Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada
Office of the Chief Actuary
Bureau de l´actuaire en chef

Actuarial Report 2022

Employment Insurance Premium Rate

Canada

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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 2022 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 2021. They also take into account additional information received from Employment and Social Development Canada on 12 August 2021 (announced by the Government on 30 July 2021) with regards to an upcoming temporary measure that will provide a minimum benefit rate of $300 per week for claims established between 26 September 2021 and 20 November 2021.

Yours sincerely,

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1 Executive Summary

1.1 Main Findings

Main Findings 2022 Employment Insurance Premium Rate Actuarial Report	2022	2021
Maximum Insurable Earnings (MIE)	$60,300	$56,300
7-year forecast break-even rate[1]	1.81%	Actuarial Report: 1.93% Additional Memorandum: 1.63%[2]
Québec Parental Insurance Plan (QPIP) Reduction	0.38%	0.40%
Qualified Wage-loss plans: EI savings	$1,159 million	$1,055 million[3]
Qualified Wage-loss plans: Employer Premium Reductions	Category 1: 0.23% Category 2: 0.36% Category 3: 0.36% Category 4: 0.39%	Category 1: 0.23% Category 2: 0.37% Category 3: 0.37% Category 4: 0.40%
The Government froze the 2021 and 2022 EI premium rates at the 2020 premium rate level of 1.58%. The resulting employer multipliers for those who sponsor a qualified wage-loss plan are shown below.		
Employer Multiplier: Outside Québec *Based on a premium rate of 1.58%*	Category 1: 1.257 Category 2: 1.172 Category 3: 1.172 Category 4: 1.151	Category 1: 1.257 Category 2: 1.166 Category 3: 1.166 Category 4: 1.144
Employer Multiplier: Québec *Based on a premium rate of 1.20% in 2022 and 1.18% in 2021*	Category 1: 1.211 Category 2: 1.100 Category 3: 1.100 Category 4: 1.072	Category 1: 1.209 Category 2: 1.086 Category 3: 1.086 Category 4: 1.057

The estimates in this report are based on the EI provisions as of 22 July 2021, on the information provided on or before 22 July 2021 by the Minister of Employment and Social Development (ESD) and the Minister of Finance, and on the methodology and assumptions developed by the Actuary. They also take into account additional information received from Employment and Social Development Canada on 12 August 2021 (announced by the Government on 30 July 2021) with regards to an upcoming temporary measure that will provide a minimum benefit rate of $300 per week for claims established between 26 September 2021 and 20 November 2021.

[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] The 2021 7-year forecast break-even rate was reduced to 1.63% to account for Government announcements made after the completion of the 2021 report as described in the additional memorandum published on 28 September 2020. https://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/ei-ae/Pages/EI2021_memo.aspx

[3] Revised to $1,093 million in this report based on updated earnings data.

Table 1 below shows the status of the EI Operating Account for 2020, as well as its projected evolution for 2021 and 2022. This is based on a premium rate freeze for 2021 and 2022 at the same level as 2020 (i.e. 1.58%).

Table 1 Summary of the EI Operating Account ($ million)

Calendar Year	Premium Rate (%)	Premium Revenue	Expenditures	Annual Surplus (Deficit)	Cumulative Surplus (Deficit) 31 December
2020					(1,254)
2021	1.58%	23,591	45,568	(21,977)	(23,231)
2022	1.58%	25,741	36,394	(10,653)	(33,883)

A premium rate corresponding to the 7-year forecast break-even rate (1.81%) from 2022 to 2028 would balance out the EI Operating Account at the end of 2028[1].

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 taken into account in subsequent reports.

1.2 Purpose of the Report

This Actuarial Report prepared by the Actuary, Employment Insurance Premium Rate-Setting, is the ninth 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 2022 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 2021 and 2022 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 recipiency 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 2022-2028 would result in an increase/decrease of about 0.07% in the 2022 EI 7-year forecast break-even rate;
- a variation in the average recipiency rate of 5% over the period 2022-2028 would result in an increase/decrease of about 0.05% in the 2022 EI 7-year forecast break-even rate; and
- a variation in the premium rate of 0.01% of insurable earnings would result in a $1,413 million increase/decrease in the cumulative balance of the EI Operating Account at the end of the 7-year forecast period.

1.5 Conclusion

The main results of this report are as follows:

- The 2022 MIE is **$60,300**, based on the methodology detailed in the EI Act and the relevant economic data.
- The 7-year forecast break-even rate for 2022 is **1.81%** of insurable earnings.
- The 2022 QPIP reduction is **0.38%**.
- The 2022 premium reduction for employers who sponsor qualified wage-loss plans is estimated at $1,159 million.

A reconciliation of the 7-year forecast break-even rate, from 1.93% in the 2021 Actuarial Report (reduced to 1.63% in the additional memorandum published on 28 September 2020 following two Government announcements) to 1.81% in the current report, is shown in Section 7. The increase between the rate of 1.63% and 1.81% is mainly attributable to the increase in regular benefit claims expected to be paid in 2021, as well as to the temporary and permanent measures recently put in place.

The Government confirmed that it will freeze the EI premium rate for 2022 at the 2020 premium rate level. Consequently, the 2022 premium rate will be equal to:

- **1.58% of insurable earnings for residents of all provinces except Québec; and**
- **1.20% of insurable earnings for residents of Québec, after taking into account the QPIP reduction of 0.38%.**

2 Recent Program Changes and Announcements

2.1 Premium Freeze

On 20 August 2020, the Government announced that it would freeze the EI premium rate for 2021 and 2022 at the 2020 premium rate level.

2.2 Transition Measures to Facilitate Access to EI

Due to the COVID-19 pandemic, several interim orders were enacted with the aim of facilitating access to EI. Below is a summary of the most current 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 results 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%, results in benefit eligibility with 120 hours of work for EI regular benefits.
- A one-time credit of 480 insurable hours resulting 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.
- A common entrance requirement of $2,500 in earnings for fishers to qualify for fishing or special benefits.
- The allowance for fishers to have 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 is higher. This measure was extended to 18 December 2021.
- An extension of the qualifying period by 28 weeks for those who had claimed the EI ERB or the CERB.
- The waiving of the requirement to submit a medical certificate for new EI sickness benefit claims.

In addition, the one-week waiting period was waived for the following:

- All EI claims established between 27 September 2020 and 25 October 2020.
- New EI sickness claims established on or after 27 September 2020 for a period of one year to encourage compliance with public health measures.
- All EI claims established between 31 January 2021 and 25 September 2021.

Finally, for claims established between 3 January 2021 and 25 September 2021, self-employed workers who have opted in to the EI program to access special benefits are able to use a 2020 earnings threshold of $5,000, compared to the previous threshold of $7,555.

2.3 Minimum Benefit Rate of $300

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 receive a treatment similar to Canada Recovery Benefit claimants.

2.4 Work-Sharing

Several temporary special Work-Sharing measures were introduced to support employers and workers affected by COVID-19. Changes include extending the duration of Work-Sharing agreements, waiving the mandatory cooling off period, expanding eligibility criteria and streamlining the application process. The temporary measures were in place from 15 March 2020 to 14 March 2021.

Budget 2021 announced an extension to these temporary measures until 24 September 2022.

2.5 EI Simplification and Improved Accessibility

Budget 2021 announced a suite of legislative changes to make EI more accessible and simpler for Canadians over the coming year while the job market begins to improve. The following changes will apply to eligible claims established between 26 September 2021 and 24 September 2022:

- Establishment of a common national 420-hour entrance requirement for regular and special benefits, with a 14-week minimum entitlement for regular benefits, as well as corresponding changes to earnings thresholds for fishers and self-employed workers ($2,500 for fishing earnings and $5,289 for self-employed workers registered for special benefit coverage).
- Support of multiple job holders and of those who switch jobs to improve their situation as the recovery firms up, by ensuring that all insurable hours and employment count towards a claimant's eligibility, as long as the last job separation is 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.

2.6 Seasonal Claimants

EI regulations were amended to extend the period of eligibility under the seasonal claimant pilot project announced in Budget 2018. This measure provides 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. The additional five weeks of benefits were originally available for claims established between 5 August 2018 and 30 May 2020. The period for the pilot project has been extended to include eligible claims established between 30 May 2020 and 30 October 2021. Budget 2021 announced another extension to the period of eligibility that will apply to claims established through 29 October 2022. However, regular benefit claims established between 27 September 2020 and 25 September 2021 are eligible to a maximum of 50 weeks of benefits as specified under the transition measures.

2.7 Sickness Benefits

Budget 2021 announced the enhancement of sickness benefits from 15 to 26 weeks. This extension will take effect in the summer of 2022.

2.8 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 to calendar year 2022. 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.

2.9 CERB / EI ERB

On 25 March 2020, the Government announced the COVID-19 Economic Response Plan, of which the following new emergency response benefits emerged: the Canada Emergency Response Benefit (CERB) and the EI Emergency Response Benefit (EI ERB). These benefits supported eligible workers by providing $500 a week for up to 24 weeks for the period between 15 March 2020 and 3 October 2020. The CERB expenses were to be charged to the Consolidated Revenue Fund while the EI ERB expenses were to be charged to the EI Operating Account. As a result of the implementation of the EI ERB:

- New EI regular and sickness benefit claims during this period were processed as claims for the EI ERB. Claims established prior to 15 March 2020 continued to be processed under the traditional EI rules.
- EI special benefits, excluding EI sickness benefits, continued unchanged.

On 20 August 2020, the Government announced that the CERB / EI ERB would be extended by an additional four weeks, for a maximum of 28 weeks, rather than 24.

On 14 September 2020, the Government announced that it would credit the EI Operating Account for costs related to the EI ERB. This was incorporated into the EI Act through Interim Order No. 10.

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. The 2021 Actuarial Report calculated the 2021 7-year forecast break-even rate at 1.93%. The additional memorandum published on 28 September 2020 decreased the 2021 7-year forecast break-even rate to 1.63%. Subsection 66(7) of the EI Act states that the premium rate may not be increased or decreased by more than 0.05% (five cents) from one year to the next. Subsection 66(8) states that the Governor in Council may change this maximum percentage based on the joint recommendation of the Ministers of ESD and Finance, if it is considered to be in the public interest.

On 20 August 2020, the Government announced that it would freeze the EI premium rate for 2021 and 2022 at the 2020 premium rate level of 1.58%. This report will nevertheless show how the 2022 EI 7-year forecast break-even rate is determined in order for the projected balance in the EI Operating Account as at 31 December 2028 to be $0.

Based on relevant assumptions, the 2022 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 2028, 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 2021 and the projection over a period of seven years of the earnings base, the EI expenditures as well as the amount of premium reductions granted to employers who sponsor a qualified wage-loss plan and 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 2022 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 2019, which is the most recent year for which fully assessed T4 slips (Statement of Remuneration Paid) data are available. However, for certain assumptions, the 2020 partially assessed information is used. Complete data for 2020 will not become available until January 2022. EI benefits are known up to the end of calendar year 2020. However, expenditures for year 2020 include the impact of the COVID-19 pandemic. As such, EI benefits for years 2021 to 2028 are projected from actual 2019 benefits paid, which is considered the base year.

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, originally expected to be launched in late 2020, but now delayed to 2022). 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.

Generally, EI premiums paid by the employer are equal to 1.4 times the premiums deducted by the employer on behalf of its employees, 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 one of four types of qualified wage-loss plans which reduce EI special benefits otherwise payable. The 2022 premium reductions for those employers are determined in accordance with subsection 69(1) of the EI Act and related regulations, and 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, parental and adoption (MPA) 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 2022 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 2022, this reduction is referred to as the 2022 QPIP reduction.

More information on the methodology used for calculating the 7-year forecast break-even rate and the premium reductions for 2022 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. More detailed information and supporting data are provided in Appendix D. The section is broken down into two subsections: assumptions related to the projected earnings base and assumptions related to the projected expenditures.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Increase in Maximum Insurable Earnings	2.07%	3.87%	7.10%	3.65%	3.36%	3.25%	2.70%	2.63%	2.84%
Increase in Number of Earners	(3.70%)	4.04%	2.45%	0.78%	0.84%	0.78%	0.57%	0.61%	0.60%
Increase in Average Employment Income*	3.60%	2.97%	3.50%	3.11%	2.58%	2.48%	2.79%	2.79%	2.74%
Increase in Total Employment Income	(0.23%)	7.13%	6.04%	3.91%	3.44%	3.28%	3.38%	3.41%	3.35%
Increase in Total Insurable Earnings	(2.12%)	8.25%	8.53%	4.21%	3.87%	3.69%	3.33%	3.33%	3.41%
Net Transfer of Insurable Earnings to Québec Reflecting the Province of Residence	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%
Adjustment Due to Employee Premium Refunds (% of Total Insurable Earnings)	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%
Increase in Covered Self-Employed Earnings:									
Total	70%	18%	8%	7%	7%	6%	7%	7%	6%
Out-of-Québec Residents	69%	18%	8%	8%	7%	7%	7%	7%	7%
Québec Residents	85%	14%	6%	5%	5%	5%	5%	5%	5%

* 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 2022 MIE is equal to $60,300, which represents a 7.1% increase from the 2021 MIE of $56,300. The projected MIE for years 2023 to 2028 are calculated based on estimates of the average weekly earnings provided by the Minister of Finance. Detailed explanations and calculations of the 2022 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 2020 is set such that the resulting insurable earnings are in line with the expected assessed premiums for 2020, which are derived from the 2020 year-to-date assessed premiums and the 2020 increase in average employment income provided by the Minister of Finance. The projected number of earners from 2021 to 2028 is derived from a regression analysis based on the historical number of earners[1] and number of employees[2].

