



**Statement by Mostafa Askari  
Assistant Parliamentary Budget Officer  
to the House of Commons Standing Committee on Finance  
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(Check Against Delivery)**

Good morning Chair, Vice-chairs, and members of the Committee.

Thank you for the invitation to appear before the Committee. I will make a few brief remarks to set the context for the questions that you may have regarding the Small Business Job Credit.

While PBO shares parliamentarians' concerns with the cost effectiveness of the Small Business Job Credit in improving employment outcomes, I would like to stress the importance of the bigger picture: this proposal, and any proposals that would affect the premium rate paid by employers or employees, acts against legislation which has been established over recent years for the purpose of detaching the EI program from discretionary policy decisions and ensuring that the contributions from workers are used only for expenses of the EI program.

Following a number of interventions in the premium-rate setting process, Bill C-38 in 2012 provided for the premium rate to move to a 7-year break-even rate after the account came into balance. The *Economic Action Plan Act, No. 2, 2013* (Bill C-4) amended the *Employment Insurance Act* to freeze the EI Premium Rate at \$1.88 in 2014, 2015, and 2016. The policy announcement was accompanied by a report from the Chief Actuary updating the status of the EI Operating Account.

With the data in this report, PBO was able to show that, barring a significant unexpected economic decline, a rate of 1.88 in 2015 and 2016 would be a premium rate increase compared to the rates that would have been set prior to Bill C-4 and that it would contribute considerable extra revenue to the budget outlook over the period of 2015-16 to 2016-17. PBO reported this in its Fall Economic and Fiscal Outlook Update on October 25, 2013, and updated it in its October 2014 Economic and Fiscal Update.

The government has never provided an explanation for why the premium rate is set well above the level required to eliminate the surplus in the EI operating account in 2015 and 2016 and why the breakeven rate is not set immediately after the account goes into surplus in

2015. This is contrary to the government's stated objective of having a transparent premium rate setting process.

It is important to underline that given the requirement that the premium rate is set to balance the operating account over a 7-year period, any changes to the premium rate now must be offset by a change in the opposite direction later, and any impact that a rate change has on job creation today will be offset in the future. This applies to the Small Business Job Credit. According to PBO's estimate, this measure has a small temporary impact on the level of employment of 800 jobs in 2016, but this increase will be offset by a slightly higher than required EI premium rate for all employers and employees when the government sets the 7-year breakeven rate in 2017 or earlier.

I am pleased to answer any questions you may have on this topic.

Thank you.