966	413,443
2023	3.32%	10.2%	13.9%	403,588	3.32%	8.1%	11.7%	65,873	469,461
2024	3.47%	6.3%	10.0%	443,870	3.47%	4.7%	8.3%	71,372	515,242
2025	3.24%	5.9%	9.4%	485,404	3.24%	4.5%	7.9%	77,007	562,411
2026	3.11%	5.6%	8.9%	528,479	3.11%	4.3%	7.6%	82,824	611,303
2027	2.96%	5.3%	8.4%	572,936	2.96%	4.1%	7.2%	88,800	661,735
2028	2.92%	5.1%	8.2%	619,887	2.92%	4.0%	7.1%	95,089	714,976
2029	2.89%	4.8%	7.8%	668,335	2.89%	3.8%	6.8%	101,572	769,907
2030	2.87%	4.6%	7.6%	718,902	2.87%	3.7%	6.6%	108,326	827,229

D.3 Expenditures

EI expenditures include Part I and Part II (Employment Benefits and Support Measures) benefit payments, administration costs and doubtful debts. EI benefits also include temporary spending initiatives, such as pilot projects or special measures announced by the Government of Canada.

EI benefits paid under Part I of the EI Act include:

- Regular benefits, which provide temporary income support for unemployed persons;
- Fishing benefits, for self-employed fishers;
- Work-Sharing benefits, for workers willing to work a temporarily reduced work week to avoid lay-offs;
- Special benefits, for those who are sick (sickness benefits), pregnant or have recently given birth, or are caring for their newborn or newly adopted child(ren) (maternity and parental benefits), for those caring for a seriously ill family member at end-of-life (compassionate care benefits), or for those providing care or support to a critically ill or injured family member (Family Caregiver benefits); and
- Training Support Benefit (proposed in Budget 2019 and expected to be launched in 2024).

To project EI expenditures, in addition to demographic and economic forecasts, a number of assumptions are required, namely average weekly benefits, number of potential claimants and reciprocity rate. Those three assumptions are discussed below, and formulas for the projection of regular, fishing, Work-Sharing and special benefits are explained. Details on benefit repayments, Part II benefits, administration costs, bad debt expenses, penalties and interest on overdue accounts receivable are also included in this section.

D.3.1 Average Weekly Benefits

The average weekly benefits (AWB) are equal to benefit payments divided by the number of benefit weeks paid for Part I benefits.

Weekly benefits are generally equal to 55% of the claimant's variable best weeks over the qualifying period (generally 52 weeks). The number of best weeks taken into account is determined by the regional unemployment rate and varies between 14 and 22 insurable earnings weeks.

The maximum amount payable is determined by the MIE. For 2024, the maximum weekly benefit is 55% of the \$63,200 annual MIE divided by 52, or \$668.

The AWB are determined by the sum of the change in the MIE and in the average weekly earnings, weighted by the proportion of benefit weeks for claimants with insurable earnings above and below the annual MIE and by the prior year AWB for claimants with insurable earnings above and below the annual MIE.

$$AWB_T = AWB_{above(T-1)} \times (\%_{above(T)}) \times \frac{MIE_T}{MIE_{T-1}} + AWB_{below(T-1)} \times (\%_{below(T)}) \times \frac{AWE_T}{AWE_{T-1}}$$

$$AWB_{growth} = AWB_T / AWB_{T-1} - 1$$

Where: AWB = average weekly benefits;

AWB_{above} = AWB for claimants with insurable earnings above the MIE;

AWB_{below} = AWB for claimants with insurable earnings below the MIE;

MIE = maximum insurable earnings;

AWE = average weekly earnings;

%_{above} = percentage of benefit weeks for claimants with earnings above the MIE; and

%_{below} = percentage of benefit weeks for claimants with earnings below the MIE.

The percentage of benefit weeks for claimants with insurable earnings above the annual MIE is based on an analysis of administrative data provided by ESDC.

The proportion of benefit weeks for claimants with earnings above the MIE was on average 47.2% between 2017 and 2019. The proportion increased from 37.9% in 2021 to 45.1% in 2022, mainly due to the economic recovery following the COVID-19 pandemic. Based on partial data, this proportion is expected to increase to 47.0% in 2023. It is then assumed to increase in 2024 to its ultimate value of 47.2%.

Table 43 Percentage of Benefit Weeks for Claimants with IE above the MIE

Year	% Above MIE
2015	47.2%
2016	48.0%
2017	46.5%
2018	47.0%
2019	48.0%
2020	41.8%
2021	37.9%
2022	45.1%
2023	47.0%
2024-2030	47.2%

The 2022 AWB for claimants with insurable earnings above and below the MIE was \$638 and \$421 respectively; the latter represents an estimated value without the minimum benefit rate of \$500.

Based on the growth in average weekly earnings and the MIE and on the proportion of benefit weeks for claimants with earnings above the MIE, the annual average weekly benefits growth rates are forecasted at 3.2% and 3.0% for 2023 and 2024 respectively. The average annual increase for years 2025 to 2030 is 2.9%. These AWB growth rates generally apply to all benefit types for 2024 onwards.

Table 44 Average Weekly Benefits Growth Factors

	Actual			Forecast					
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Average Weekly Earnings (\$)	1,165	1,200	1,237	1,273	1,310	1,347	1,386	1,425	1,466
% Change	3.1%	3.0%	3.1%	2.9%	2.9%	2.9%	2.9%	2.8%	2.8%
MIE (\$)	60,300	61,500	63,200	65,300	67,300	69,200	71,200	73,300	75,300
% Change	7.1%	2.0%	2.8%	3.3%	3.1%	2.8%	2.9%	2.9%	2.7%
Proportion Above MIE	45.1%	47.0%	47.2%	47.2%	47.2%	47.2%	47.2%	47.2%	47.2%
Proportion Below MIE	54.9%	53.0%	52.8%	52.8%	52.8%	52.8%	52.8%	52.8%	52.8%
AWB Growth	8.1%	3.2%	3.0%	3.1%	3.0%	2.8%	2.9%	2.9%	2.8%

D.3.2 Potential Claimants

The EI Program is designed to provide temporary income support to eligible insured persons who have lost their jobs through no fault of their own, such as due to a shortage of work, or as a result of seasonal or mass lay-offs and are available for work.