The number of earners is expected to decrease by 3.70% in 2020 and increase by 4.04% in 2021 and 2.45% in 2022. The average annual increase for the following six years, from 2023 to 2028, is 0.69%. Given the historical year-to-year stability of the distribution of earners across income ranges, the projected distribution of earners as a percentage of average employment income is based on the 2019 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 2019 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 3.60% and 2.97% in 2020 and 2021 respectively. The average annual increase for the following seven years, from 2022 to 2028, is 2.86%. 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 decrease by 0.23% in 2020 and increase by 7.13% in 2021. Those variations are due to the forced shutdown of the economy created by the COVID-19 pandemic in 2020 and the partial reopening in 2021. The average annual increase for the following seven years, from 2022 to 2028, is 3.83%.

[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 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 (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 of all salaried employees, and is provided by CRA. 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 2020 to 2028 is derived from the 2019 distribution of the total employment income and 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 decrease by 2.12% in 2020 and increase by 8.25% and 8.53% in 2021 and 2022 respectively. The average annual increase for the following six years, from 2023 to 2028, is 3.64%. For 2020, the resulting insurable earnings reflect the year-to-date assessed premiums and related total expected assessed premiums for 2020. The decrease in 2020, followed by a significant increase in 2021, is attributable to the forced shutdown of the economy created by the COVID-19 pandemic in 2020 and the partial reopening in 2021. The increase in 2022 is attributable to the increase in the MIE as described in Appendix C.

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 2019, a slight increase was observed. Based on the historical pattern, it is expected that the proportion of insurable earnings that relates to employment in Québec will reach 22.5% in 2020, and will slightly decrease over the 7-year projection period, but will remain close to 22%.

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 0.26% of total insurable earnings for the last three years of available data (2017 to 2019) with the transfer of insurable earnings on a T4 basis going to Québec from the rest of Canada. It is assumed to remain at 0.26% of total insurable earnings until 2028.

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 (2015 to 2019) this percentage is assumed to be 2.46% from 2020 to 2028.

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 caring for a newborn or adopted child, 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 are able to access MPA benefits through their provincial plan, they may voluntarily opt into the EI program to access other special benefits. As such, the earnings base used in calculating the forecast break-even rate must take into account the covered earnings of self-employed individuals who opt into the EI program.

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 7% per year from 2022 to 2028. It is worth noting that 2020 and 2021 show respective increases of 70% and 18% in total covered self-employment earnings. This can most likely be attributed to the COVID-19 pandemic, as more self-employed people seeked some form of sickness coverage.

4.2 Expenditures

EI Part I benefits are known up to the end of calendar year 2020. However, the expenditures for year 2020 include the impact of the COVID-19 pandemic. As such, EI Part I benefits for years 2021 to 2028 are projected from actual 2019 benefits paid using several economic and demographic assumptions.

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.

Table 3 Assumptions for Expenditures

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Increase in Labour Force*	(1.1%)	2.1%	1.2%	0.8%	0.9%	0.9%	0.8%	0.8%	0.8%
Unemployment Rate*	9.6%	7.5%	6.2%	6.0%	5.8%	5.7%	5.7%	5.7%	5.7%
Increase in Average Weekly Earnings*	6.8%	4.5%	3.5%	3.3%	2.8%	2.6%	2.9%	2.8%	2.8%
Increase in Average Weekly Benefits	1.6%	2.2%	6.6%	5.6%	4.0%	3.0%	2.8%	2.7%	2.8%
Potential Claimants (as a % of Unemployed)	69.9%	58.0%	58.5%	57.5%	56.5%	55.5%	55.5%	55.5%	55.5%
Recipiency Rate (as a % of Potential Claimants)	46.0%	115.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Number of weeks	52.4	52.2	52.0	52.0	52.4	52.2	52.2	52.2	52.0
Percentage of Benefit Weeks for Claimants with Insurable Earnings above the MIE	41.6%	36.6%	40.0%	45.0%	47.1%	47.1%	47.1%	47.1%	47.1%

* 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 19.9 million in 2020 to 20.3 million in 2021 (an increase of 2.1%). The average labour force population between 2020 and 2028 is 21.6 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 9.6% in 2020, and is expected to decrease to 7.5% in 2021. As the country is expected to continue its recovery from the COVID-19 pandemic, the unemployment rate is expected to continue to decrease over the following years to reach an ultimate value of 5.7% in 2025. 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 4.5% in 2021 and it decreases to 3.5% in 2022. The average annual growth for years 2023 to 2028 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 2.2% for 2021 and 6.6% for 2022. The average annual increase for years 2023 to 2028 is 3.5%. The growth rates are generally the same for all benefit types. However, after further analysis of claims data for the first six months of 2021, the assumed average weekly benefit growths for 2021 for regular, maternity and parental (MP) and sickness benefits were adjusted.

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 increased from 55.1% in 2019 to 69.9% in 2020. Based on the experience of the first six months of 2021, it is expected to decrease to 58.0% in 2021. In 2022, it is expected to slightly increase to 58.5%, before decreasing over subsequent years to reach an ultimate value of 55.5% in 2025. Appendix D presents additional information on the potential claimants' calculation.

4.2.6 Recipiency Rate

The recipiency 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 recipiency 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 actual recipiency rate was 71.1% in 2019; it decreased to 46.0% in 2020 due to a large proportion of people having received a benefit through emergency or temporary transition measures. People having benefited from these measures are not considered in the recipiency rate, since they were accounted for separately as recipients of these measures. Based on the experience of the first six months of 2021, the recipiency rate is assumed to increase to 115.0% for the whole year 2021. A factor that could explain the recipiency rate being exceptionally above 100% 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. The data reporting on the EI program either identifies these individuals as ineligible for benefits or as eligible for a shorter period of time; consequently the number of beneficiaries ends up higher than the number of eligible claimants. From 2022 onwards, the recipiency rate is set at 75.0%.

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 2020 to 2028 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, 41.6% of benefit weeks for claims that accrued in 2020 were based on insurable earnings above the MIE compared to 47.9% in 2019. Based on partial data for 2021, the proportion of benefit weeks for claimants with insurable earnings above the MIE is assumed to decrease to 36.6% in 2021. The decreases in 2020 and 2021 are mostly due to the COVID-19 pandemic that caused greater unemployment for lower income Canadians. As the economy recovers, the share of claimants with earnings above the MIE is expected to increase again and reach an ultimate value of 47.1% in 2024.

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 2021, on the information provided on or before 22 July 2021 by the Ministers of ESD and Finance, and on the methodology and non-prescribed assumptions developed by the Actuary. Additional information received from ESDC on 12 August 2021 (announced by the Government on 30 July 2021) with regards to an upcoming temporary measure that will provide a minimum benefit rate of $300 per week for claims established between 26 September 2021 and 20 November 2021 was also considered.

The key findings are as follows:

- The 2022 MIE is equal to $60,300, which represents a 7.1% increase from the 2021 MIE of $56,300.
- The 2022 EI 7-year forecast break-even rate is 1.81% of insurable earnings for residents of all provinces except Québec. The 2021 EI 7-year forecast break-even rate was 1.93% in the previous actuarial report (reduced to 1.63% in the additional memorandum published on 28 September 2020 following two Government announcements). The increase between the rate of 1.63% and 1.81% is mostly attributable to higher than expected regular benefits paid in 2021, as well as temporary and permanent measures recently put in place.
- The 2022 premium reduction for residents of Québec due to its provincial plan is 0.38%.
- The 2022 premium reduction for employers who sponsor qualified wage-loss plans is estimated at $1,159 million. This translates in premium reductions for employers who sponsor a qualified wage-loss plan corresponding to about 0.23%, 0.36%, 0.36% and 0.39% of insurable earnings for categories 1 through 4 respectively.
- The total earnings base is expected to grow each year from $1,533 billion in 2020 to $2,232 billion in 2028.
- Total expenditures are expected to increase from $28 billion in 2020 to $46 billion in 2021 due to the increase in the number of regular beneficiaries in 2021 and the temporary measures put in place. Total annual expenditures are then expected to decrease over the following two years as temporary measures are being phased out; they are then expected to increase from $28 billion in 2023 to $31 billion in 2028.
- The EI Operating Account shows a cumulative deficit of $1.3 billion as of 31 December 2020. The projected cumulative deficit as of 31 December 2021 is $23.2 billion.

The Government confirmed that it will freeze the EI premium rate for 2021 and 2022 at the 2020 premium rate level. Consequently, the 2022 premium rate will be equal to:

- 1.58% of insurable earnings for residents of all provinces except Québec; and
- 1.20% of insurable earnings for residents of Québec, after taking into account the QPIP reduction of 0.38%.

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.

Table 4 Earnings Base and Number of Earners

	Earnings Base ($ million)			Number of Earners (thousands)
Calendar Year	Out-of-Québec	Québec	Total	
2019	1,214,318	351,670	1,565,989	19,944
2020	1,183,902	349,398	1,533,300	19,206
2021	1,287,372	372,406	1,659,778	19,982
2022	1,397,356	403,989	1,801,344	20,471
2023	1,456,562	420,618	1,877,181	20,630
2024	1,513,274	436,489	1,949,763	20,803
2025	1,569,310	452,389	2,021,699	20,965
2026	1,621,951	467,021	2,088,972	21,084
2027	1,676,346	482,124	2,158,470	21,212
2028	1,733,725	498,335	2,232,060	21,338

These results are used in the calculation of the 2022 EI 7-year forecast break-even rate and the 2022 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 (EBSM)), 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 2020 EI expenditures, as well as a projection up to 2028.

Table 5 Expenditures ($ million)

Calendar Year	Part I*	Part II	Admin. Costs	Benefit Repayments	Bad Debt	Penalties	Interest	Total
2020	23,593	2,452	2,306	(198)	153	(13)	(18)	28,275
2021	40,463	2,970	2,622	(475)	145	(130)	(28)	45,568
2022	32,074	2,532	2,156	(354)	112	(103)	(23)	36,394
2023	23,986	2,107	1,912	(354)	89	(77)	(18)	27,644
2024	24,175	2,107	1,889	(348)	84	(78)	(21)	27,808
2025	24,431	2,107	1,880	(347)	85	(78)	(24)	28,054
2026	25,434	2,107	1,878	(363)	88	(82)	(25)	29,038
2027	26,347	2,107	1,878	(376)	92	(85)	(27)	29,936
2028	27,222	2,107	1,878	(389)	95	(87)	(28)	30,798

* Includes temporary measures between 2020 and 2024 aimed at alleviating the impact of the COVID-19 pandemic.

Table 6 shows the breakdown of Part I EI expenditures.

Table 6 Part I Expenditures ($ million)

					Special Benefits					
Calendar Year	Regular	Fishing	Work-Sharing	Training Benefit*	MP	Sickness**	Compas-sionate	Family Caregiver Benefit	Sub-Total	Total
2020	16,871	344	139	-	4,368	1,724	49	97	6,238	23,593
2021	31,351	359	740	-	5,078	2,762	60	112	8,012	40,463
2022	23,062	406	420	22	5,315	2,671	63	116	8,166	32,074
2023	15,034	393	104	285	5,125	2,880	59	107	8,171	23,986
2024	14,766	411	27	294	5,335	3,168	62	113	8,677	24,175
2025	14,698	422	16	296	5,522	3,297	64	117	8,999	24,431
2026	15,355	433	17	296	5,714	3,432	66	121	9,333	25,434
2027	15,910	445	17	296	5,913	3,571	68	125	9,678	26,347
2028	16,442	456	18	296	6,101	3,709	71	129	10,010	27,222

* In Budget 2019, the Government of Canada announced a new EI Training Support Benefit. It is expected to be launched in 2022.

** The estimated cost of the extension of the maximum number of weeks from 15 to 26 for EI Sickness benefits is included in the projection. This change is expected to be implemented in the summer of 2022.

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 (MP) 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 2022). This rebate is proposed to be available to any business that pays employer EI premiums equal to or less than $20,000 for the 2022 calendar year. Using forecasted calendar year expenditures received from the Minister of ESD, the cost of the EI Training Support Benefit in 2022 (including the administration costs related to this benefit) is expected to represent 2 cents (1.57 cents unrounded, or 0.0157%). This cost is included in the 7-year forecast break-even rate of 1.81%. The details of the rebate were not confirmed at the time the report was produced and will still need to be approved through legislation.

