Social Policy, Now

Next Steps for income support and social insurance in Canada

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Introduction
CERB, and what’s next

- On March 24th, 2020 the Government of Canada Tabled Bill C-13, “An Act respecting certain measures in response to COVID-19,” in the House of Commons, and the next day the Bill received Royal Assent
  - this unleashed the most extensive and quickest change to Canadian social policy in living memory, if not in the history of the country
  - the Canada Emergency Response Benefit is the most notable part of the Bill, offering $2,000 of income support every four weeks to all working age Canadians who made at least $5,000 in the previous 12 months and lost their source of income due to the COVID-19 crisis
CERB, and what’s next

- Almost immediately the public policy discussion turned to “what’s next?”
  - this is so in the short-term as the government and the public service are fully engaged in meeting the evolving needs of citizens and businesses in response to the most serious health and economic crises the country has experienced since World War II.
  - but it is also so in the longer term: What’s next for the design of social policy in light of the needs and the gaps that the COVID-19 crisis has revealed?
CERB, and what’s next

This is the motivating question:

**What’s next for social policy in light of the lessons learned?**

the approach to answering this question is guided by three meanings of the word "Now"

in the title of this presentation
Three meanings of “Now”

1. “Now” refers to the sense that there is an urgency and an opportunity right now for social policy reform
   - There is widespread agreement that things need to change
   - An April 21st open letter to the Prime Minister, Deputy Prime Minister, and Minister of Finance spearheaded by Senators Lankin and Pate, and signed by close to 50 members of the Senate begins:
     - “This is a unique moment in our history—a moment when Canadians from across the political and economic spectrum have seen before them the value of a program which would not require complicated application and qualification processes, but which would be there for people in times of need. As members of the Senate of Canada, we are writing to you to thank you and urge a further evolution of the Canada Emergency Response Benefit.” (Lankin and Pate 2020)
Three meanings of “Now”

2. “Now” also refers to an important aspect of social policy, a yawning gap in our current programs COVID-19 starkly highlighted: the need that policy should meet Canadians where they are, offer support that is timely and that fosters resilience and agency among citizens

- The opening sentence of the Lankin-Pate letter underscores what was all too obvious to the government, the opposition parties, and the public service in developing and quickly passing Bill C-13, the need to respond in a timely way to the needs Canadians are facing in real time
- The letter goes on to say: “People in need require support today.” (Lankin and Pate 2020)
2. This second meaning of “Now” refers not just to timely policy, but also policy appropriate to individual challenges and needs
   - Along with timeliness goes the need to also accept that government cannot fully appreciate, anticipate, and assess the evolving needs of Canadians in all walks of life
   - It means realizing that one-size-fits-all policy, or policy targeted with heavy-handed regulations, rules, and restrictions, falls short of meeting individuals and families trying to manage dynamic and evolving risks that are often unknowable to government in either an individual-specific or a timely way
   - COVID-19 is calling for timely policy that also fosters the agency of citizens to make choices best suited to their situation
Three meanings of “Now”

3. Finally, “Now” also refers to the way in which reform should proceed, moving forward by taking social policy as it exists now
   - Big steps forward like a Basic Income have been both advocated and derided by Canadians engaged with public policy (Pasma and Regehr 2019; Cross et al. 2020)
   - The call for sweeping reform is in some sense understandable, moments of social crisis and challenge have historically been occasions for re-writing the social contract and the introduction of bold new policies
     - the very roots of Canada’s welfare state are in the challenging times of the interwar period, and the worrisome decade that followed
     - these spawned the Marsh Report, the founding document of Canadian social policy, which in turn was informed by the Beveridge Report, written for the British government (Marsh 1943; Beveridge 1942)
Three meanings of “Now”

3. “Now” refers to the way in which reform should proceed, moving forward by taking social policy as it exists now

William Beveridge’s guiding principle

“any proposals for the future, while they should use to the full experience gathered in the past, should not be restricted by consideration of sectional interests established in the obtaining of that experience. Now, when the war is abolishing landmarks of every kind, is the opportunity for using experience in a clear field. A revolutionary moment in the world’s history is a time for revolutions, not for patching.” (Beveridge 1942, 6)
Three meanings of “Now”