Hence, to receive EI regular benefits, an individual needs to:

- be insured, that is, have paid EI premiums in the qualifying period, usually the 52 weeks preceding the claim for benefits;
- have lost their employment;
- have had a valid job separation; and
- be available for work.

The number of potential claimants is therefore estimated as the sum of:

- The number of unemployed individuals provided by the Minister of Finance from which is subtracted:
 - The number of unemployed individuals without insurable earnings (IE) in the last 52 weeks, that is, self-employed, unpaid family workers and individuals who have not worked in the last 52 weeks;
 - The number of unemployed individuals with an invalid job separation¹;

¹ The number of unemployed individuals with an invalid job separation is obtained by multiplying the number of unemployed individuals by the percentage of unemployed with an invalid job separation. For years 2019 and before, this percentage is determined using the EI Monitoring and Assessment report, which is based on

- The average number of EI regular beneficiaries currently employed, that is, individuals receiving regular benefits, but excluded from the unemployed statistics (beneficiaries working while on claim). These individuals need to be added since they are not accounted for in the definition of the unemployed.

The following table shows the development of the historical number of potential claimants.

Table 45 Historical Number of Potential Claimants (thousands)

Calendar Year	Number of Unemployed (U)	No Insurable Earnings in Last 52 Weeks		Invalid Job Separation		Working Beneficiaries		Potential Claimants	
		Number	As a % of U	Number	As a % of U	Number	As a % of U	Number	As a % of U
2012	1,395	511	36.6%	191	13.7%	92	6.6%	785	56.2%
2013	1,363	491	36.0%	203	14.9%	85	6.3%	754	55.4%
2014	1,343	482	35.9%	200	14.9%	83	6.2%	744	55.4%
2015	1,336	462	34.6%	165	12.4%	86	6.5%	795	59.5%
2016	1,363	473	34.7%	163	11.9%	88	6.5%	816	59.8%
2017	1,263	475	37.6%	152	12.0%	88	7.0%	725	57.4%
2018	1,161	427	36.8%	183	15.8%	77	6.6%	627	54.1%
2019	1,154	413	35.8%	163	14.2%	74	6.4%	651	56.4%
2020	1,929	469	24.3%	154	8.0%	85	4.4%	1,391	72.1%
2021	1,542	679	44.1%	108	7.0%	252	16.3%	1,007	65.3%
2022	1,098	461	42.0%	132	12.0%	80	7.3%	585	53.3%

The number of unemployed individuals is provided by the Minister of Finance. Assumptions for the evolution of the number of unemployed individuals without insurable earnings in the last 52 weeks, the number of unemployed individuals with an invalid job separation and the number of working beneficiaries as a percentage of the number of unemployed are made as follows:

- The percentage of unemployed without insurable earnings in the last 52 weeks averaged 35.9% for the 10-year period ending in 2019. This percentage decreased significantly in 2020 due to the forced shutdown of the economy caused by the COVID-19 pandemic. Compared to other years, more employees with insurable earnings in the last 52 weeks lost their job, putting downward pressure on the percentage of unemployed without insurable earnings in the last 52 weeks. This translated into an increase in the number of individuals without insurable earnings in the last 52 weeks between 2019 and 2021 from 413,000 to 679,000. It decreased to 461,000 in 2022 as the economy started to recover from the pandemic. Based on the experience observed for the first six months of 2023, the proportion of individuals with no insurable earnings in the last 52 weeks is expected to equal 40.2% in 2023. It is subsequently assumed to decrease to 36.0% of unemployed over the next two years and to remain constant at that level for the following years.
- The percentage of unemployed individuals with an invalid job separation is highly behaviour driven and fluctuates with the economic situation. A proportion of 7.0% was observed in

Statistics Canada's EI Coverage Survey. Starting from year 2020, this percentage is determined using Statistics Canada Table 14-10-0125-01 (*Reason for leaving job during previous year, monthly, unadjusted for seasonality*). Invalid job separations include: voluntarily leaving employment without just cause or to go to school; being dismissed for misconduct; or being unemployed because of a direct participation in a labour dispute.

2021 and 12.0% in 2022; it is expected to increase to 12.5% in 2023, before gradually increasing to an ultimate value of 13.5% in 2025. The large decrease observed in 2020 and 2021 is attributable to the forced shutdown of the economy caused by the COVID-19 pandemic.

- The ratio of working beneficiaries to unemployed is normally relatively stable and can be projected using an average of the last few years. However, given the COVID-19 pandemic, the ratio decreased in 2020, increased significantly in 2021 and then decreased again in 2022. Based on the first few months of available information for 2023, it is estimated that the ratio of working beneficiaries to unemployed will decrease to 7.0% and decrease again in 2024 to a proportion of 6.5% and remain constant thereafter.

The resulting projected proportion and number of potential claimants are presented in Table 46. The number of potential claimants as a percentage of unemployed is expected to gradually increase from 54.3% in 2023 to 57.0% in 2025 and remain constant thereafter.

Table 46 Projected Number of Potential Claimants

Calendar Year	Number of Unemployed (U) (thousands)	No Insurable Earnings in Last 52 Weeks	Invalid Job Separation	Working Beneficiaries	Potential Claimants	
		As a % of U	As a % of U	As a % of U	As a % of U	Number (thousands)
2023	1,149	40.2%	12.5%	7.0%	54.3%	624
2024	1,333	38.0%	13.0%	6.5%	55.5%	740
2025	1,285	36.0%	13.5%	6.5%	57.0%	732
2026	1,241	36.0%	13.5%	6.5%	57.0%	707
2027	1,235	36.0%	13.5%	6.5%	57.0%	704
2028	1,248	36.0%	13.5%	6.5%	57.0%	711
2029	1,265	36.0%	13.5%	6.5%	57.0%	721
2030	1,273	36.0%	13.5%	6.5%	57.0%	726

D.3.3 Reciprocity Rate (Share of Potential Claimants Receiving Benefits)

Beneficiaries, as reported by Statistics Canada, refers to the number of active regular claimants in a given month who received EI regular benefits during the reference week of the labour force survey, usually the week containing the 15th day of the month. The reciprocity rate represents the proportion of potential claimants in a given period who are receiving EI regular benefits and ignores individuals outside the target population of the EI program, such as the long-term unemployed and those who did not contribute to the program in the previous year. The reciprocity rate is thus directly linked to the target population of the EI program (i.e., potential claimants).