Table 7 shows the projection of the expected premium reductions and rebate up to 2028 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*
2022	1,159	1,535	26
2023	1,351	1,472	27
2024	1,521	1,528	28
2025	1,739	1,583	29
2026	1,804	1,635	29
2027	1,904	1,687	29
2028	2,005	1,744	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.

For 2022, the Government has already confirmed that the premium rate would remain frozen at the 2020 premium rate level of 1.58%. For information purposes, this report shows how the 7-year forecast break-even rate is determined in order for the projected balance in the EI Operating Account as at 31 December 2028 to be $0. This rate is expected to generate sufficient premium revenue during the 2022-2028 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 2021.

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 2022 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 2021 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: EI Expenditures	Reduction for WLP	Reduction for PP	SBPR*	Total Expenditures Before Reductions and Rebate	Surplus (Deficit) in the EIOA as at 31 December 2021	Earnings Base	Annual PayGo Rate / 7-Year Forecast Break-Even Rate (%)
2022	36,394	1,159	1,535	26	39,114		1,801,344	2.17%
2023	27,644	1,351	1,472	27	30,495		1,877,181	1.62%
2024	27,808	1,521	1,528	28	30,885		1,949,763	1.58%
2025	28,054	1,739	1,583	29	31,405		2,021,699	1.55%
2026	29,038	1,804	1,635	29	32,505		2,088,972	1.56%
2027	29,936	1,904	1,687	29	33,556		2,158,470	1.55%
2028	30,798	2,005	1,744	29	34,576		2,232,060	1.55%
2022-28	209,672	11,482	11,185	198	232,536	(23,231)	14,129,490	1.81%**

* Small Business Premium Rebate (related to the EI Training Support Benefit announced in Budget 2019 and proposed to be launched in 2022).

** The deficit in the EIOA as at 31 December 2021 is used in the calculation of the 7-year forecast break-even rate: (232,536 + 23,231) / 14,129,490 = 1.81%.

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: Gross Premiums after Refunds	Reduction for WLP	Reduction for Provincial Plans	SBPR*	Other Adj.**	Net Premiums	Expenditures	Annual Surplus (Deficit)	Cumulative Surplus (Deficit) 31 December
2020	1.58%	24,226	(994)	(1,328)	-	(57)	21,847	28,275	(6,428)	(1,254)
2021	1.58%	26,224	(1,093)	(1,490)	-	(50)	23,591	45,568	(21,977)	(23,231)
2022	1.81%	32,604	(1,159)	(1,535)	(26)	-	29,884	36,394	(6,510)	(29,740)
2023	1.81%	33,977	(1,351)	(1,472)	(27)	-	31,126	27,644	3,482	(26,258)
2024	1.81%	35,291	(1,521)	(1,528)	(28)	-	32,214	27,808	4,406	(21,852)
2025	1.81%	36,593	(1,739)	(1,583)	(29)	-	33,242	28,054	5,188	(16,665)
2026	1.81%	37,810	(1,804)	(1,635)	(29)	-	34,343	29,038	5,306	(11,359)
2027	1.81%	39,068	(1,904)	(1,687)	(29)	-	35,448	29,936	5,512	(5,847)
2028	1.81%	40,400	(2,005)	(1,744)	(29)	-	36,622	30,798	5,825	(22)

* Small Business Premium Rebate.

** Adjustments for the timing of premium assessment.

The 2022 EI 7-year forecast break-even rate is 1.81%. This rate would balance out the EI Operating Account at the end of 2028. The cumulative balance in the EI Operating Account at the end of 2028 is not exactly $0 since the 7-year forecast break-even rate is rounded to the nearest cent.

5.6 2022 Premium Freeze

On 20 August 2020, the Government confirmed that it will freeze the EI premium rate for 2021 and 2022 at the 2020 premium rate level. Consequently, the premium rate applicable to residents of all provinces except Québec for 2022 will be 1.58%. The premium rate applicable to residents of Québec will be 1.20% (1.58% - 0.38%).

Table 10 shows the projection of revenues and the corresponding account balances for 2021 and 2022 based on a premium rate of 1.58%. Expenditures and premium reductions are the same as the ones shown in Table 9. For years after 2022, a premium rate would be recalculated each year based on the 7-year forecast break-even rate methodology considering the existing economic environment and revised assumptions at that time. The expected deficit at the end of calendar year 2021 corresponds to $23 billion.

Table 10 Projection of the EI Operating Account using a Premium Rate of 1.58% ($ million)

		Revenues								
Calendar Year	Premium Rate (%)	Gross Premiums after Refunds	Reduction for WLP	Reduction for Provincial Plans	SBPR*	Other Adj.**	Net Premiums	Expenditures	Annual Surplus (Deficit)	Cumulative Surplus (Deficit) 31 December
2020	1.58%	24,226	(994)	(1,328)	-	(57)	21,847	28,275	(6,428)	(1,254)
2021	1.58%	26,224	(1,093)	(1,490)	-	(50)	23,591	45,568	(21,977)	(23,231)
2022	1.58%	28,461	(1,159)	(1,535)	(26)	-	25,741	36,394	(10,653)	(33,883)

* Small Business Premium Rebate.
** Adjustments for the timing of premium assessment.

5.7 Québec Parental Insurance Plan (QPIP) Reduction for 2022

EI 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. The 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 2019[1] and reflect the impacts of program changes and special measures. The projected EI MP expenditures used to determine the 2022 QPIP reduction are shown in Table 11. They include the cost estimates provided by ESDC for temporary measures.

[1] As stated in subsection 4.2, expenditures are projected using 2019 as the base year rather than 2020.

Table 11 MP Expenditures ($ million)			
	Actual	Forecast	
	2020	2021	2022
EI MP Benefits	4,368	5,078	5,315
Variable Administration Costs	17	17	17
MP Expenditures	4,385	5,095	5,332

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 12 shows the estimates of the variables that are required in the calculation of the 2022 QPIP reduction, as well as the resulting 2022 QPIP reduction.

Table 12 Calculation of the QPIP Reduction ($ million)	
	2022 Forecast
MP Expenditures	5,332
MP Earnings Base (Out-of-Québec residents)	1,397,356
Unrounded QPIP Reduction	0.3816%
QPIP Reduction	0.38%

5.8 Qualified Wage-Loss Plan Reductions for 2022

Based on the methodology developed in Appendix B and on the 2022 projected insurable earnings of employees covered by a qualified wage-loss plan, the 2022 estimated reduction in employer premiums due to qualified wage-loss plans is $1,159 million, compared to $1,093 million for 2021.

Table 13 shows the main results. A detailed explanation of the data and methodology used to derive the results is available in Appendix E.

Table 13 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)*	2022 Estimated Insurable Earnings ($ million)	2022 Estimated Premium Reduction ($ million)
Category 1	0.2267%	0.23%	1.257	1.211	58,173	132
Category 2	0.3619%	0.36%	1.172	1.100	28,917	105
Category 3	0.3582%	0.36%	1.172	1.100	227,355	814
Category 4	0.3935%	0.39%	1.151	1.072	27,370	108
Total	N/A	N/A	N/A	N/A	341,815	1,159

* The Employer Multipliers shown are based on the frozen 2022 premium rate of 1.58% (1.20% 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 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 recipiency 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 2022-2028 would result in an increase/decrease of about 0.07% in the 2022 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 Unemployment Rate (UR)

Variation in Average UR (2022-2028)	Average UR (2022-2028)	Resulting 7-Year Forecast Break-Even Rate
(1.0%)	4.8%	1.67%
(0.5%)	5.3%	1.74%
Base	5.8%	1.81%
0.5%	6.3%	1.88%
1.0%	6.8%	1.95%

6.1.2 Recipiency Rate

The volatility shown by the recipiency rate in the past can be attributed to a number of 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 recipiency rate of 5% over the period 2022-2028 would result in an increase/decrease of about 0.05% in the 2022 EI 7-year forecast break-even rate (assuming all other assumptions remain constant).

Table 15 Sensitivity of the 7-Year Forecast Break-Even Rate to the Recipiency Rate (RR)

Variation in Average RR (2022-2028)	Average RR (2022-2028)	Resulting 7-Year Forecast Break-Even Rate
(10.0%)	65.0%	1.71%
(5.0%)	70.0%	1.76%
Base	75.0%	1.81%
5.0%	80.0%	1.86%
10.0%	85.0%	1.91%

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 $1,413 million increase/decrease in the cumulative balance of the EIOA at the end of the 7-year forecast period.

Table 16 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. 2028 ($ million)	Variation in EIOA Cumulative Balance as at 31 Dec. 2028 ($ million)
(0.05%)	1.76%	(7,087)	(7,065)
(0.01%)	1.80%	(1,435)	(1,413)
Base	1.81%	(22)	-
0.01%	1.82%	1,391	1,413
0.05%	1.86%	7,042	7,065

6.2 Scenarios

The current health and economic crisis resulting from the COVID-19 pandemic created an unprecedented shock to the Canadian labour market. The situation remains fluid and will likely continue to evolve for some time. The future impacts on the assumptions used to determine the EI 7-year forecast break-even rate are very uncertain. This uncertainty, as well as the current labour force environment, make the development of alternative scenarios very challenging. As a result, the alternative assumptions used to develop scenarios might not be considered as internally consistent. Therefore, these scenarios are presented strictly for illustration purposes.

This section shows the impact on the 7-year forecast break-even rate of a combination of changes to various assumptions. For comparison purposes, Table 17 below presents the key assumptions used in this report that vary in the low-cost and high-cost scenarios.

Table 17 Assumptions for Base Scenario

Calendar Year	Labour Force Increase	Unemployment Rate	Increase in Average Employment Income	Recipiency Rate
2022	1.2%	6.2%	3.5%	75.0%
2023	0.8%	6.0%	3.1%	75.0%
2024	0.9%	5.8%	2.6%	75.0%
2025	0.9%	5.7%	2.5%	75.0%
2026	0.8%	5.7%	2.8%	75.0%
2027	0.8%	5.7%	2.8%	75.0%
2028	0.8%	5.7%	2.7%	75.0%

6.2.1 Low-Cost Scenario

Under this scenario, each of the assumptions shown in Table 17 is changed to create downward pressure on the 7-year forecast break-even rate.

Table 18 Alternate Assumptions for the Low-Cost Scenario

Calendar Year	Labour Force Increase	Unemployment Rate	Increase in Average Employment Income	Recipiency Rate
2022	9.0%	4.7%	4.0%	70.0%
2023	0.8%	4.5%	3.6%	70.0%
2024	0.9%	4.3%	3.1%	70.0%
2025	0.9%	4.2%	3.0%	70.0%
2026	0.9%	4.2%	3.3%	70.0%
2027	0.9%	4.2%	3.3%	70.0%
2028	0.8%	4.2%	3.2%	70.0%

The results of this scenario on the 2022 7-year forecast break-even rate are illustrated in Table 19. The 7-year forecast break-even rate calculated for 2022 would decrease from 1.81% in the base scenario to 1.52%.

Table 19 Impact of the Low-Cost 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.)
2021					(23.2)
2022	1.52%	27.1	33.7	(6.6)	(29.9)
2023	1.52%	28.3	24.9	3.4	(26.4)
2024	1.52%	29.5	25.1	4.4	(22.0)
2025	1.52%	30.5	25.4	5.1	(16.9)
2026	1.52%	31.7	26.4	5.3	(11.6)
2027	1.52%	32.9	27.3	5.6	(6.0)
2028	1.52%	34.1	28.2	5.9	0.0

6.2.2 High-Cost Scenario

Under this scenario, each of the assumptions shown in Table 17 are changed to create higher pressure on the 7-year forecast break-even rate.

Table 20 Alternate Assumptions for the High-Cost Scenario

Calendar Year	Labour Force Increase	Unemployment Rate	Increase in Average Employment Income	Recipiency Rate
2022	(6.7%)	7.7%	3.0%	80.0%
2023	0.7%	7.5%	2.6%	80.0%
2024	0.8%	7.3%	2.1%	80.0%
2025	0.8%	7.2%	2.0%	80.0%
2026	0.8%	7.2%	2.3%	80.0%
2027	0.8%	7.2%	2.3%	80.0%
2028	0.8%	7.2%	2.2%	80.0%

The results of this scenario on the 2022 7-year forecast break-even rate are illustrated in Table 21. The 7-year forecast break-even rate calculated for 2022 would increase from 1.81% in the base scenario to 2.14% in this scenario.

