



Association canadienne  
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Canadian Restaurant  
and Foodservices  
Association

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**VIA E-MAIL**

Ms. Shelly Glover, MP  
Parliamentary Secretary to the Minister of Finance  
Room 532-N Centre Block  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dr. Kellie Leitch, MP  
Parliamentary Secretary to the Minister of Human Resources and Skills  
Room 560, Promenade  
House of Commons  
Ottawa, Ontario  
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Dear Ms. Glover and Dr. Leitch:

The Canadian Restaurant and Foodservices Association (CRFA) appreciates the opportunity to provide input on a new EI rate-setting process and a response to the three questions you posed.

As one of the largest employers in the Canadian economy, the foodservice industry provides jobs for more than one million full and part-time employees. Issues that affect the labour market – such as EI policy – are of vital interest to the more than 30,000 restaurant businesses that CRFA represents.

**1 What is a reasonable amount of time in which the EI program should be expected to break-even? (i.e. 2 years, 5 years, 10 years, etc.)**

*CRFA believes the goal of a new EI rate-setting process should be the establishment of a low, stable, long-term premium rate. While the EI rate-setting process is supposed to mitigate the impact of the business cycle and remain relatively stable over time the reality is that EI premium rates over the last three decades have fluctuated wildly.*

*In principle, building up a surplus during times of economic growth makes sense, so that premium assessments do not have to increase during a prolonged recession. In practice, the intention behind establishing surpluses has not been respected. Instead of being counter-cyclical, in reality, the rate-setting process has more often been pro-cyclical, particularly after the integration of the (then) Unemployment Insurance Account with the Consolidated Revenue Fund in 1986.*

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*This is why CRFA called for a dedicated EI Fund to operate at arm's length from government and applauded the government for establishing the EI Fund so that there would no longer be an opportunity to divert funds for programs or activities unrelated to EI. However, CRFA envisioned that the new financial entity would begin with a surplus large enough to cover over three years of operating costs to ensure that EI premiums could be set to cover cyclical expenses of the program.*

*CRFA believes that a 5-to-10 year time-frame is not an unreasonable expectation for the program to break-even. CRFA recommends that a maximum surplus and deficit, as a percentage of operating costs be established to prevent large fluctuations in premium rates, but only after the massive \$57 Billion surplus that accumulated in the EI account is depleted.*

*Recognizing that the \$57 billion surplus is notional and cannot be turned over to the fund immediately, CRFA recommends the establishment of a repayment plan that would see both the interest and principle returned to the fund over a period of several years.*

## **2 What is an acceptable maximum annual change in EI premiums?**

*CRFA believes that EI premium rates should not fluctuate more than \$.05 and ideally be maintained at a low, stable level. One of the biggest challenges facing Canada over the next few decades is a shortage of all categories of workers – skilled, semi-skilled and unskilled. A jump in the number of retirees and lower birth rates will restrain working-age population growth. Tighter labour markets as a result of these two factors should result in lower unemployment rates and allow for low, stable premium rates.*

## **3 What should be the rate-setting process?**

*To ensure transparency, the EI Board should be representative of the financial contributions of employers of employees and employees and include insurance and financial experts. The primary role of the Board should be to ensure that the EI investment fund is professionally managed and to be accountable to stakeholders by apportioning the provision of fair benefits against the cost of premiums and the financial soundness of the system. The Board would continue to employ an actuary to report on the state of the program.*

*A legislated long-term low, stable rate could then be set by government.*

CRFA would like to comment on EI cost-sharing in the context of a new rate-setting process. CRFA has long been on record as supporting a more equitable split in EI contributions. As an alternative to an EI repayment plan, it would be appropriate for government to begin contributing again to the EI program as a way of returning the surplus. CRFA recommends that contributions be shared according to the following formula:

**Employers 40% -- Employees 40% -- Government 20%**

When the EI program began, its purpose was to provide income support for those temporarily and involuntarily out of work. The cost of the program was split between employers, employees and government. Over time government gradually reduced its level of contribution and in 1990 withdrew its contributions altogether (contributing to the large EI deficit at that time). From 1988 to 1990 federal government contribution to the UI program amounted to 15-20% of total receipts. These contributions ostensibly helped to finance regionally-extended benefits and benefits for self-employed fishermen, benefits which were out of proportion to the premiums collected. Since 1990, 60% of these parts of the EI program have been funded by employers.

An increasing percentage of benefits are unrelated to the labour market. A broad range of social programs have been added to EI over the years such as benefits for parental and compassionate leave. These benefits, while introduced as a response to genuine societal needs and concerns, are unrelated to the original intent of EI and now comprise more than 40% of the costs. The timing is right for government to begin contributing to the program again and to equalize the inequity in employer and employee rates.

Yours sincerely,



Joyce Reynolds  
Executive Vice President, Government Affairs

c.c.: Mr. Chris Forbes, Assistant Deputy Minister  
Federal-Provincial Relations and Social Policy Branch, Department of Finance