The reciprocity rate is normally lower than 100% for multiple reasons including:

- Some potential claimants have not accumulated the required number of insurable hours, which varies between 420 and 700 hours (without temporary measures) depending on the economic region in which they reside;
- Some potential claimants do not apply for benefits; and

- Some potential claimants are waiting to receive their benefits or have received benefits in the past but have exhausted the number of weeks they were entitled to receive regular benefits and remain unemployed.

For the purposes of forecasting regular benefit payments, historical reciprocity rates shown in the following table are calculated based on the number of beneficiaries as reported by Statistics Canada and the number of potential claimants as discussed in the previous section.

Calendar Year	Number of Potential Claimants (thousands)	Regular Beneficiaries (thousands)	Reciprocity Rate*
2012	785	555	70.8%
2013	754	523	69.4%
2014	744	508	68.3%
2015	795	535	67.2%
2016	816	564	69.1%
2017	725	533	73.4%
2018	627	464	73.9%
2019	651	452	69.4%
2020	1,391	649	46.7%
2021	1,007	1,328	131.9%
2022	585	501	85.6%

* Actual reciprocity rate including extra beneficiaries due to temporary measures.

Between 2012 and 2019, the reciprocity rate varied between 67% and 74%¹ depending on temporary measures put in place. In 2020, it decreased significantly to 46.7% due to a large proportion of people having received a benefit through emergency measures. In 2021, it increased to 131.9%. A factor that could explain the reciprocity rate being exceptionally above 100% for 2021 is the 28-week extension of the qualifying period for those who had claimed the EI ERB or the CERB, allowing them to receive a benefit without necessarily having received earnings in the last 52 weeks. It then decreased to 85.6%² in 2022 as some temporary measures ended. The preliminary projected reciprocity rate estimate³ for 2023 is 62.8% and it is assumed to increase to an ultimate value of 72.5% in 2025.

¹ Statistics Canada made a revision to their data that consequently modified the historical reciprocity rates.

² The estimated reciprocity rates for 2020, 2021 and 2022 decreased to 42.0%, 91.2% and 66.8% respectively when emergency or temporary measures are excluded.

³ The projected reciprocity rates, for 2023 and after, excludes extra beneficiaries due to the temporary measures. People having benefited from these measures are not considered in the projected reciprocity rate since they were accounted for separately as recipients of these measures (provided by ESDC).

D.3.4 Number of Weeks

El expenditures are reported in the EI Operating Account on an accrual basis, that is, they are recorded in the period for which they should have been paid, without regards to the delay in processing the payment. For example, if a claimant is eligible to receive benefits starting the first week of December 2022, but receives his first benefit payment only in February 2023, the portion of the benefits that relates to December will be recorded in the EI Operating Account for the year 2022.

Furthermore, EI benefits are paid on a weekly basis, but only weekdays that belong to a particular period are reported in that period. For example, if December 31st is a Thursday, then for every benefit week that should have been paid for the week of December 31st, four days will be reported in the current calendar year, and one will be reported in the following calendar year.

The number of weeks affects Part I expenditures as benefits are payable for every weekday of the year, regardless of holidays. The number of workdays in a year ranges from 260 days to 262 days, resulting in a number of weeks ranging from 52.0 to 52.4 as shown in the following table.

Calendar Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
Number of Weeks	52.0	52.0	52.4	52.2	52.2	52.2	52.0	52.2	52.2

D.3.5 Regular Benefits

EI regular benefits provide temporary income support to eligible insured persons who have lost their jobs through no fault of their own, such as due to shortage of work, or seasonal or mass lay-offs, and are available to work.

Regular benefit payments are equal to the average weekly benefits multiplied by the number of weeks paid, as determined by the number of potential claimants multiplied by the reciprocity rate and by the number of weeks in the year.

Regular Benefits = $PC \times RR \times W \times AWB$

Number of weeks paid

Average weekly benefits

Where: PC = number of potential claimants;
 RR = reciprocity rate;
 W = number of weeks in the year; and
 AWB = average weekly benefits.

For projection purposes, the above formula is modified such that the increase in each variable is applied to the previous year’s EI regular benefits paid. As the actual regular benefit expenditures in the base year include expenditures attributed to a pilot project, it is first subtracted before the growth factors are applied.

The base year on which the projected growth factors are applied is 2022. Regular benefits are therefore projected as follows, starting from the base year.

$$\text{Regular Benefits}_T = \underbrace{\frac{PC_T}{PC_{T-1}}}_{\text{Yearly growth in potential claimants}} \times \underbrace{\frac{W_T}{W_{T-1}} \times \frac{AWB_T}{AWB_{T-1}}}_{\text{Yearly growth in annual average benefits}} \times \underbrace{\frac{RR_T}{RR_{T-1}}}_{\text{Yearly growth in the ratio of potential claimants receiving benefits}} \times \text{Regular Benefits}_{T-1}$$

Where: PC = number of potential claimants;
W = number of weeks in a year;
AWB = average weekly benefits; and
RR = reciprocity rate.

The 2023 experience is adjusted based on known data up to June 2023. More specifically, the average weekly benefits were increased by an additional 3.78% (for a total increase of 7.0%) in 2023.

The pilot project and special measures are then added to the base regular benefits projection as shown in Table 49.

**Table 49 Regular Benefits
(\$ million)**

Benefits	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Regular Benefits (Base)	10,077	10,831	15,368	15,634	15,551	15,920	16,482	17,256	17,856
Pilot Projects/Special Temporary Measures									
Support for Eligible Seasonal Claimants in Targeted Regions	63	117	123	54	-	-	-	-	-
EI Transition Benefits									
13.1% UR, 300 Hours Credit & Max 50 weeks	1,510	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$500	192	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$300	52	0	-	-	-	-	-	-	-
EI Simplification									
Flat 420-hour Entrance Requirement & Minimum 14 Weeks Benefits	494	111	0	-	-	-	-	-	-
Simplified Rules on Separation	835	196	0	-	-	-	-	-	-
Total Regular Benefits	13,223	11,255	15,492	15,688	15,551	15,920	16,482	17,256	17,856

D.3.6 Fishing Benefits

As with regular benefits, fishing benefits are equal to the number of benefit weeks multiplied by the average weekly benefits. Fishing benefits can be projected from the base year (2022) using the expected change in the number of benefit weeks and average weekly benefits.

$$FB_T = \underbrace{(W_T/W_{T-1}) \times (AWB_T/AWB_{T-1})}_{\text{Yearly increase in average benefits}} \times \underbrace{FB_{T-1}}_{\text{Prior year's benefits}}$$

Where: FB = fishing benefits;
W = number of weeks in the year; and
AWB = average weekly benefits.