3. “Now” refers to the way in which reform should proceed, moving forward by taking social policy as it exists now
   - William Beveridge’s guiding principle
   - Our approach is both in accord and dis-accord with this view
     - there is a need to boldly go forward, but not necessarily to where we have not been before
     - there is more scope for moving social policy forward incrementally than Marsh or Beveridge imagined because the past and present of social policy is so much richer in our time than during theirs
     - but moving incrementally does not preclude taking big steps, radical incrementalism involves both significant and demonstrably feasible reform
Three meanings of “Now”

3. “Now” refers to the way in which reform should proceed, moving forward by taking social policy as it exists now
   - The third meaning in our use of the word “Now”
     - now, in the sense that reform in the wake of COVID-19 should take social policy as it exists right now as a starting point and build from current or past precedents, taking significant steps toward a better system of income support and social insurance
   - The challenge and the opportunity is to emphasize and strengthen those aspects of social policy that already speak to the evolving economy and changing demographics
     - re-introduce pertinent past practices that have fallen by the wayside
     - de-emphasize vestigial designs that speak to a past that is less relevant
     - continue to innovate in response to new needs
Three meanings of “Now”

1. Now is the time for reform,
2. to meet citizens where they are right now,
3. building on what we have now
Three recommendations for next steps

Our review of the changes in the labour market and the social policy gaps revealed by the COVID19 crisis leads us to suggest three broad recommendations for the conduct of public policy.

1. Maximize auto-enrolment and just-in-time program delivery
2. Offer full income support with engagement
3. Offer broad income and earnings insurance with agency

We also suggest a need for “market shaping” policies that lean against growing insecurities and inequalities in jobs and pay

- this complement to social policy involves a host of reforms that strengthen ethical wage norms and offer workers greater voice
- minimum wage increases targeted in the first instance toward large employers
Three policy goals

1. Program delivery
2. Income support with engagement
3. Income insurance with agency
Three social policy goals: 1. Resilience

1. Resilience and agency: *The goal of public policy should be to foster resilience and agency among the working age population.*

- Resilience is associated with not being asset poor, with having a pool of savings offering potentially an alternative source of income, but more generally independence and self-reliance in the face of the unexpected.
- This is an enviable position that we would like all Canadians to enjoy, to have sufficient savings and assets to support themselves and their families whenever uncertainties present themselves, whether these refer to the uncertainty associated with the length of life, or the uncertainty with temporary job loss, or the extra expenses of a shock to their health.
Three social policy goals: 1. Resilience

1. Resilience and agency: *The goal of public policy should be to foster resilience and agency among the working age population.*

- COVID19 revealed that this is not where the majority of the population is at during their working lives and even in retirement
  - asset poverty is extremely high among Canadians, few have the possibility of building up reserves that can offer self-insurance and resilience in the face of income shocks during the working lives
  - social policy should foster resilience and contribute to incomes and earnings in a way that fosters asset security among the majority of Canadians, and particularly the less advantaged

- Parliamentary Budget Officer (2020 Table B-1, page 20) reports that
  - almost three-quarters of the country’s wealth is held by one-fifth of Canadian families, those with wealth in excess of $900,000
  - the middle 40% of families hold one-quarter
  - the bottom 40%, those with $100,000 or less wealth, hold only 1.2%
Three social policy goals: 2. Ethical

1. Resilience and agency

2. Ethical and inclusive: *The goal of public policy should be to foster ethical wage policy and complete coverage of earnings*

   ▪ The Universal Basic Income has been on the policy agenda for many diverse advocates, and increasing so during COVID19. What is it about this idea that appeals? What need among the population do many see it as meeting?
   ▪ the appeal of UBI speaks to gaps in the coverage of current social policy in a more polarized and fractured labour market, as well as to the inadequacy of income support
   ▪ but it also speaks to an “in it all together”, to a spirit of social solidarity central to the COVID19 conversation
   ▪ at one level UBI signals a need for ethical or just relationships between workers and employers, between citizens and government
Three social policy goals: 3. Responsive