Table 21 Impact of the High-Cost 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.)
2021					(23.2)
2022	2.14%	32.4	38.9	(6.5)	(29.7)
2023	2.14%	33.7	30.2	3.5	(26.2)
2024	2.14%	34.7	30.3	4.4	(21.9)
2025	2.14%	35.6	30.5	5.2	(16.7)
2026	2.14%	36.6	31.4	5.2	(11.5)
2027	2.14%	37.6	32.2	5.4	(6.1)
2028	2.14%	38.6	33.0	5.6	(0.5)

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 2021 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 (%)
2021 Actuarial Report - After Rounding	1.93
2021 Actuarial Report - Before Rounding	1.9265
2021 Actuarial Report (Additional Memorandum) - After Rounding	1.63[1]
2021 Actuarial Report (Additional Memorandum) - Before Rounding	1.6264
Lower than Projected EI Operating Account as at 31 December 2020	0.0249
Change in Unemployment Rate Assumptions	(0.0297)
Changes in Economics - Earnings Base	(0.1178)
Changes in Economics - Expenditures	0.1871
Temporary Measures	0.0995
Permanent Measures	0.0347
Change in 7-year period (2021-2027 to 2022-2028)	(0.0142)
2022 Actuarial Report - Before Rounding	1.8109
2022 Actuarial Report - After Rounding	1.81

The 2020 experience was worse than anticipated overall as expenditures were higher than projected in the Additional Memorandum to the 2021 Actuarial Report. This resulted in a decrease of $3,120 million in the EI Operating Account, i.e. the cumulative account balance as at 31 December 2020 changed from a projected surplus of $1,866 million in the Additional Memorandum to a deficit of $1,254 million. This increased the 7-year forecast break-even rate.

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 2021 Actuarial Report, the unemployment rate assumption was revised downward, from 6.3% to 6.1% on average for the 2021-2027 period. This decreased the 7-year forecast break-even rate.

The higher than anticipated MIE for calendar year 2022 as well as higher projected wage growth compared with the 2021 Actuarial Report have an impact on both the earnings base and the expenditures projections, which is reflected in the items *Changes in Economics* in the above table. In addition, based on the first half of 2021, regular benefit claims expected to be paid in 2021 are higher than projected in the previous report. Overall, the net impact of the *Changes in Economics* items increased the 7-year forecast break-even rate.

New temporary and permanent measures were recently introduced by the Government (see

[1] Based on the Additional Memorandum to the 2021 Actuarial Report published on 28 September 2020, estimating the impact of recent announcements (extension of the CERB and EI ERB by four weeks and crediting of the EIOA for costs related to CERB and EI ERB) on the 2021 7-year forecast break-even rate and on the EIOA. https://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/ei-ae/Pages/EI2021_memo.aspx

Section 2), which increased the 7-year forecast break-even rate. Revision of cost estimates for measures provided by ESDC in the previous year were also considered.

Overall, the 7-year forecast break-even rate increased from 1.63% in 2021 (as presented in the Additional Memorandum to the 2021 Actuarial Report) to 1.81% in 2022. However, as already mentioned, the Government confirmed that it will freeze the EI premium rate at 1.58% in 2022.

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 2022 MIE is **$60,300**. In addition, the 2022 estimated employer premium reduction due to qualified wage-loss plans is $1,159 million, and the 2022 QPIP reduction is **0.38%**.

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 2022-2028 and eliminate the projected $23.2 billion cumulative deficit in the EI Operating Account as of 31 December 2021, is **1.81%** of insurable earnings.

A reconciliation of the 7-year forecast break-even rate, from 1.93% in the 2021 Actuarial Report (reduced to 1.63% in the additional memorandum published on 28 September 2020 following two Government announcements) to 1.81% in the current report, is shown in Section 7. The increase between the rate of 1.63% and 1.81% is mainly attributable to the increase in regular benefit claims expected to be paid in 2021, as well as to the temporary and permanent measures recently put in place.

However, the Government already confirmed that it will freeze the EI premium rate for 2022 at the 2020 premium rate level. Consequently, the 2022 premium rate will be equal to:

- 1.58% of insurable earnings for residents of all provinces except Québec; and
- 1.20% of insurable earnings for residents of Québec, after taking into account the QPIP reduction of 0.38%.

9 Actuarial Opinion

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

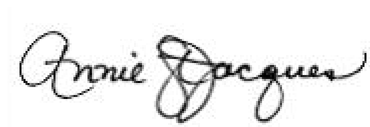
- the data on which this report is based are sufficient and reliable for the purposes of this report;
- the assumptions are appropriate for the purposes of this report; and
- the methods employed are appropriate for the purposes of this report.

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 2022-2028 and eliminate the projected cumulative deficit in the EI Operating Account as of 31 December 2021, is 1.81% of insurable earnings.

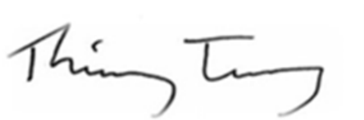
This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

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 22 July 2021. The estimates also take into account additional information received from ESDC on 12 August 2021 (announced by the Government on 30 July 2021) with regards to an upcoming temporary measure that will provide a minimum benefit rate of $300 per week for claims established between 26 September 2021 and 20 November 2021.

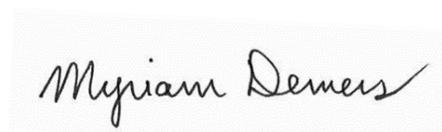
As of the date of the signing of this report, we have not learned of any events, subsequent to 22 July 2021, that would have a material impact on the 2022 7-year forecast break-even rate presented in this report.



Annie St-Jacques, FCIA, FSA
Senior Actuary, Employment Insurance Premium Rate-Setting



Thierry Truong, FCIA, FSA



Myriam Demers, ACIA, ASA

Ottawa, Canada
20 August 2021

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 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. More specifically, measures to facilitate access to EI benefits are in place for claims established between 27 September 2020 and 24 September 2022 (see Section 2).

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 maximum insurable earnings (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 Canada Employment Insurance Commission (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%. 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. 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 15 weeks.
- 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 child. 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 adult. 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, parental and adoption (MPA) benefits to residents of Québec through the Québec Parental Insurance Plan (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 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 MP 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 (EBSM), 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 (LMDAs).

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.

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 the information prescribed in subsection 66.1(1) of the EI Act.

The Minister of Finance shall provide 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 set a premium rate that is different from the one set by the Commission, based on the joint recommendation of the Ministers of ESD and Finance, if it is considered to be in the public interest.

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 2022 is the premium rate that is expected to generate sufficient premium revenue to ensure that at the end of 2028 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 2021 and the projection over a period of seven years (2022-2028) 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.

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. 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 2022 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 2019, which is the most recent year for which fully assessed T4 data are available. However, for certain assumptions, the 2020 partially assessed information is used. Complete data for 2020 will not become available until January 2022. EI benefits are known up to the end of calendar year 2020. However, expenditures for year 2020 include the impact of the COVID-19 pandemic. As such, EI benefits for years 2021 to 2028 are projected from actual 2019 benefits paid, which is considered the base year.

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 2021 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 launch in late 2020 and later postponed to calendar year 2022. 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 2021, the 7-year forecast break-even rate could either increase or decrease. For 2022, given that the projected EI Operating Account as of 31 December 2021 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:

EI Expenditures (over the next 7 years) = Revenues (over the next 7 years) + EIOA as at 31 December 2021

$$\text{Direct Program Expenditures} + R_{WLP} + R_{PP} + R_{SBPR} = \underbrace{1.4 \times \text{Rate} \times \text{TIE}}_{\substack{\text{Employer premiums paid on behalf of}\\ \text{salaried employees, prior to reductions}\\ \text{for wage-loss plans, provincial plans and}\\ \text{the Small Business Premium Rebate}}} + \underbrace{\text{Rate} \times \text{TIE} \times (1 - \text{PR\%})}_{\substack{\text{Salaried employee premiums}\\ \text{net of employee refunds}\\ \text{prior to reductions for}\\ \text{provincial plans}}} + \underbrace{\text{Rate} \times \text{TSEE}}_{\substack{\text{Employee premiums}\\ \text{for self-employed}\\ \text{prior to reductions for}\\ \text{provincial plans}}} + \text{EIOA}$$

$$\textbf{7-year forecast break-even rate} = \frac{\text{Direct Program Expenditures} + R_{WLP} + R_{PP} + R_{SBPR} - \text{EIOA}}{\underbrace{1.4 \times \text{TIE} + \text{TIE} \times (1 - \text{PR\%}) + \text{TSEE}}_{\substack{\text{Earnings base for residents of all}\\ \text{provinces over the next 7 years}}}}$$

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 2022;
EIOA = EI Operating Account as of 31 December 2021 (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 2022. The remainder of this subsection provides summarized information on this.

The methodology to calculate the rates of reduction applicable for 2022 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:

Rate of reduction(x) = First Payer Cost ratio – 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-attached[1] 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 2022 rates of reduction, the FPC ratio is equal to the average of the FPC for the years 2018 to 2020, divided by the average insurable earnings of all insured persons for the years 2018 to 2020. The formula used in determining the FPC ratio is provided below:

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

$$\text{FPC ratio} = \frac{\text{FPC (2020)} + \text{FPC (2019)} + \text{FPC (2018)}}{\text{TIE (2020)} + \text{TIE (2019)} + \text{TIE (2018)}}$$

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 2022 rates of reduction, the EC ratio of each category is based on the years 2018 to 2020. The formula used in determining the EC ratio of each category is provided below:

$$\text{EC ratio (x)} = \frac{\text{EC(x) (2020)} + \text{EC(x) (2019)} + \text{EC(x) (2018)}}{\text{TIE(x) (2020)} + \text{TIE(x) (2019)} + \text{TIE(x) (2018)}}$$

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 2022 rates of reduction per category. The 2022 estimated insurable earnings per category are then used to estimate the 2022 employer premium reduction due to qualified wage-loss plans. The estimated employer premium reductions due to qualified wage-loss plans for years 2023 to 2028 reflect temporary measures and the enhancement of sickness benefits from 15 to 26 weeks starting in the summer of 2022.

Additional supporting information on the calculation of the 2022 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 (MP) 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 2022. The remainder of this subsection provides more information on this.

Since 1 January 2006, the province of Québec has been responsible for providing maternity, parental and adoption (MPA) benefits to the residents of Québec through the Québec Parental Insurance Plan (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 2022 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 2022 EI MP expenditures, including EI MP benefits and the variable administrative costs related to administering EI MP benefits, to the 2022 earnings base of residents outside the province of Québec. Accordingly, the formula for the QPIP reduction is as follows:

$$\text{2022 QPIP Reduction} = \frac{\text{2022 EI MP Expenditures}}{\underbrace{1.4 \times TIE_{(2022\ OQ)} + TIE_{(2022\ OQ)} \times (1 - PR\%) + TSEE_{(2022\ OQ)}}_{\text{2022 earnings base for out-of-Québec residents}}}$$

Where:

$TIE_{(2022\ OQ)}$ = 2022 total insurable earnings for out-of-Québec resident salaried employees, prior to adjustments for employee premium refunds;

PR% = adjustment to reflect 2022 employee premium refunds (as a percentage of TIE);

$TSEE_{(2022\ OQ)}$ = 2022 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 *Employment Insurance Act* ("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 Canada[1], 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 $40,072.92[2].

The unrounded MIE for 2022 is equal to the unrounded MIE from 2007 ($40,072.92) multiplied by the average of the AWE for each month for the twelve month period ending 30 April 2021 ($1,119.2058) divided by the average of the AWE for each month for the twelve month period ending 30 April 2006 ($743.5792).

$$MIE_{2022} = MIE_{2007} \times \frac{AWE_{2021}}{AWE_{2006}}$$

$$= \$40{,}072.92 \times \frac{\$1{,}119.2058}{\$743.5792} = \$60{,}316.17$$

Rounded down to the nearest multiple of $100, the MIE is **$60,300** for 2022. This is an increase of $4,000 or 7.1% from the 2021 MIE of $56,300. The COVID-19 pandemic caused greater

1 The AWE series has been revised by Statistics Canada since the 2021 Actuarial Report.

2 $52 \times AWE2006 \times \frac{AWE2006}{AWE2005} = 52 \times \$743.5792 \times \frac{\$743.5792}{\$717.4750}$

unemployment for lower income Canadians, resulting in a higher than usual overall increase in AWE for the 12 month period ending in April 2021.

Table 23 Maximum Insurable Earnings ($)

Year	12-Month AWE Average as of 30 April	Revised Unrounded MIE	Applicable MIE	% change in Applicable MIE
2005	717.4750	39,000.00	39,000	-
2006	743.5792	39,000.00	39,000	-
2007	764.8708	40,072.92	40,000	2.6%
2008	796.5883	41,220.37	41,100	2.8%
2009	814.8108	42,929.69	42,300	2.9%
2010	830.0800	43,911.73	43,200	2.1%
2011	862.2858	44,734.62	44,200	2.3%
2012	878.4533	46,470.25	45,900	3.8%
2013	901.4042	47,341.55	47,400	3.3%
2014	919.1942	48,578.42	48,600	2.5%
2015	943.4942	49,537.15	49,500	1.9%
2016	952.9875	50,846.73	50,800	2.6%
2017	961.5100	51,358.34	51,300	1.0%
2018	985.4742	51,817.64	51,700	0.8%
2019	1,007.0175	53,109.11	53,100	2.7%
2020	1,045.0292	54,270.12	54,200	2.1%
2021	1,119.2058	56,318.64	56,300	3.9%
2022	N/A	60,316.17	60,300	7.1%

The MIE for years prior to 2022 are not revised and are based on the legislation that applied at the time they were determined. However, the 2022 MIE reflects retroactive adjustments to the calculation in accordance with current legislation.