The base fishing benefits projection is shown in the following table. The projected benefits for the temporary measures are provided by the Minister of ESD.

Table 50 Fishing Benefits (\$ million)

Benefits	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fishing Benefits (Base)	375	388	402	413	426	438	448	463	476
Temporary Measures									
EI Transition Benefits									
Enhanced Access - Prior Years Earnings	0	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$500	1	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$300	0	-	-	-	-	-	-	-	-
EI Simplification: \$2,500 Entrance Requirement	0	0	-	-	-	-	-	-	-
Total Fishing Benefits	378	388	402	413	426	438	448	463	476

D.3.7 Work-Sharing Benefits

Work-Sharing benefits are projected based on the 2022 Work-Sharing expenditures, multiplied by the expected change in the number of employees and the average weekly benefits rate.

$$WSB_T = \underbrace{(EE_T/EE_{T-1})}_{\text{Change in the number of employees}} \times \underbrace{(W_T/W_{T-1}) \times (AWB_T/AWB_{T-1})}_{\text{Yearly increase in average benefits}} \times \underbrace{WSB_{T-1}}_{\text{Prior year's benefits}}$$

Where: WSB = Work-Sharing benefits;
EE = employees;
W = number of weeks in a year; and
AWB = average weekly benefits.

Table 51 shows the actual 2022 Work-Sharing benefits as well as the projection until 2030. The projected cost estimates for the temporary measure shown in Table 51 is provided by the Minister of ESD.

Table 51 Work-Sharing Benefits
(\$ million)

Benefits	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Work-Sharing Benefits (Base)	17	18	19	19	20	21	21	22	23
Work-Sharing Program in response to the Covid-19 Pandemic*	21	5	-	-	-	-	-	-	-
Total Work-Sharing Benefits	38	23	19	19	20	21	21	22	23

* Changes to the Work-Sharing Program put in place in response to the COVID-19 pandemic included: extending the duration of Work-Sharing agreements, waiving the mandatory cooling off period, expanding eligibility criteria, and streamlining the application process. The temporary special Work-Sharing measures concluded on 24 September 2022.

D.3.8 Special Benefits

Special benefits include MP benefits, for those who are pregnant or have recently given birth, or are caring for their newborn or newly adopted child(ren), sickness benefits for those who are unable to work due to sickness, injury or quarantine, compassionate care benefits for those who take a temporary leave from work to provide care or support to a family member who is gravely ill and at risk of dying within 26 weeks, and benefits for those who take leave from work to provide care or support to a critically ill or injured family member (Family Caregiver benefits for children or adults).

Salaried

Each special benefit for salaried employees is forecasted from the base year 2022 using the expected change in the number of employees and in the average weekly benefits.

$$SB_T = (EE_T/EE_{T-1}) \times (W_T/W_{T-1}) \times (AWB_T/AWB_{T-1}) \times SB_{T-1}$$

Change in the number of employees

Yearly increase in average benefits

Prior year's benefits

Where: SB = special benefits;
 EE = employees;
 W = number of weeks in a year; and
 AWB = average weekly benefits.

The 2023 experience is adjusted based on known data up to June 2023. The following adjustments were made to the number of weeks:

- Maternity and Parental: +4.5% in 2023, +1.5% in 2024 and +2.75% in 2025
- Sickness: +11% in 2023
- Family Caregiver Adult: +35% in 2023
- Family Caregiver Children: +10% in 2023

For projection purposes, expenditures attributed to recent measures and changes to the program are excluded from the base year before growth factors are applied. Expenditures attributed to recent program changes are subsequently added separately to obtain the total

special benefits.

Self-employed

Self-employed benefits are forecasted to increase in line with covered earnings, that is, in line with the self-employed covered population and related insured earnings growth. Projections consider that self-employed persons must wait 12 months after registration to claim EI special benefits.

It is expected that in 2024, self-employed participants enrolling in the EI Program will receive \$18.6 million in MP benefits, \$1.1 million in sickness benefits, \$31 thousand in compassionate care benefits and \$92 thousand in Family Caregiver benefits.

Table 52 Special Benefits

Benefits	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Salaried Employees (\$ million)									
MP Benefits	4,463	4,924	5,141	5,416	5,580	5,760	5,947	6,190	6,411
Sickness Benefits	1,890	2,215	2,279	2,336	2,407	2,485	2,565	2,670	2,765
Compassionate Care Benefits	51	53	55	56	58	60	62	64	67
Family Caregiver Benefit	107	142	147	150	155	160	165	172	178
Sub-total	6,510	7,335	7,622	7,959	8,200	8,464	8,739	9,096	9,421
Self-Employed (\$ thousand)									
MP Benefits	14,261	16,252	18,607	20,287	22,103	23,978	25,835	28,003	30,136
Sickness Benefits	861	982	1,124	1,225	1,335	1,448	1,561	1,692	1,820
Compassionate Care Benefits	24	27	31	34	37	40	44	47	51
Family Caregiver Benefit	70	80	92	100	109	118	127	138	149
Sub-total	15,217	17,341	19,854	21,647	23,585	25,586	27,567	29,880	32,156
Recent Permanent Changes (\$ million)									
Extending Maximum EI Sickness Weeks from 15 to 26	-	360	786	841	890	942	997	1,054	1,116
Recent Temporary Changes (\$ million)									
EI Transition Benefits: 13.1% UR & 480 Hours Credit*	190	-	-	-	-	-	-	-	-
EI Transition Benefits: Minimum Benefit Rate of \$500	131	-	-	-	-	-	-	-	-
Minimum Benefit Rate of \$300	35	0	-	-	-	-	-	-	-
EI Simplification: Flat 420-hour Entrance Requirement	298	67	0	-	-	-	-	-	-
Total (\$ million)									
MP Benefits	4,996	5,003	5,160	5,437	5,602	5,784	5,973	6,218	6,441
Sickness Benefits	2,017	2,581	3,066	3,179	3,299	3,428	3,564	3,726	3,883
Compassionate Care Benefits	53	54	55	56	58	60	62	64	67
Family Caregiver Benefit	113	143	147	150	155	160	165	172	178
Total Special Benefits	7,179	7,780	8,428	8,823	9,114	9,432	9,763	10,180	10,568

* ESDC provided total estimates for all special benefits. They were split by type of benefits based on 2022 actual expenses and an analysis of individual claims data.