1. Resilience and agency

2. Ethical and inclusive

3. Responsive and incentive compatible: *The goal of public policy should be to offer adequate, responsive, and self-regulating income support and income insurance that is free of administrative burden*

- The Canada Emergency Response Benefit offers timely and adequate benefits that are free of administrative burden, and based on a “trust and verify” ethic
  - individuals have knowledge of their own needs, a heterogeneous population facing all sorts of risks that are beyond the government’s information set
  - CERB reflected policy making under uncertainty, recognizing that government can’t imagine nor fully understand the severity and duration of needs
  - but CERB is not incentive compatible and hence not sustainable as something other than crisis insurance
Three social policy goals

1. **Resilience and agency**: *The goal of public policy should be to foster resilience and agency among the working age population.*

2. **Ethical and inclusive**: *The goal of public policy should be to foster ethical wage policy and complete coverage of earnings.*

3. **Responsive and incentive compatible**: *The goal of public policy should be to offer adequate, responsive, and self-regulating income support and income insurance that is free of administrative burden.*
1. Program delivery
Introduction

Three policy goals

1. Program delivery
2. Income support with engagement
3. Income insurance with agency

Market shaping policy

References

Source: https://twitter.com/CanRevAgency/status/1244278188651528194?s=20
Auto enrolment to the max, advocates for the rest

Income support is increasingly delivered through the income tax system, so the Canada Revenue Agency has to continue shifting from being a “collection” agency to also being a delivery agency; yet we will still need pro-active outreach

1. Tax filing rates are significantly below 100% for some groups eligible to receive benefits, putting a limit on take-up rates
   - Robson and Schwartz (2020) estimate that about 12% of working age adults do not file, ranging from just over 6% in Newfoundland and Labrador to over 15% in Ontario and Alberta, leaving $1.7 billion dollars of benefits unclaimed in 2015
   - Stapleton (2018) reports that 36% of single men and 30% of single women in receipt of social assistance in Ontario did not file federal income tax returns
   - Behavioural economics suggests there may be understandable reasons for this having to do with limited cognitive “bandwidth” and the stresses associated with scarcity (Mullainathan and Shafir 2013)
Auto enrolment to the max, advocates for the rest

Income support is increasingly delivered through the income tax system, so the Canada Revenue Agency has to increasingly shift from being just a “collection” agency to also being a delivery agency, yet we will still need pro-active outreach

1. Tax filing rates are significantly below 100% for some groups eligible to receive benefits, putting a limit on take-up rates

2. A strong case for CRA to auto-complete income tax returns for the low income population

- Cameron et al. (2020) and Robson (2020b) make a strong case for deemed filing focused on third party reporting of T5007 Statement of Benefit slips
- the Canada Child Benefit and the Canada Workers Benefit are examples to build upon, as are other countries
- real time benefit receipt remains a challenge
Auto enrolment to the max, advocates for the rest

Income support is increasingly delivered through the income tax system, so the Canada Revenue Agency has to increasingly shift from being just a “collection” agency to also being a delivery agency, yet we will still need pro-active outreach

1. Tax filing rates are significantly below 100% for some groups eligible to receive benefits, putting a limit on take-up rates

2. A strong case for CRA to auto-complete income tax returns for the low income population

3. There will always be some that can be best reached through community hubs and advocates

- potentially dangerous consequences of income transfers and the need for wrap-around services, as illustrated by the terribly sad relationship between the receipt of benefit cheques and drug addiction
- stable core funding for social service and community hubs as an ongoing feature of the delivery system
2. Income support with engagement
A modified Canada Workers Benefit

There are many different motivations behind the case for a “Basic Income,” but strong fibers for comprehensive income support are already in place

- Structured as a “targeted” negative income tax
  - Guaranteed Income Supplement for older Canadians
  - Canada Child Benefit for families with children

The big gap in this safety net are working age Canadians living on their own or with a partner

- It is interesting to speculate why
  - the so-called “moral hazard” (Lynch and Dupont 2020)
  - deserving versus non deserving poor
There are many different motivations behind the push for a “Basic Income,” but strong fibers for comprehensive income support are already in place

- Structured as a “targeted” negative income tax
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The big gap in this safety net are working age Canadians living on their own or with a partner