2022 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 2021, in accordance with subsection 11.1 of the EI Regulations, the unrounded MSEE of 2021 was $7,555.82 of self-employed earnings in 2020. 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.

$$MSEE_{2022} = MSEE_{2021} \times \frac{AWE_{2021}}{AWE_{2020}} = \$7,555.82 \times \frac{\$1,119.2058}{\$1,045.0292} = \$8,092.14$$

The MSEE for claims filed in 2022 is therefore set at $8,092 of self-employed earnings in 2021. However, special temporary measures were put in place by the Government to decrease the amount of self-employed earnings required to make a claim. For claims established between 3 January 2021 and 25 September 2021, the threshold is lowered to $5,000; then for claims established between 26 September 2021 and 24 September 2022, it is lowered to $5,289.

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 *Employment Insurance Act* ("EI Act"), the Minister of Employment and Social Development (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 2022 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)

	Actual	Forecast							
Part I	2020	2021	2022	2023	2024	2025	2026	2027	2028
Pilot Projects/Special Temporary Measures									
Pilot Project - Support for eligible seasonal claimants in targeted regions	102.2	12.6	66.0	42.8	-	-	-	-	-
Extending Max Duration of Work-Sharing Agreements	7.7	6.4	-	-	-	-	-	-	-
Work-Sharing Program - COVID-19	7.5	721.3	405.9	89.3	11.3	-	-	-	-
EI Transition Benefits									
Regular Benefits									
13.1% UR, 300 Hours Credit & Max 50 weeks	1,100.6	4,536.5	5,781.5	35.1	-	-	-	-	-
Minimum benefit rate of $500	1,015.3	1,399.1	1,061.8	4.2	-	-	-	-	-
Special Benefits									
13.1% UR & 480 Hours Credit*	145.0	691.5	524.4	2.1	-	-	-	-	-
Minimum benefit rate of $500	125.9	555.4	421.4	1.7	-	-	-	-	-
Fishing Benefits									
$2,500 Entrance Requirement	-	23.3	17.7	0.1	-	-	-	-	-
Enhanced Access - Prior Years Earnings	20.2	99.4	0.5	-	-	-	-	-	-
Minimum benefit rate of $500	1.6	19.1	14.5	0.1	-	-	-	-	-
Waiving of Waiting Period									
Regular Benefits	492.2	468.1	-	-	-	-	-	-	-
Special Benefits	71.9	124.3	-	-	-	-	-	-	-
Fishing Benefits	2.5	5.0	-	-	-	-	-	-	-
Minimum Benefit Rate of $300									
Regular Benefits	-	37.6	66.9	0.3	-	-	-	-	-
Special Benefits	-	4.7	26.6	0.1	-	-	-	-	-
Fishing Benefits	-	0.1	0.9	0.0	-	-	-	-	-
EI Simplification									
Regular Benefits - Flat 420-hour Entrance Requirement & Minimum 14 Weeks Benefits	-	87.9	898.6	210.4	0.4	-	-	-	-
Regular Benefits - Simplified Rules on Separation	-	81.7	835.4	195.6	0.4	-	-	-	-
Special Benefits - Flat 420-hour Entrance Requirement**	-	7.4	84.0	24.0	0.1	-	-	-	-
Fishing Benefits - $2,500 Entrance Requirement	-	0.1	0.4	0.1	0.0	-	-	-	-
Sub-Total	3,092.6	8,881.2	10,206.3	605.9	12.1	-	-	-	-
Recent Proposed and Permanent Changes									
Extending Maximum EI Sickness Weeks from 15 to 26	-	-	79.8	580.8	794.6	841.4	890.4	942.0	996.6
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	-	-	127.8	893.1	1,116.8	1,166.6	1,215.7	1,267.3	1,321.9
Total	3,092.6	8,881.2	10,334.1	1,498.9	1,128.9	1,166.6	1,215.7	1,267.3	1,321.9

* 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.

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

	Actual	Forecast							
Part II	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Employment Benefits and Support Measures***	2,443.4	2,530.9	2,532.0	2,107.0	2,107.0	2,107.0	2,107.0	2,107.0	2,107.0
Administration Costs****	2,373.9	2,720.9	1,952.2	1,898.0	1,885.8	1,877.7	1,878.1	1,878.1	1,878.1

*** Includes additional LMDA investment announced in Budget 2017.
**** Includes administration costs for the new EI Training Support Benefit proposed in Budget 2019 and expected to launch in 2022.

In addition, the Minister of ESD provided an EI Operating Account summary that shows a preliminary cumulative deficit of $7.7 billion as of 31 March 2021, 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

In August 2018, the Government of Canada announced, that as part of a Budget 2018 commitment, a new pilot project to provide up to five additional weeks of EI regular benefits to eligible seasonal claimants in 13 targeted EI economic regions would be implemented. The additional five weeks of benefits were available for claims established between 5 August 2018 and 30 May 2020. In June 2020, the EI regulations were amended to extend the period of eligibility to October 2021 and a revised projected cost of $294 million was provided. Budget 2021 further extended the eligibility period to 29 October 2022. The revised projected cost provided by the Minister of ESD was $224 million.

Budget 2016 extended the maximum duration of Work-Sharing agreements that began or ended between 1 April 2016 and 31 March 2017, from 38 weeks to 76 weeks. The Softwood Lumber Action Plan announced in June 2017 extended the maximum duration of Work-Sharing agreements beginning between 30 July 2017 and 28 March 2020 to support workers affected by the downturn in the Forestry sector. In June 2018, the Government of Canada also announced the extension to the maximum duration of Work-Sharing agreements from 19 August 2018 to 27 March 2021 to support workers who may be affected by the U.S. tariffs imposed on Canadian steel and aluminium shipments.

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. The temporary measures were in place from 15 March 2020 to 14 March 2021. 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 most current 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 results 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%, results in benefit eligibility with 120 hours of work for EI regular benefits.
- A one-time credit of 480 insurable hours resulting 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.
- A minimum weekly benefit rate of $500 for fishers.
- A common entrance requirement of $2,500 in earnings for fishers to qualify for fishing or special benefits.
- The allowance for fishers to have 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 is higher. This measure was extended to 18 December 2021.

Also to facilitate access to EI, the one-week waiting period was waived for the following:

- All EI claims established between 27 September 2020 and 25 October 2020.
- New EI sickness claims established on or after 27 September 2020 for a period of one year to encourage compliance with public health measures.
- All EI claims established between 31 January 2021 and 25 September 2021.

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 are 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 receive a treatment similar to Canada Recovery Benefit claimants.

Budget 2021 Temporary EI Access Measures (EI Simplification)

Budget 2021 announced a suite of legislative changes to make EI more accessible and simpler for Canadians over the coming year while the job market begins to improve. The following changes will apply to eligible claims established between 26 September 2021 and 24 September 2022:

- Establishment of a common national 420-hour entrance requirement for regular and special benefits, with a 14-week minimum entitlement for regular benefits, as well as corresponding changes to earnings thresholds for fishers and self-employed workers ($2,500 for fishing earnings and $5,289 for self-employed workers registered for special benefit coverage).

- Support of multiple job holders and of those who switch jobs to improve their situation as the recovery firms up, by ensuring that all insurable hours and employment count towards a claimant's eligibility, as long as the last job separation is 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.

Recent Proposed and Permanent Changes

Budget 2021 announced the enhancement of sickness benefits from 15 to 26 weeks. This extension will take effect in the summer of 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. It was originally expected to launch in late 2020, but ESDC has indicated that it would be delayed to 2022. 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 starting in 2022.

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.

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 2022 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)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Population (15+)	31,053	31,318	31,760	32,211	32,642	33,073	33,494	33,910	34,323
Labour Force	19,905	20,324	20,559	20,723	20,906	21,087	21,264	21,439	21,614
Employment	18,005	18,792	19,290	19,489	19,694	19,889	20,046	20,211	20,375
Employees	15,233	16,078	16,500	16,640	16,794	16,943	17,060	17,186	17,311
Self-Employed	2,771	2,714	2,790	2,849	2,900	2,946	2,986	3,025	3,064
Unemployed	1,901	1,532	1,269	1,234	1,212	1,198	1,217	1,228	1,239
Unemployment Rate	9.6%	7.5%	6.2%	6.0%	5.8%	5.7%	5.7%	5.7%	5.7%
Average Weekly Earnings ($)	1,098	1,147	1,187	1,226	1,260	1,293	1,330	1,367	1,405
Average Employment Income Growth	3.6%	3.0%	3.5%	3.1%	2.6%	2.5%	2.8%	2.8%	2.7%

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 maximum insurable earnings (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 2020 is set such that the resulting insurable earnings are in line with the expected assessed premiums for 2020, which are derived from the 2020 year-to-date assessed premiums and the 2020 increase in average employment income provided by the Minister of Finance.

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 (%)
2014	15,072		18,645		
2015	15,189	0.78%	18,851	1.11%	0.33%
2016	15,314	0.83%	18,874	0.12%	(0.71%)
2017	15,613	1.95%	19,219	1.83%	(0.12%)
2018	15,743	0.83%	19,620	2.09%	1.26%
2019	16,116	2.37%	19,944	1.65%	(0.72%)
2020	15,233	(5.48%)	19,206	(3.70%)	1.78%

The projected number of earners is obtained by a regression based on a correlated historical relationship from 1989 to 2019 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 2021 to 2028.

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
2021	16,078		19,982	
2022	16,500	2.63%	20,471	2.45%
2023	16,640	0.85%	20,630	0.78%
2024	16,794	0.92%	20,803	0.84%
2025	16,943	0.89%	20,965	0.78%
2026	17,060	0.69%	21,084	0.57%
2027	17,186	0.73%	21,212	0.61%
2028	17,311	0.73%	21,338	0.60%

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%
2014	46,415	21.8%	14.7%	13.1%	12.4%	9.9%	28.1%
2015	47,223	22.0%	14.7%	13.3%	12.4%	9.9%	27.8%
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%

The 2019 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 2020 to 2028.

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 2014 to 2019.

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
2014	48,600	1.0471	64.2%	18,645	11,962	6,683
2015	49,500	1.0482	64.5%	18,851	12,168	6,683
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	1.0242	63.0%	19,206	12,098	7,109
2021	56,300	1.0332	63.4%	19,982	12,669	7,313
2022	60,300	1.0692	65.0%	20,471	13,306	7,166
2023	62,500	1.0747	65.2%	20,630	13,458	7,172
2024	64,600	1.0829	65.6%	20,803	13,644	7,160
2025	66,700	1.0911	65.9%	20,965	13,822	7,142
2026	68,500	1.0901	65.9%	21,084	13,892	7,192
2027	70,300	1.0884	65.8%	21,212	13,961	7,251
2028	72,300	1.0895	65.9%	21,338	14,054	7,284

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 for years 2020 to 2028. Table 30 shows the derivation of the projected total employment income for years 2020 to 2028, as well as actual data provided by CRA for years 2014 to 2019.

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)
2014	18,645		46,415			865,389,791
2015	18,851	1.11%	47,223	1.74%	2.87%	890,187,256
2016	18,874	0.12%	46,872	(0.74%)	(0.62%)	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	N/A	(3.70%)	N/A	3.60%	(0.23%)	1,016,409,096
2021	N/A	4.04%	N/A	2.97%	7.13%	1,088,848,103
2022	N/A	2.45%	N/A	3.50%	6.04%	1,154,575,656
2023	N/A	0.78%	N/A	3.11%	3.91%	1,199,735,750
2024	N/A	0.84%	N/A	2.58%	3.44%	1,241,011,727
2025	N/A	0.78%	N/A	2.48%	3.28%	1,281,663,669
2026	N/A	0.57%	N/A	2.79%	3.38%	1,324,922,711
2027	N/A	0.61%	N/A	2.79%	3.41%	1,370,136,467
2028	N/A	0.60%	N/A	2.74%	3.35%	1,416,069,840

As shown in Table 31, the historical distribution of total employment income as a percentage of average employment income is relatively 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%
2014	46,415	2.4%	5.4%	8.2%	10.8%	11.1%	62.2%
2015	47,223	2.3%	5.4%	8.3%	10.8%	11.1%	62.1%
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%

The 2019 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 2020 to 2028. 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 2020 to 2028. Actual data is also shown for years 2014 to 2019.