D.3.9 Benefit Repayments

If a claimant's income for a tax year exceeds 1.25 times the annual MIE, the claimant may be required to repay a portion of EI regular or fishing benefits received. Benefit repayments, as reported in the EI Operating Account, include an estimate for the current tax year, based on regular and fishing benefit payments, and a reconciliation between actual and estimated benefit repayments for the previous tax year.

The current year forecast for 2023 is based on data provided by ESDC and is projected for 2024 and after based on the expected increase/decrease in regular and fishing benefits. The estimate for the forecast 2023 prior year actual is based on the first 6 months of benefit repayments provided by ESDC and the historical average completion ratio after 6 months.

Table 53 EI Benefit Repayments
(\$ million)

	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current Year Forecast	395	322	439	445	442	452	468	490	507
Prior Year									
Actual	454	336	322	439	445	442	452	468	490
Forecast	(437)	(395)	(322)	(439)	(445)	(442)	(452)	(468)	(490)
Sub-Total (Adjustment for prior year)	17	(59)	-	-	-	-	-	-	-
Refunds	(7)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Total	406	255	431	437	434	444	460	482	499

D.3.10 EI Part II Benefits

The programs delivered under Part II of the EI Act are called Employment Benefits and Support Measures (EBSM). The expected annual estimates for EBSM are provided by ESDC on a fiscal year basis.

Amounts presented in Table 54 include an additional LMDA expense of \$850 million for 2022 and 2023 as well as \$106 million in 2024. It reflects the additional LMDA expense announced in Budget 2017 and the new additional LMDA expense announced in Budget 2023.

Table 54 Employment Benefits and Support Measures
(\$ million)

	Actual		Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
EBSM (Fiscal Year)	2,490	2,526	2,101	2,101	2,101	2,101	2,101	2,101	2,101
	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
EBSM (Calendar Year)	2,488	2,425	2,208	2,101	2,101	2,101	2,101	2,101	2,101

D.3.11 Administration Costs

As with Part II benefits, the expected annual estimates for EI administration costs are provided by ESDC on a fiscal year basis. The calendar year costs shown in Table 55 are based on 25% of the current fiscal year and 75% of the next fiscal year.

**Table 55 Administration Costs
(\$ million)**

	Actual				Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Administration Costs (Fiscal Year)*	2,709	2,688	2,420	1,983	1,965	1,949	1,949	1,949	1,949	
	Actual				Forecast					
	2022	2023**	2024**	2025	2026	2027	2028	2029	2030	
Administration Costs (Calendar Year)*	2,691	2,681	2,499	2,092	1,969	1,953	1,949	1,949	1,949	

* Administration costs related to the new EI Training Support Benefit proposed in Budget 2019 and expected to launch in 2024 are included.

** Calendar year slightly different than the calculated value using 75%/25% of fiscal years due to a timing in the administration cost for the new EI Training Support Benefit of \$15.85 million in fiscal year 2023-2024 being fully accounted for in calendar year 2024.

As mentioned previously, the calculation of the reduction related to the EI program’s savings due to the Québec Parental Insurance Plan includes variable administrative costs (VAC). The VAC represent direct operating costs incurred by the EI program associated with the administration of MP benefits outside Québec.

These costs represent the savings to the EI program if it ceased to provide EI MP benefits. The responsibility of determining the VAC each year lies with ESDC. It should be noted that under the Canada-Québec Final Agreement, the Government of Canada provided assurance that the VAC multiplied by the ratio of the insurable earnings in Québec to the insurable earnings outside Québec would not be less than \$5 million. The 2023 to 2030 VAC are projected from actual costs incurred in 2022 as a constant percentage of MP benefits. When applicable, VAC are increased to reflect the minimum under the Canada-Québec Final Agreement.

**Table 56 Variable Administrative Costs
(\$ million)**

	Actual				Forecast					
	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Variable Administration Costs	37.1	37.1	38.3	40.4	41.6	42.9	44.3	46.1	47.8	

D.3.12 Bad Debt

Bad debt expenses relate to overpayments and penalties owed and are equal to the amount written off during the year and the change in the annual allowance for doubtful debts. The allowance is calculated on the outstanding balance in the accounts at the end of the fiscal year and is based on the collection policy, the age of the accounts and the amounts written off.

The calendar year bad debt expense included in the closing balance of the EI Operating Account as of 31 December 2022 was equal to 25% of the 2021-2022 expense and 75% of the 2022-2023 expense.

The allowance for doubtful accounts is projected based on historical experience as well as projected Part I benefits. The write-offs projection starting in 2023-2024 is based on the 2019-2020 experience.

The bad debt expense for a given year corresponds to the difference between the allowance calculated for the year and the net allowance of the previous year (i.e., allowance at the end of

the previous year reduced by the write-offs that occurred during the year).

Table 57 Bad Debt Expense
(\$ million)

	Actual				Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Allowance for Doubtful Accounts (Current Year)	467	461	470	480	489	499	511	525	541	
Net Allowance (Prior Year)										
Allowance for Doubtful Accounts (Prior Year)	495	467	461	470	480	489	499	511	525	
Write-Offs	(93)	(77)	(77)	(78)	(80)	(81)	(83)	(85)	(87)	
Total	402	389	384	392	400	408	416	426	438	
Bad Debt Expense (Fiscal Year)	64	72	85	88	89	92	95	99	102	
	Actual				Forecast					
	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Bad Debt Expense (Calendar Year)	47	70	82	87	89	91	94	98	102	

D.3.13 Penalties

The Commission may impose a penalty on a claimant, any person acting on behalf of a claimant or an employer under sections 38 and 39 of the EI Act should it become aware that they knowingly provided false or misleading information.