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

Year	MIE ($)	MIE as a Proportion of Average Employment Income	Proportion of Employment Income for Earners Below MIE	Total Employment Income ($ thousand)	Total Employment Income for Earners Below MIE ($ thousand)	Total Employment Income for Earners Above MIE ($ thousand)
2014	48,600	1.0471	28.9%	865,389,791	250,470,009	614,919,782
2015	49,500	1.0482	29.1%	890,187,256	259,085,340	631,101,916
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	1.0242	28.6%	1,016,409,096	290,608,497	725,800,599
2021	56,300	1.0332	29.0%	1,088,848,103	315,953,878	772,894,225
2022	60,300	1.0692	30.7%	1,154,575,656	354,357,935	800,217,721
2023	62,500	1.0747	30.9%	1,199,735,750	371,289,467	828,446,283
2024	64,600	1.0829	31.3%	1,241,011,727	388,713,508	852,298,219
2025	66,700	1.0911	31.7%	1,281,663,669	406,233,020	875,430,648
2026	68,500	1.0901	31.7%	1,324,922,711	419,355,262	905,567,449
2027	70,300	1.0884	31.6%	1,370,136,467	432,584,954	937,551,514
2028	72,300	1.0895	31.6%	1,416,069,840	447,809,087	968,260,753

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 2014 to 2019 from the CRA statement of premium revenue is shown in Table 33. Net premiums assessed for 2014 to 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)

	2014	2015	2016	2017	2018	2019
Net Premiums Assessed	22,838.3	23,459.0	23,915.1	21,196.7	22,645.6	23,065.4
Unadjusted Employee Premium Refunds	266.0	254.0	241.1	242.6	266.5	262.4
Overage	3.0	3.1	2.7	3.2	2.9	2.7
Wage-Loss Premium Reduction	854.0	837.4	871.2	922.2	953.1	993.7
Net Adjustment Payments (QPIP)	7.4	6.3	7.3	6.6	5.6	6.2
Other Accounting Adjustments	5.7	5.0	21.7	7.3	6.3	2.5
Gross EI Premium Revenues	23,974.3	24,564.7	25,059.2	22,378.6	23,880.0	24,333.0
Distribution of Insurable Earnings (Province of Employment):						
Out-of-Québec	78.2%	78.4%	78.2%	78.1%	78.0%	77.8%
Québec	21.8%	21.6%	21.8%	21.9%	22.0%	22.2%
EI Premium Rate:						
Out-of-Québec	1.88%	1.88%	1.88%	1.63%	1.66%	1.62%
Québec	1.53%	1.54%	1.52%	1.27%	1.30%	1.25%
Weighted Average Premium Rate	1.80%	1.81%	1.80%	1.55%	1.58%	1.54%
Total Insurable Earnings	553,812	566,606	579,630	601,138	629,386	659,308

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 2019 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 2020 to 2028. 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 years 2020 to 2021, the adjustment is expected to be 95.5% and 96.0% respectively. It is expected to reach its ultimate value of 96.4% in year 2022. Table 34 shows details of the projected total insurable earnings calculations for years 2020 to 2028, as well as actual data for years 2014 to 2019. The resulting insurable earnings for 2020 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
2014	48,600	250,470,009	6,683	324,804,152	575,274,161	553,811,508	
2015	49,500	259,085,340	6,683	330,817,311	589,902,651	566,606,136	2.31%
2016	50,800	271,084,982	6,547	332,577,288	603,662,269	579,630,252	2.30%
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	659,308,444	4.75%
2020	54,200	290,608,497	7,109	385,289,135	675,897,633	645,338,099	(2.12%)
2021	56,300	315,953,878	7,313	411,708,555	727,662,433	698,555,936	8.25%
2022	60,300	354,357,935	7,166	432,092,315	786,450,250	758,138,041	8.53%
2023	62,500	371,289,467	7,172	448,263,862	819,553,329	790,049,409	4.21%
2024	64,600	388,713,508	7,160	462,522,188	851,235,696	820,591,211	3.87%
2025	66,700	406,233,020	7,142	476,402,388	882,635,409	850,860,534	3.69%
2026	68,500	419,355,262	7,192	492,642,358	911,997,620	879,165,706	3.33%
2027	70,300	432,584,954	7,251	509,745,575	942,330,529	908,406,630	3.33%
2028	72,300	447,809,087	7,284	526,640,382	974,449,469	939,369,288	3.41%

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 MPA 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 decreased until 2015; between 2015 and 2020, a slight increase was observed. Based on the historical pattern, it is expected that the proportion of insurable earnings that relates to employment in Québec will slightly decrease starting in 2021 and over the 7-year projection period, but will remain close to 22%. This is 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
2014	21.79%	78.21%
2015	21.64%	78.36%
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	22.18%	77.82%
2022	22.17%	77.83%
2023	22.15%	77.85%
2024	22.13%	77.87%
2025	22.12%	77.88%
2026	22.10%	77.90%
2027	22.08%	77.92%
2028	22.07%	77.93%

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 2014 to 2019. The adjustment payments for calendar year 2019 are preliminary.

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

	2014	2015	2016	2017	2018	2019
Adjustment Payments from Government of Canada to Government of Québec (i.e. for Québec residents working outside of Québec):						
Employee Portion	12,155	12,241	13,145	13,652	14,238	14,631
Employer Portion	15,894	15,920	17,283	17,884	18,620	19,337
Total	28,049	28,161	30,428	31,537	32,858	33,968
Adjustment Payments from Government of Québec to Government of Canada (for non-Québec residents working in Québec):						
Employee Portion	12,451	13,285	13,562	14,782	16,078	16,001
Employer Portion	8,234	8,581	9,528	10,196	11,179	11,782
Total	20,685	21,866	23,090	24,978	27,257	27,783
Net Adjustment Payment from Government of Canada to Government of Québec:						
Employee Portion	(296)	(1,044)	(417)	(1,130)	(1,840)	(1,370)
Employer Portion	7,660	7,339	7,755	7,688	7,441	7,555
Total	7,364	6,295	7,338	6,558	5,601	6,185

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 0.63% of total insurable earnings on average for the last three years of available data (2017 to 2019). Insurable earnings for employees who reside outside of Québec and work in Québec correspond to 0.37% 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 0.26% 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)

	2014	2015	2016	2017	2018	2019
Total Insurable Earnings ($)	553,811,508	566,606,136	579,630,252	601,138,318	629,385,708	659,308,444
QPIP Reduction	0.35%	0.34%	0.36%	0.36%	0.36%	0.37%
Average Employer Multiplier:						
Out-of-Québec Employers	1.31	1.32	1.32	1.30	1.30	1.30
Québec Employers	1.31	1.31	1.31	1.29	1.30	1.30
Employer Adjustment Payments:						
From Government of Canada to Government of Québec	15,894	15,920	17,283	17,884	18,620	19,337
From Government of Québec to Government of Canada	8,234	8,581	9,528	10,196	11,179	11,782
Estimated Transfer of Insurable Earnings to Reflect Province of Residence (Employer Adjustment Payments / (QPIP reduction x Average Employer Multiplier))						
From Government of Canada to Government of Québec ($)	3,460,215	3,550,507	3,644,693	3,820,121	3,970,754	4,022,437
From Government of Québec to Government of Canada ($)	1,802,579	1,928,919	2,025,281	2,193,687	2,395,209	2,450,805
Net Transfer (from Canada to Québec) ($)	1,657,636	1,621,588	1,619,412	1,626,434	1,575,544	1,571,631
Estimated Transfer of Insurable Earnings to Reflect Province of Residence as a % of Total Insurable Earnings						
From Government of Canada to Government of Québec	0.62%	0.63%	0.63%	0.64%	0.63%	0.61%
From Government of Québec to Government of Canada	0.33%	0.34%	0.35%	0.36%	0.38%	0.37%
Net From Government of Canada to Government of Québec	0.30%	0.29%	0.28%	0.27%	0.25%	0.24%

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 127,000 people in 2019) and of non-Québec residents working in Québec (roughly 97,000 people in 2019) 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 2020 to 2028 will be equal to the average transfer for years 2017 to 2019, that is 0.26%. 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

	Proportion of Insurable Earnings - Province of Work (T4 Basis)		Net	Proportion of Insurable Earnings - Province of Residence		Total Insurable Earnings - Province of Residence ($ thousand)		
Year	Out-of-Québec	Québec	Transfer to Québec	Out-of-Québec	Québec	Canada	Out-of-Québec	Québec
2019	77.78%	22.22%	0.24%	77.54%	22.46%	659,308,444	511,238,476	148,069,968
2020	77.47%	22.53%	0.26%	77.21%	22.79%	645,338,099	498,265,547	147,072,553
2021	77.82%	22.18%	0.26%	77.56%	22.44%	698,555,936	541,799,984	156,755,952
2022	77.83%	22.17%	0.26%	77.57%	22.43%	758,138,041	588,087,679	170,050,363
2023	77.85%	22.15%	0.26%	77.59%	22.41%	790,049,409	612,999,337	177,050,073
2024	77.87%	22.13%	0.26%	77.61%	22.39%	820,591,211	636,860,839	183,730,372
2025	77.88%	22.12%	0.26%	77.62%	22.38%	850,860,534	660,437,947	190,422,588
2026	77.90%	22.10%	0.26%	77.64%	22.36%	879,165,706	682,584,254	196,581,452
2027	77.92%	22.08%	0.26%	77.66%	22.34%	908,406,630	705,468,589	202,938,041
2028	77.93%	22.07%	0.26%	77.67%	22.33%	939,369,288	729,608,126	209,761,162

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 2014 to 2019. By comparing this table to Table 33 for year 2019, it can be seen that adjustment payments of $6.2 million are reflected in Table 39 through gross premiums that are $14.1 million lower ($24,333.0 – $24,319.0) and in Table 40 through premium refunds that are $7.9 million lower ($262.4 – $254.5), with no resulting effect on the total net premium.

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

	2014	2015	2016	2017	2018	2019
Total Insurable Earnings	553,812	566,606	579,630	601,138	629,386	659,308
Split of Insurable Earnings (Province of Residence):						
Outside Québec	77.9%	78.1%	77.9%	77.8%	77.8%	77.5%
Québec	22.1%	21.9%	22.1%	22.2%	22.2%	22.5%
EI Premium Rate:						
Outside Québec	1.88%	1.88%	1.88%	1.63%	1.66%	1.62%
Québec	1.53%	1.54%	1.52%	1.27%	1.30%	1.25%
Weighted Average Premium Rate	1.80%	1.81%	1.80%	1.55%	1.58%	1.54%
Gross Premium Revenues	23,960.3	24,551.3	25,045.1	22,364.5	23,866.4	24,319.0
Adjusted Premium Refunds	259.4	246.9	234.4	235.2	258.5	254.5
Overage	3.0	3.1	2.7	3.2	2.9	2.7
Wage-Loss Premium Reduction	854.0	837.4	871.2	922.2	953.1	993.7
Net Adjustment Payments (QPIP)	-	-	-	-	-	-
Other Accounting Adjustments	5.7	5.0	21.7	7.3	6.3	2.5
Net Premium Assessed	22,838.3	23,459.0	23,915.1	21,196.7	22,645.6	23,065.4

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 2.46% from 2015 to 2019. It is assumed to remain constant at 2.46% until 2028.

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

	2014	2015	2016	2017	2018	2019
Total Insurable Earnings (TIE)	553,812	566,606	579,630	601,138	629,386	659,308
Adjusted Premium Refunds	259	247	234	235	259	255
Average Premium Rate	1.80%	1.81%	1.80%	1.55%	1.58%	1.54%
TIE Subject to Refund	14,388	13,674	13,022	15,172	16,363	16,562
TIE Subject to Refund (% of TIE)	2.60%	2.41%	2.25%	2.52%	2.60%	2.51%

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 Canada Employment Insurance Commission (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 MPA 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 2021. 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 as more self-employed people seeked some form of sickness coverage. The assumption to complete year 2021 is based on the last 3-year average (2018-2020) of weekly enrolments for the last six months of each year. Between 2022 and 2028, the number of participants is expected to grow based on the average weekly enrolments over the last three years preceding the pandemic (2017-2019). 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 2021 and projected enrolments, Table 41 shows the historical and projected number of self-employed participants from 2010 to 2028.

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	37,944	8,743	46,688
2022	39,753	8,949	48,702
2023	41,528	9,150	50,679
2024	43,303	9,352	52,656
2025	45,078	9,554	54,632
2026	46,853	9,755	56,609
2027	48,628	9,957	58,586
2028	50,438	10,163	60,600

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 2021 to 2028.

The most recent year for which complete data is available with regards to self-employed EI premiums and inherent covered earnings is tax year 2019. 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 2021 to 2028. 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 2020 to 2028.

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

	Out-of-Québec Residents				Québec Residents				Canada
Year	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
2020				317,614				40,987	358,601
2021	2.97%	14.8%	18.2%	375,377	2.97%	10.8%	14.1%	46,756	422,133
2022	3.50%	4.8%	8.4%	407,039	3.50%	2.4%	5.9%	49,530	456,569
2023	3.11%	4.5%	7.7%	438,438	3.11%	2.3%	5.4%	52,222	490,659
2024	2.58%	4.3%	7.0%	468,972	2.58%	2.2%	4.8%	54,749	523,722
2025	2.48%	4.1%	6.7%	500,303	2.48%	2.2%	4.7%	57,317	557,620
2026	2.79%	3.9%	6.8%	534,510	2.79%	2.1%	5.0%	60,160	594,670
2027	2.79%	3.8%	6.7%	570,238	2.79%	2.1%	4.9%	63,117	633,354
2028	2.74%	3.7%	6.6%	607,658	2.74%	2.1%	4.9%	66,185	673,843

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 caring for a newborn or adopted child (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 2022).

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 recipiency 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 2022, the maximum weekly benefit is 55% of the $60,300 annual MIE divided by 52, or $638.

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 insurable earnings above the MIE increased in 2014 and 2015 following the introduction of the variable best weeks, that is, a change in the benefit rate calculation. A further increase was observed in 2016 and is attributable in part to the temporary extension of EI regular benefits in regions affected by commodities downturn since some regions with higher earnings than the average normal EI claimants were selected.

The proportion of benefit weeks for claimants with earnings above the MIE decreased to 46.5% in 2017 before increasing to 47.0% and 47.9% in 2018 and 2019 respectively. In 2020, the proportion decreased to 41.6% due to the high proportion of lower-wage earners having lost their employment during the forced shutdown of the economy caused by the COVID-19 pandemic. Based on partial data, this proportion is expected to further decrease to 36.6% in 2021. It is assumed to start increasing in 2022 to reach an ultimate value of 47.1% in 2024.

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

Year	% Above MIE
2013	41.9%
2014	44.6%
2015	47.2%
2016	48.0%
2017	46.5%
2018	47.0%
2019	47.9%
2020	41.6%
2021	36.6%
2022	40.0%
2023	45.0%
2024-2028	47.1%

The 2020 AWB for claimants with insurable earnings above and below the MIE was $573 and $398 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 2.2% and 6.6% for 2021 and 2022 respectively. The average annual increase for years 2023 to 2028 is 3.5%. These AWB growth rates generally apply to all benefit types for 2022 onwards.

Table 44 Average Weekly Benefits Growth Factors

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Average Weekly Earnings ($)	1,098	1,147	1,187	1,226	1,260	1,293	1,330	1,367	1,405
% Change	6.8%	4.5%	3.5%	3.3%	2.8%	2.6%	2.9%	2.8%	2.8%
MIE ($)	54,200	56,300	60,300	62,500	64,600	66,700	68,500	70,300	72,300
% Change	2.1%	3.9%	7.1%	3.6%	3.4%	3.3%	2.7%	2.6%	2.8%
Proportion Above MIE	41.6%	36.6%	40.0%	45.0%	47.1%	47.1%	47.1%	47.1%	47.1%
Proportion Below MIE	58.4%	63.4%	60.0%	55.0%	52.9%	52.9%	52.9%	52.9%	52.9%
AWB Growth	1.6%	2.2%	6.6%	5.6%	4.0%	3.0%	2.8%	2.7%	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 separation[1]; and
- 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
2010	1,493	535	35.8%	176	11.8%	110	7.3%	892	59.7%
2011	1,403	547	39.0%	179	12.7%	96	6.9%	774	55.2%
2012	1,375	535	38.9%	188	13.7%	92	6.7%	743	54.1%
2013	1,347	516	38.3%	201	14.9%	85	6.3%	716	53.2%
2014	1,320	506	38.3%	197	14.9%	83	6.3%	701	53.1%
2015	1,327	488	36.8%	164	12.4%	86	6.5%	760	57.3%
2016	1,359	506	37.2%	162	11.9%	88	6.5%	779	57.3%
2017	1,249	503	40.2%	150	12.0%	88	7.1%	685	54.8%
2018	1,164	463	39.8%	183	15.8%	77	6.6%	594	51.1%
2019	1,154	429	37.2%	163	14.2%	74	6.4%	636	55.1%
2020	1,897	481	25.4%	171	9.0%	80	4.2%	1,326	69.9%

* The invalid job separation statistic for calendar year 2020 is estimated.

[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. This percentage is determined using the EI Monitoring and Assessment report, which is based on Statistics Canada's EI Coverage Survey. 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 (https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/regular-benefits/apply.html).

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 38.2% 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 2020 from 429,000 to 481,000. Based on the experience observed for the first six months of 2021, the proportion of individuals with no insurable earnings in the last 52 weeks is expected to increase to 43.0% in 2021. It is subsequently assumed to decrease to 38.0% of unemployed in 2022 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 14.2% was observed in 2019; it is expected to decrease to 9.0% in 2020 and 2021, before increasing to an ultimate value of 13.0% in 2025. The large decrease in 2020 is attributable to the forced shutdown of the economy caused by the COVID-19 pandemic. Based on data published by Statistics Canada for 2020 and for the first few months of 2021, a smaller proportion of people left their jobs for reason such as going to school, being dissatisfied or retiring when compared to other years. This created downward pressure on the percentage of unemployed individuals with an invalid job separation.
- 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 significantly in 2020. Based on the first few months of available information for 2021, it is estimated that the ratio of working beneficiaries to unemployed will increase significantly in 2021 to a proportion of 10.0% due to the large number of people working partial hours during the pandemic while still collecting an employment benefit. It will then decrease to an ultimate value of 6.5% in 2022.

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 slightly increase from 58.0% in 2021 to 58.5% in 2022, before starting to decrease to reach its ultimate value of 55.5% in 2025.

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)
2021	1,532	43.0%	9.0%	10.0%	58.0%	889
2022	1,269	38.0%	10.0%	6.5%	58.5%	742
2023	1,234	38.0%	11.0%	6.5%	57.5%	710
2024	1,212	38.0%	12.0%	6.5%	56.5%	685
2025	1,198	38.0%	13.0%	6.5%	55.5%	665
2026	1,217	38.0%	13.0%	6.5%	55.5%	676
2027	1,228	38.0%	13.0%	6.5%	55.5%	682
2028	1,239	38.0%	13.0%	6.5%	55.5%	688

D.3.3 Recipiency 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 recipiency 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 recipiency rate is thus directly linked to the target population of the EI program (i.e. potential claimants).

The recipiency 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 recipiency 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.

Table 47 Historical Recipiency Rate

Calendar Year	Number of Potential Claimants (thousands)	Regular Beneficiaries (thousands)	Recipiency Rate
2010	892	718	80.5%
2011	774	608	78.5%
2012	743	555	74.8%
2013	716	523	73.1%
2014	701	508	72.5%
2015	760	535	70.3%
2016	779	564	72.4%
2017	685	533	77.8%
2018	594	464	78.0%
2019	636	452	71.1%
2020	1,326	610	46.0%

Between 2010 and 2019, the recipiency rate varied between 70% and 80% depending on temporary measures put in place. In 2020, it decreased significantly to 46.0% due to a large proportion of people having received a benefit through emergency or temporary transition measures. People having benefited from these measures are not considered in the recipiency rate, since they were accounted for separately as recipients of these measures. The preliminary recipiency rate estimate for 2021 is 115.0% and it is assumed to decrease to an ultimate value of 75.0% in 2022. A factor that could explain the recipiency 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. The data reporting on the EI program either identifies these individuals as ineligible for benefits or as eligible for a shorter period of time; consequently the number of beneficiaries ends up higher than the number of eligible claimants.

D.3.4 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, 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 2020, but receives his first benefit payment only in February 2021, the portion of the benefits that relates to December will be recorded in the EI Operating Account for the year 2020.

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.

Table 48 Number of Weeks									
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
Number of Weeks	52.4	52.2	52.0	52.0	52.4	52.2	52.2	52.2	52.0

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 recipiency rate and by the number of weeks in the year.

$$\text{Regular Benefits} = \underbrace{PC \times RR \times W}_{\text{Number of weeks paid}} \times \underbrace{AWB}_{\text{Average weekly benefits}}$$

Where: PC = number of potential claimants;
RR = recipiency 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 2019, that is, the latest year of known actual regular EI income benefits not affected by the COVID-19 pandemic. 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 = recipiency rate.

Regular claims data (without measures) show a lower AWB for the first five months of 2021 than the projected 2021 regular AWB using the aggregate AWB growth factors. Hence, the regular

AWB is adjusted downward by 1.2%[1] in 2021. The lower AWB is mostly attributable to the COVID-19 pandemic which caused greater unemployment for lower income Canadians. As the impact of COVID-19 should be temporary, the downward adjustment is gradually phased out between 2022 and 2024.

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)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Regular Benefits (Base)	14,161	24,728	14,352	14,545	14,765	14,698	15,355	15,910	16,442
Pilot Project									
Support for eligible seasonal claimants in targeted regions	102	13	66	43	-	-	-	-	-
Temporary Measures									
EI Transition Benefits									
13.1% UR, 300 Hours Credit & Max 50 weeks	1,101	4,536	5,781	35	-	-	-	-	-
Minimum benefit rate of $500	1,015	1,399	1,062	4	-	-	-	-	-
Waiving of Waiting Period	492	468	-	-	-	-	-	-	-
Minimum Benefit Rate of $300	-	38	67	0	-	-	-	-	-
EI Simplification									
Flat 420-hour Entrance Requirement & Minimum 14 Weeks Benefits	-	88	899	210	0	-	-	-	-
Simplified Rules on Separation	-	82	835	196	0	-	-	-	-
Total Regular Benefits	16,871	31,351	23,062	15,034	14,766	14,698	15,355	15,910	16,442

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 (2019) using the expected change in the number of benefit weeks and average weekly benefits. However, as the number of fishing claimants and the average duration of fishing claims are relatively stable, only the expected change in average weekly benefits is used in forecasting fishing 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.

Fishing claims data (without measures) show a decrease in the number of weeks of fishing benefits for the first six months of 2021. For the full year, the number of weeks of fishing

[1] In addition to the aggregate AWB growth factors shown in Table 44.

benefits is adjusted downward by 40%. This decrease in the number of weeks of fishing benefits is expected to be temporary due to COVID-19. The number of weeks of fishing benefits is expected to revert back to normal in 2022.

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)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fishing Benefits (Base)	320	212	372	392	411	422	433	445	456
Temporary Measures									
EI Transition Benefits									
$2,500 Entrance Requirement	-	23	18	0	-	-	-	-	-
Enhanced Access - Prior Years Earnings	20	99	0	-	-	-	-	-	-
Minimum benefit rate of $500	2	19	15	0	-	-	-	-	-
Waiving of Waiting Period	3	5	-	-	-	-	-	-	-
Minimum Benefit Rate of $300	-	0	1	0	-	-	-	-	-
EI Simplification: $2,500 Entrance Requirement	-	0	0	0	0	-	-	-	-
Total Fishing Benefits	344	359	406	393	411	422	433	445	456

D.3.7 Work-Sharing Benefits

To avoid temporary lay-offs due to a reduction in the normal level of business activity caused by factors that are 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 income 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 benefits are projected using the 2019 base Work-Sharing expenditures. The higher number of weeks of Work-Sharing benefits observed in the first six months of 2021 is attributable to the Work-Sharing enhancement due to COVID-19.

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

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

Table 51 shows the actual 2020 Work-Sharing benefits as well as the projection until 2028. The projected cost estimates for temporary measures shown in Table 51 are provided by the Minister of ESD.

Table 51 Work-Sharing Benefits ($ million)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Work-Sharing Benefits (Base)	124	13	14	15	16	16	17	17	18
Extending Max Duration of Work-Sharing Agreements*	8	6	-	-	-	-	-	-	-
Work-Sharing Program in response to the Covid-19 Pandemic**	8	721	406	89	11	-	-	-	-
Total Work-Sharing Benefits	139	740	420	104	27	16	17	17	18

* The maximum duration of Work-Sharing agreements were extended for agreements beginning between 30 July 2017 and 28 March 2020 to support workers affected by the downturn in the Forestry sector as well as for agreements beginning between 19 August 2018 and 27 March 2021 to support workers who may be affected by the U.S. tariffs imposed on Canadian steel and aluminium shipments.

** Changes to the Work-Sharing Program put in place in response to the COVID-19 pandemic include: 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 are in place until 24 September 2022.

D.3.8 Special Benefits

Special benefits include MP benefits, for those who are pregnant or caring for a newborn or adopted child, 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 2019 using the expected change in the number of employees and in the average weekly benefits.

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

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

Sickness claims data (without measures) show a higher number of weeks of sickness benefits than expected for the first six months of 2021. For the full year of 2021, the number of weeks of benefits is adjusted upward by 6.8%. The adjustment is phased out in 2022 as the experience is expected to revert back to a number of weeks corresponding to the 2019 trended experience. The 2021 AWB is also adjusted upward by 6.4%[1], based on the first six months of 2021. This adjustment in gradually phased out between 2022 and 2024 as the situation reverts back to normal.

Maternity and Parental (MP) claims data (without measures) show a lower than expected number of weeks of MP benefits for the first six months of 2021. For the full year of 2021, the number of weeks of benefits is adjusted downward by 4.8%. The adjustment is phased out over the next two years as the experience is expected to revert back to a number of weeks corresponding to the 2019 trended experience. The 2021 AWB is also adjusted upward by 3.7%[1], based on the first six months of 2021, and is gradually phased out between 2022 and 2024. An additional increase of 1% is added to the projected MP benefits between 2021 and 2028 due to the base year 2019 not reflecting the full impact of the following changes: additional weeks of parental benefits when parents share them, and the choice between standard and extended parental benefits.

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

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.

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 take into account that self-employed persons must wait 12 months after registration to claim EI special benefits.

It is expected that in 2022, self-employed participants enrolling in the EI Program will receive $23.2 million in MP benefits, $1.3 million in sickness benefits, $38 thousand in compassionate care benefits and $170 thousand in Family Caregiver benefits.