Penalties are correlated with benefit overpayments and are forecasted from year 2019, the latest year before the impact of the COVID-19 pandemic, using the expected annual change in Part I benefits.

Table 58 Penalties
(\$ million)

	Actual			Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Penalties	20	62	78	81	81	84	86	90	94	

D.3.14 Interest

Interest is charged on outstanding EI debts caused through misrepresentation. This includes overpayments and penalties. As per the *Interest and Administrative Charges Regulations*, the rate of interest charged to EI claimants, employers or third parties on outstanding debts is equal to 3% above the average Bank of Canada discount rate (overnight rate plus 0.25%) from the previous month¹.

The overnight rate increased throughout 2022 and 2023, from 0.25% in February 2022 to its current value of 5.00% in July 2023. The corresponding discount rate (Bank Rate) starting in July 2023 is 5.25% (5.00% + 0.25%). The forecasts from the Bank of Canada's Market Participants Survey² was considered in determining the projection of the overnight rate starting in August 2023. It is expected to increase in the second part of 2023 before decreasing to an average of 2.50% between 2026 and 2030. The corresponding discount rate is then equal to 2.75% between

¹ <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/tipp-ppir-eng.html>

² <https://www.bankofcanada.ca/2023/07/market-participants-survey-second-quarter-of-2023/>

2026 and 2030. Hence, the projected rate of interest charged on overdue accounts is equal to 5.75% (2.75% + 3.00%) from 2026 to 2030.

As the interest earned is correlated with the amount of outstanding benefit overpayments, it is forecasted using the expected annual change in Part I benefits and the 12-month average of the interest rate. Expected interest for 2023 is based on interest in 2022, increased for changes in Part I benefits and average interest rate from 2022 to 2023.

**Table 59 Interest on Overdue Accounts Receivable
(\$ million)**

	Actual		Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Average Interest Rate	4.85%	7.92%	7.40%	6.00%	5.75%	5.75%	5.72%	5.73%	5.73%
Interest	24	36	43	36	35	36	37	38	40

Appendix E Reduction in Employer Premiums Due to Qualified Wage-Loss Plans

This appendix describes the data, methodology and assumptions that underlie the calculation of the 2024 reduction in employer premiums due to qualified wage-loss plans included in this report. Data and assumptions were updated to reflect the most recent experience, but the methodology used is the same as in the previous actuarial report.

E.1 Background and Legislation on the Premium Reduction Program

Under subsection 69(1) of the EI Act, the Commission shall, with the approval of the Governor in Council, make regulations to provide a system for reducing employer premiums when employees are covered by a qualified wage-loss plan which reduces EI special benefits otherwise payable, provided that at least 5/12 of the reduction is passed on to employees.

Under subsection 69(3) of the EI Act, the Commission makes regulations for the operation of a premium reduction system, including the method for determining the amount of reduction, the use of actuarial calculations and estimates, and the specific details related to the administration of the program such as minimum qualification criteria and other registration conditions.

The Premium Reduction Program (PRP) was introduced in 1971 at the same time that sickness benefits were introduced to the Unemployment Insurance Program. At the time, many workers were already covered against loss of wages due to illness through employer sponsored plans. It was recognized that the introduction of EI sickness benefits could cause a duplication of costs to both employers and employees. As stated in the *1970 White Paper on Unemployment Insurance*, cost concerns and a desire to recognize the role of existing wage-loss plans contributed to the decision to supplement rather than pre-empt those plans. With the exception of benefits paid from registered Supplemental Unemployment Benefit (SUB¹) plans, it was therefore decided that benefits payable from employer sponsored wage-loss plans would be deducted from EI sickness benefits. In other words, the EI program would adopt a second payer position relative to employer sponsored wage-loss plans that are not registered SUB plans. This implies that employees who become ill and who are not covered by a registered SUB plan first make use of their employer's plan and only make use of EI sickness benefits if they have no employer plan, or if they have exhausted the benefits from their employer's plan.

Employers who have a wage-loss plan that meets specific qualification requirements may apply for a reduction of EI premiums under the PRP. In addition to meeting the qualification requirements, participation in the PRP is conditional upon the employer passing on at least 5/12 of the premium reduction to the employees. For administrative simplicity, the full premium reduction is provided to the employer who is then responsible for returning the employees' portion of the reduction to them through cash or fringe benefits.

¹ A SUB is a supplemental payment to an employee who is receiving EI benefits during a period of unemployment due to temporary stoppage of work, training, illness, injury or quarantine. These payments are made according to the terms of a SUB plan financed by the employer. Payments from a registered SUB plan that meets the requirements of section 37 of the EI Regulations are not deducted from the employee's EI benefits.

In accordance with sections 63, 64, 65 and 66 of the EI Regulations, there are four categories of qualified wage-loss plans, which correspond to the main types of wage-loss plans offered to workers. A summary of each category is shown below:

Category 1: Cumulative paid sick leave plans that allow for a minimum monthly accumulation of at least one day and for a maximum accumulation of at least 75 days.

Category 2: Enhanced cumulative paid sick leave plans that allow for a minimum monthly accumulation of at least one day and two thirds and for a maximum accumulation of at least 125 days.

Category 3: Weekly indemnity plans with a maximum benefit period of at least 15 weeks.

Category 4: Special weekly indemnity plans provided by certain public and parapublic employers of a province with a maximum benefit period of at least 52 weeks.

For each category, a rate of reduction, expressed as a percentage of insurable earnings, is calculated annually. These rates of reduction are then converted into reduced employer multipliers for each category and applicable premium rate.

The principle in determining the rates of reduction is that the EI program is paying lower sickness benefits due to the presence of qualified wage-loss plans, and that these savings to the EI program should be passed on to the employers who sponsor these plans and their employees. As it would not be practical to do this on an individual employer basis nor even possible to make the calculation for new employers or small firms, the rates of reduction compensate employers (and their employees) for the average rate of EI benefit savings that are generated by qualified plans in each category. Given that EI sickness benefits paid to employees who are covered by a qualified wage-loss plan depend on the category, the savings generated, and therefore the rates of reduction, vary by category.

The methodology to calculate the rates of reduction is prescribed in section 62 of the EI Regulations. Pursuant to this section, the employer's premium shall be reduced by the percentage by which the first payer cost ratio in respect of all insured persons exceeds the experience cost ratio in respect of insured persons covered by a qualified wage-loss plan of that employer's category.

Both the first payer cost ratio and the experience cost ratio are based on averages from the three years ending with the second year preceding the year for which the calculation is made. Accordingly, for 2024, the years 2020, 2021 and 2022 are used to calculate the first payer cost ratio and the experience cost ratio. The detailed formula for calculating the rates of reduction is presented in Appendix B of this report.

More information on the first payer cost ratio and the experience cost ratio is presented in the following subsections, as well as the resulting rates of reduction, reduced employer multipliers and estimated amount of premium reduction for 2024.

E.2 First Payer Cost Ratio

The first payer cost ratio represents the average hypothetical job-attached¹ EI sickness benefits that would have been paid if benefits payable under a group sickness or disability wage-loss indemnity plan or paid sick leave plan were disregarded for purposes of determining benefits otherwise payable to persons under the EI Act. It is expressed as a percentage of average insurable earnings for all insured persons. This produces a uniform first payer cost ratio reflecting the national average usage for all EI contributors and is consistent with the fact that EI contributors are charged a uniform premium rate in accordance with the pooling of risk principle.

For the purposes of calculating the 2024 rates of reduction, the first payer cost ratio is equal to the average of the first payer cost for years 2020 to 2022, divided by the average insurable earnings of all insured persons for years 2020 to 2022.

The first payer cost for each year is determined by multiplying the hypothetical number of first payer job-attached EI sickness benefit weeks (namely, those that would have been paid if benefits under a group sickness or disability wage-loss indemnity plan or paid sick leave plan were disregarded for EI benefit purposes) by the average weekly sickness benefits that would apply in such circumstances.

The first payer cost was not revised for previously calculated years (i.e. 2020 and 2021). More information on the 2020 and 2021 first payer cost can be found in previous Actuarial Reports.

E.2.1 First Payer Job-Attached EI Sickness Benefit Weeks

The hypothetical number of first payer job-attached EI sickness benefit weeks is equal to the product of the hypothetical number of first payer job-attached EI sickness claims and the average duration in weeks of these claims. The hypothetical number of first payer job-attached EI sickness claims is based on the number of individuals with insurable earnings and on an assumed job-attached EI sickness usage rate. This assumed job-attached EI sickness usage rate depends on a number of factors such as the probability of being sick for more than one week (EI sickness incidence rate), the probability of being eligible and applying for EI benefits and the probability of being job-attached at the time of illness.

Employer and employee-wide data on sickness incidences and their duration are not readily available. The most exhaustive and complete data that are available is through the combination of the EI administrative data file and the Canada Revenue Agency T4 data file. The EI sickness incidence rate is therefore estimated based on an analysis of administrative EI and T4 data. Given that the EI claims data are incomplete for employees covered by a qualified wage-loss plan (i.e., only residual claims are paid from the EI program), the EI sickness usage rate of individuals that are not covered by a qualified wage-loss plan was used as a basis for developing the overall EI sickness incidence rate of the entire insured population.

This overall EI sickness incidence rate is adjusted to reflect the estimated impact on incidence

¹ A sickness claim is considered job-attached if the interruption of earnings with the employer was by reason of illness, injury or quarantine.

rates of different age, sector of employment and salary profiles between individuals with and without a qualified wage-loss plan. The job-attached EI sickness usage rate differs by sector of employment and depending on whether or not an individual is covered by a qualified wage-loss plan due to different EI eligibility/benefit application rates and varying degrees of job attachment. Individuals who are covered by a qualified wage-loss plan have more stable full-time employment and are more likely to meet the EI eligibility requirements and be job-attached at the time of the illness. Furthermore, they are more likely to apply for EI benefits given that under the hypothetical first payer scenario, employers sponsoring a qualified wage-loss plan are assumed to adopt a second payer position rather than eliminating sickness coverage altogether.

Based on quantitative and qualitative analysis, assumptions were developed to estimate the job-attached EI sickness usage rate of all insured persons under a hypothetical first payer scenario and the resulting hypothetical number of first payer EI sickness claims. The hypothetical number of first payer job-attached EI sickness benefit weeks is calculated by multiplying the hypothetical number of first payer EI sickness claims by the estimated average duration in weeks. To obtain the average duration of claims, the wage-loss status of individuals was taken into account. This is because employees with a wage-loss plan tend to have stronger labour force attachment and that individuals with strong labour force attachment have slightly longer claim durations based on administrative claims data.

The 2022 hypothetical number of first payer job-attached EI sickness claims is 698,501 and the assumed average duration of these claims is 8.5 weeks. The resulting hypothetical number of first payer job-attached EI sickness benefit weeks for 2022 is 5,903,742.

The hypothetical number of first payer job-attached EI sickness benefit weeks for 2020 and 2021 is 4,992,379 and 6,785,302 respectively. More information is provided in previous Actuarial Reports.

E.2.2 Average Weekly Sickness Benefits

The average weekly benefits can be calculated by multiplying the following elements:

- Benefit rate (i.e., 55%);
- Weekly insurable earnings of all EI contributors; and
- Ratio of insurable earnings used to calculate the benefits of claimants to the insurable earnings of all EI contributors (“Ratio”). This Ratio captures the effect of the formula used to determine EI weekly benefits and any structural differences between insurable earnings of contributors and claimants.

The average weekly sickness benefits of individuals that are not covered by a qualified wage-loss plan were analysed and broken down into these separate elements. It was observed that the Ratio for individuals with a strong labour force attachment is significantly lower than the Ratio for all individuals. In addition, the Ratio for individuals with insurable earnings at the maximum insurable earnings is close to 1. Based on this analysis, an assumption was developed for the Ratio that would be applicable under a hypothetical first payer scenario. This Ratio was then applied to the benefit rate and weekly insurable earnings to derive the average weekly sickness benefits under a hypothetical first payer scenario.