[1] In addition to the aggregate AWB growth factors shown in Table 44.

Table 52 Special Benefits

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Salaried Employees ($ million)									
MP Benefits	4,190	4,272	4,656	5,081	5,308	5,493	5,684	5,881	6,067
Sickness Benefits	1,554	2,194	2,195	2,290	2,372	2,454	2,540	2,628	2,711
Compassionate Care Benefits	47	50	55	58	62	64	66	68	71
Family Caregiver Benefit	92	92	100	106	112	116	120	125	128
Sub-total	5,883	6,608	7,005	7,535	7,854	8,128	8,410	8,702	8,977
Self-Employed ($ thousand)									
MP Benefits	11,098	19,715	23,174	24,926	26,812	28,439	30,330	32,305	34,217
Sickness Benefits	644	1,070	1,257	1,352	1,455	1,543	1,645	1,752	1,856
Compassionate Care Benefits	13	32	38	41	44	46	50	53	56
Family Caregiver Benefit	57	144	170	183	196	208	222	237	251
Sub-total	11,812	20,961	24,639	26,502	28,507	30,237	32,247	34,347	36,380
Recent Permanent Changes ($ million)									
Extending Maximum EI Sickness Weeks from 15 to 26	-	-	80	581	795	841	890	942	997
Recent Temporary Changes ($ million)									
EI Transition Benefits: 13.1% UR & 480 Hours Credit*	145	691	524	2	-	-	-	-	-
EI Transition Benefits: Minimum benefit rate of $500	126	555	421	2	-	-	-	-	-
Waiving of Waiting Period	72	124	-	-	-	-	-	-	-
Minimum Benefit Rate of $300	-	5	27	0	-	-	-	-	-
EI Simplification: Flat 420-hour Entrance Requirement	-	7	84	24	0	-	-	-	-
Total ($ million)									
MP Benefits	4,368	5,078	5,315	5,125	5,335	5,522	5,714	5,913	6,101
Sickness Benefits	1,724	2,762	2,671	2,880	3,168	3,297	3,432	3,571	3,709
Compassionate Care Benefits	49	60	63	59	62	64	66	68	71
Family Caregiver Benefit	97	112	116	107	113	117	121	125	129
Total Special Benefits	6,238	8,012	8,166	8,171	8,677	8,999	9,333	9,678	10,010

* ESDC provided total estimates for all special benefits. They were split by type of benefits based on 2019 actual expenses.

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 is projected from the prior year actual based on the expected increase/decrease in regular and fishing benefits. The estimate for the forecast 2021 prior year actual is based on the actual first 6 months of benefit repayments and the historical average completion ratio after 6 months.

The ratio of repayments to benefit payments is expected to be lower in the short-term, as a lower share of beneficiaries will exceed 1.25 times the annual MIE during the COVID-19 pandemic. Starting in 2023, the repayment experience is expected to revert back to normal.

Table 53 EI Benefit Repayments ($ million)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current Year Forecast	265	481	356	362	356	355	371	384	397
Prior Year									
Actual	270	261	481	356	362	356	355	371	384
Forecast	(335)	(265)	(481)	(356)	(362)	(356)	(355)	(371)	(384)
Sub-Total (Adjustment for prior year)	(65)	(4)	-	-	-	-	-	-	-
Refunds	(2)	(2)	(2)	(8)	(8)	(8)	(8)	(8)	(8)
Total	198	475	354	354	348	347	363	376	389

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 a remaining additional LMDA expense of $0.85 billion for calendar years 2021 and 2022 (based on an original five-year expense of $1.8 billion that started in 2018, as announced in Budget 2017).

Table 54 Employment Benefits and Support Measures ($ million)

	Actual	Forecast							
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
EBSM (Fiscal Year)	2,443	2,531	2,532	2,107	2,107	2,107	2,107	2,107	2,107
	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
EBSM (Calendar Year)	2,452	2,970	2,532	2,107	2,107	2,107	2,107	2,107	2,107

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							
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Administration Costs (Fiscal Year)*	2,374	2,721	1,952	1,898	1,886	1,878	1,878	1,878	1,878
	Actual	Forecast							
	2020	2021**	2022**	2023	2024	2025	2026	2027	2028
Administration Costs (Calendar Year)*	2,306	2,622	2,156	1,912	1,889	1,880	1,878	1,878	1,878

* Administration costs related to the new EI Training Support Benefit proposed in Budget 2019 and expected to launch in 2022 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 2021-2022 being fully accounted for in calendar year 2022.

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 2021 to 2028 VAC are projected from actual costs incurred in 2020 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							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Variable Administration Costs	17.1	19.9	20.8	20.0	20.9	21.6	22.3	23.1	23.9

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 2020 was equal to 25% of the 2019-2020 expense and 75% of the 2020-2021 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 2021-2022 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							
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Allowance for Doubtful Accounts (Current Year)	529	574	584	570	560	553	550	551	555
Net Allowance (Prior Year)									
Allowance for Doubtful Accounts (Prior Year)	399	529	574	584	570	560	553	550	551
Write-Offs	(52)	(88)	(95)	(97)	(95)	(93)	(92)	(91)	(92)
Total	347	441	479	487	476	467	461	459	460
Bad Debt Expense (Fiscal Year)	182	133	104	83	84	86	89	92	96
	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Bad Debt Expense (Calendar Year)	153	145	112	89	84	85	88	92	95

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 the base year using the expected annual change in Part I benefits.

Table 58 Penalties ($ million)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Penalties	13	130	103	77	78	78	82	85	87

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 month[1].

The 2019 overnight rate was 1.75%. It was lowered to 1.25% on 4 March 2020, 0.75% on 16 March 2020 and 0.25% on 27 March 2020. The corresponding discount rate (Bank Rate)

[1] Interest rates can be found at http://www.tpsgc-pwgsc.gc.ca/recgen/txt/tipp-ppir-eng.html

starting in March 2020 is 0.50% (0.25% + 0.25%). The overnight rate is projected from 2021 (August to December) to 2025 based on the 3-month T-Bill forecast from the March 2021 Department of Finance private sector survey. It is then expected to increase further in the following years to reach a value of 2.05% with a corresponding discount rate of 2.30% in 2028. The rate of interest charged on overdue accounts is thus projected at 5.30% (2.30% + 3.00%) in 2028.

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 2021 is based on interest in 2020, increased for changes in Part I benefits and average interest rate from 2020 to 2021.

Table 59 Interest on Overdue Accounts Receivable ($ million)

	Actual	Forecast							
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Average Interest Rate	3.93%	3.50%	3.60%	3.90%	4.50%	5.00%	5.10%	5.20%	5.30%
Interest	18	28	23	18	21	24	25	27	28

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 2022 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 *Employment Insurance Act* ("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 (SUB[1]) 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'

[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 Employment Insurance Regulations are not deducted from the employee's EI benefits.

portion of the reduction to them through cash or fringe benefits.

In accordance with sections 63, 64, 65 and 66 of the *Employment Insurance Regulations* (“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:	*<u>Cumulative paid sick leave plans</u> that allow for a minimum monthly accumulation of at least one day and for a maximum accumulation of at least 75 days.*
Category 2:	*<u>Enhanced cumulative paid sick leave plans</u> 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:	*<u>Weekly indemnity plans</u> with a maximum benefit period of at least 15 weeks.*
Category 4:	*<u>Special weekly indemnity plans</u> 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 2022, the years 2018, 2019 and 2020 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 2022.

E.2 First Payer Cost Ratio

The first payer cost ratio represents the average hypothetical job-attached[1] 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 2022 rates of reduction, the first payer cost ratio is equal to the average of the first payer cost for the years 2018 to 2020, divided by the average insurable earnings of all insured persons for the years 2018 to 2020.

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. 2018 and 2019). More information on the 2018 and 2019 first payer cost can be found in the 2021 Actuarial Report.

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.

As a result of the COVID-19 pandemic, fewer job-attached sickness claims with shorter average duration were observed in 2020 compared to prior years, resulting in lower EI sickness benefit weeks. Consequently, the 2020 hypothetical number of first payer job-attached EI sickness claims is 646,868 and the assumed average duration of these claims is 7.7 weeks. The resulting hypothetical number of first payer job-attached EI sickness benefit weeks for 2020 is 4,992,379.

The hypothetical number of first payer job-attached EI sickness benefit weeks for 2018 and 2019 is 5,990,174 and 6,195,852 respectively. More information is provided in the 2021 Actuarial Report.

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 $478.55 for 2020. The average weekly sickness benefits under a hypothetical first payer scenario for 2018 and 2019 are $443.12 and $454.02 respectively, as calculated in the 2021 Actuarial Report.

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 2022 rates of reduction is 0.4059%. Table 60 shows more details on how this first payer cost ratio is determined.

Table 60 First Payer Cost Ratio for Calculating 2022 Rates of Reduction

	2018*	2019*	2020	Average for 2022 Rates of Reduction
First Payer EI Sickness Benefit Weeks (A)	5,990,174	6,195,852	4,992,379	N/A
First Payer Average EI Sickness Benefits (B) ($)	443.12	454.02	478.55	N/A
First Payer Cost (A x B) ($)	2,654,347,000	2,813,033,000	2,389,085,000	2,618,821,667
Total Insurable Earnings (TIE) ($)	629,771,993,554	660,523,389,608	645,338,099,370	645,211,160,844
First Payer Cost Ratio (% of TIE)	0.4215%	0.4259%	0.3702%	0.4059%

* More information on the 2018 and 2019 numbers can be found in the 2021 Actuarial Report.

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 2018, 2019 and 2020, 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 2020 are based on available data and reflect lower experience cost ratio due to the emergency measures put in place during the COVID-19 pandemic.

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

	2018	2019	2020	Average for 2022 Rates of Reduction
Category 1	91,297,594	101,420,377	75,684,132	89,467,368
Category 2	11,262,658	12,847,740	8,497,202	10,869,200
Category 3	93,045,944	105,041,667	82,884,473	93,657,361
Category 4	2,769,051	3,485,271	2,405,472	2,886,598
Total	198,375,247	222,795,054	169,471,279	196,880,527

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

	2018	2019	2020	Average for 2022 Rates of Reduction
Category 1	49,122,215,497	51,190,562,695	49,497,432,222	49,936,736,805
Category 2	24,057,290,154	25,496,202,839	24,587,381,586	24,713,624,860
Category 3	194,914,432,005	200,204,639,390	193,536,896,001	196,218,655,799
Category 4	22,797,746,167	23,778,842,026	23,296,705,387	23,291,097,860
Total	290,891,683,823	300,670,246,949	290,918,415,196	294,160,115,323

The experience cost ratio used in the calculation of the 2022 rates of reduction for each category is shown in Table 63.

Table 63 Experience Cost Ratio per Category

	Average EI Sickness Costs ($) (A)	Average Insurable Earnings ($) (B)	Experience Cost Ratio (A/B)
Category 1	89,467,368	49,936,736,805	0.1792%
Category 2	10,869,200	24,713,624,860	0.0440%
Category 3	93,657,361	196,218,655,799	0.0477%
Category 4	2,886,598	23,291,097,860	0.0124%

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 2022 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 the frozen rate of 1.58% for residents of all provinces except Québec. The corresponding premium rate that applies to residents of Québec is 1.20%. Pursuant to section 62 of the EI Regulations and section 68 of the

EI Act, the employer multiplier is calculated from the unrounded rates[1] of reduction and the rounded rates of reduction are shown for illustration purposes only.

Table 64 2022 Rates of Reduction

	First Payer Cost Ratio	Experience Cost Ratio	Unrounded Rate of Reduction	Rounded Rate of Reduction	Employer Multiplier (Out-of-Québec)	Employer Multiplier (Québec)
Category 1	0.4059%	0.1792%	0.2267%	0.23%	1.257	1.211
Category 2	0.4059%	0.0440%	0.3619%	0.36%	1.172	1.100
Category 3	0.4059%	0.0477%	0.3582%	0.36%	1.172	1.100
Category 4	0.4059%	0.0124%	0.3935%	0.39%	1.151	1.072

The Commission will notify each registered employer of the applicable 2022 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 2022. The estimates are based on the historical distribution of insurable earnings by category, which was derived from Canada Revenue Agency T4 data.

Table 65 2022 Estimated Amount of Premium Reduction

	Estimated Number of Qualified Employers	2022 Insurable Earnings ($ million)	Rates of Reduction	Premium Reduction ($ million)
Category 1	2,400	58,173	0.2267%	132
Category 2	600	28,917	0.3619%	105
Category 3	24,800	227,355	0.3582%	814
Category 4	200	27,370	0.3935%	108
Total	28,000	341,815	N/A	1,159

[1] Due to administration system limitations, categories 2 and 3 employer multipliers in this report (1.172 and 1.100 for out-of-Québec and Québec employers respectively) are based on the rounded rate as the employer multiplier cannot be different for a same rounded rate of reduction. Based on the unrounded rates, employer multipliers for category 2 would have been slightly lower (1.171 and 1.098), while employer multipliers for category 3 would have been slightly higher (1.173 and 1.102).

Appendix F – Acknowledgements

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