The resulting average weekly sickness benefits under a hypothetical first payer scenario is \$510.55 for 2022. The average weekly sickness benefits under a hypothetical first payer scenario for 2020 and 2021 are \$478.55 and \$534.16 respectively, as calculated in previous Actuarial Reports.

E.2.3 Resulting First Payer Cost and First Payer Cost Ratio

Based on the foregoing, the first payer cost ratio used for the calculation of the 2024 rates of reduction is 0.4218%. Table 60 shows more details on how this first payer cost ratio is determined.

Table 60 First Payer Cost Ratio for Calculating 2024 Rates of Reduction

	2020*	2021*	2022	Average for 2024 Rates of Reduction
First Payer EI Sickness Benefit Weeks (A)	4,992,379	6,785,302	5,903,742	N/A
First Payer Average EI Sickness Benefits (B) (\$)	478.55	534.16	510.55	N/A
First Payer Cost (A x B) (\$ million)	2,389	3,624	3,014	3,009
Total Insurable Earnings (TIE) (\$ million)	645,338	705,406	789,328	713,358
First Payer Cost Ratio (% of TIE)	0.3702%	0.5138%	0.3819%	0.4218%

* More information on the 2020 and 2021 numbers can be found in previous Actuarial Reports.

E.3 Experience Cost Ratio

Under certain circumstances, EI sickness benefits are paid to individuals covered by a qualified wage-loss plan. The costs to the EI program of these benefits are deducted from the premium reduction granted through the experience cost ratio, which is subtracted from the first payer cost ratio for purposes of calculating the rates of reduction.

The experience cost ratio, which is different for each category, reflects the actual average job-attached EI sickness benefits paid for each category. It is expressed as a percentage of average insurable earnings for the insured persons in that category. In accordance with the EI Regulations, EI sickness benefits paid to individuals who were not job-attached at the time of the claim are not included in the experience cost ratio.

The allocations of annual job-attached EI sickness benefits paid and of insurable earnings among each category are based on an analysis of administrative data and reports provided by Service Canada and ESDC. For 2020, 2021 and 2022, the total cost of job-attached EI sickness benefits for each category is shown in Table 61, and the insurable earnings for each category are shown in Table 62; the amounts shown for 2022 are based on available data.

Table 61 Job-Attached EI Sickness Benefits per Category of Wage-Loss Plan (\$)

Category	2020	2021	2022	Average for 2024 Rates of Reduction
1	75,684,132	127,531,131	125,896,976	109,704,080
2	8,497,202	15,254,977	14,639,944	12,797,374
3	82,884,473	130,653,354	113,152,151	108,896,659
4	2,405,472	5,332,821	4,749,888	4,162,727
Total	169,471,279	278,772,283	258,438,959	235,560,840

Table 62 Allocation of Insurable Earnings for Employers With a Qualified Wage-Loss Plan (\$ million)

Category	2020	2021	2022	Average for 2024 Rates of Reduction
1	49,497	57,081	62,120	56,233
2	24,587	26,812	29,284	26,894
3	193,537	215,976	228,590	212,701
4	23,297	27,658	30,547	27,167
Total	290,918	327,527	350,541	322,995

The experience cost ratio used in the calculation of the 2024 rates of reduction for each category is shown in Table 63.

Table 63 Experience Cost Ratio per Category

Category	Average Insurable Earnings		Experience Cost Ratio (A/B)
	Average EI Sickness Costs (\$) (A)	(\$ million) (B)	
1	109,704,080	56,233	0.1951%
2	12,797,374	26,894	0.0476%
3	108,896,659	212,701	0.0512%
4	4,162,727	27,167	0.0153%

E.4 Rates of Reduction

Pursuant to section 62 of the EI Regulations and section 68 of the EI Act, the employer's premium shall be reduced by the percentage by which the first payer cost ratio in respect of all insured persons exceeds the experience cost ratio in respect of insured persons covered by a qualified wage-loss plan of that employer's category. The premium reduction is therefore granted by reducing the employer multiple below 1.4 to a value rounded to 3 decimals.

Table 64 shows the 2024 rates of reduction for each category of qualified wage-loss plan, along with the corresponding reduced employer multiplier for out-of-Québec and Québec employers. The employer multipliers presented in the table are calculated with a premium rate of 1.66% for residents of all provinces except Québec. The corresponding premium rate that would apply to residents of Québec is 1.32%. Pursuant to section 62 of the EI Regulations and section 68 of the EI Act, the employer multiplier is calculated from the unrounded rates of reduction and the rounded rates of reduction are shown for illustration purposes only.

Table 64 2024 Rates of Reduction

Category	First Payer Cost Ratio	Experience Cost Ratio	Unrounded Rate of Reduction	Rounded Rate of Reduction	Employer Multiplier (Out-of-Québec)	Employer Multiplier (Québec)
1	0.4218%	0.1951%	0.2268%	0.23%	1.263	1.228
2	0.4218%	0.0476%	0.3743%	0.37%	1.175	1.116
3	0.4218%	0.0512%	0.3706%	0.37%	1.177	1.119
4	0.4218%	0.0153%	0.4065%	0.41%	1.155	1.092

The Commission will notify each registered employer of the applicable 2024 rate of reduction and employer multiplier. Pro-rated rates apply for plans that do not qualify for a reduction for the full twelve months in the calendar year. In addition, adjusted rates may apply for employers who deduct QPIP premiums for a portion but not all of their employees.

E.5 Amount of Premium Reduction

Table 65 shows the estimated amount of premium reduction to be granted in 2024. The estimates are based on the historical distribution of insurable earnings by category, which was derived from Canada Revenue Agency T4 data.

Table 65 2024 Estimated Amount of Premium Reduction

Category	Estimated Number of Qualified Employers	2024 Insurable Earnings (\$ million)	Rates of Reduction	Premium Reduction (\$ million)
1	2,300	65,560	0.2268%	149
2	600	30,939	0.3743%	116
3	23,300	241,377	0.3706%	895
4	200	32,282	0.4065%	131
Total	26,400	370,158	N/A	1,290

Appendix F Acknowledgements

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The following people assisted in the preparation of this report:

Ali Jazzar
Alice Chiu, ACIA, ASA
Ayoub Ezzahouri
Jeffrey Muller, FCIA, FSA, CFA
Luc Léger, ACIA, ASA