- It is interesting to speculate why
- Regionally based income support through Employment Insurance is no longer adequate
  - but does offer income support based on labour market engagement, using the Variable Entrance Requirement and also Working While on Claim provisions
Canada Workers Benefit for unattached workers

Phase I
Benefits rise by 26 cents for every dollar earned above $3,000

Phase II

Phase III
Benefits fall by 12 cents for every dollar

Earned income/Net income (2018 or 2019 dollars)
Canada Workers Benefit for unattached workers

- **Phase 0**: Earned income/Net income starts at $0.
- **Phase I**: Benefits increase to $1355.
- **Phase II**: Benefits remain constant at $1355.
- **Phase III**: Benefits fall by 12 cents for every dollar of earned income/Net income beyond $8212.

**Benefits**: $1355

**Income Range**: $0 to $24111

**2018 or 2019 dollars**

**Canada Workers Benefit**

- **Phase II**: Benefits are constant at $1355 until earned income/Net income reaches $8212.
- **Phase III**: Benefits start decreasing by 12 cents for every dollar earned beyond $8212, until the maximum earned income/Net income is $24111.

**References**
A modified Canada Workers Benefit as income support

Setting the income guarantee (Phase 0)

Different options, all of which might be interpreted as implying that the federal government takes over income assistance from the provinces

1. Canadian Emergency Response Benefit sets a precedent
   - $500 per week for sixteen weeks, at least $12,000 per year

2. Income Assistance levels in the province
   - Koebel and Pohler (2019) use the “maximum income that a single, able-bodied individual (without children) currently receives on SA in each province,” amounting to $9,461 in Ontario during 2017, $8,124 in British Columbia

3. The Poverty Reduction Strategy also sets a precedent, the deep income poverty line
   - Deep income poverty line is 75% of the Official Poverty Line, which varies over the 50 regions being highest in areas of Alberta with a population of less than 30,000 and lowest in areas of Quebec with a population between 30,000 and 99,000
   - For a single individual the Official Poverty Line varies from $16,436 to $20,389, and the deep income poverty line from $12,327 to $15,292
A modified Canada Workers Benefit as income support

Setting the income guarantee (Phase 0)

1. Canadian Emergency Response Benefit sets a precedent
2. Income Assistance levels in the province
3. The Poverty Reduction Strategy also sets a precedent, the deep income poverty line

Setting the plateau (Phase II)

1. Official poverty line
   - For a single individual the Official Poverty Line varies from $16,436 to $20,389
   - Regularly update as Statistics Canada revises the poverty line
A modified Canada Workers Benefit as income support

Setting the income guarantee (Phase 0)

1. Canadian Emergency Response Benefit sets a precedent
2. Income Assistance levels in the province
3. The Poverty Reduction Strategy also sets a precedent, the deep income poverty line

Setting the plateau (Phase II)

1. Official poverty line

Real time delivery and individual agency

- Trust and verify ethic of the CERB and the speedy delivery through the CRA are important precedents
- Allow individuals to self-select payments with the Canada Revenue Agency to recover any over payments in the next tax year
A modified Canada Workers Benefit as income support

Setting the income guarantee (Phase 0)

Setting the plateau (Phase II)

Real time delivery and individual agency

- Trust and verify ethic of the CERB and the speedy delivery through the CRA are important precedents
- Allow individuals to self-select payments with the Canada Revenue Agency to recover any over payments in the next tax year

The Canada Recovery Benefit has this structure!

- but in its limited benefits and duration is more properly an aspect of income insurance than of support
3. Income insurance with agency
Employment insurance inadequacies

The “insurance” function of Employment Insurance—income payments in the face of correlated collective risks—has been compromised by other social goals like regional income support and so-called “activation policy,” but also because of complex and constrained administration.

The program does not meet Canadians where they are now:

- lack of coverage and incomplete insurance conditioned by moral hazard concerns
- narrowly defined regions and backward looking unemployment rates
- administrative complexity, particularly with regard to “special” benefits
- Part II benefits with limited capacity to enhance incomes, although there is debate on this
- Robson (2020a) says EI failed in coverage and in administrative responsiveness
Employment insurance inadequacies

Coverage

- grounded in a notion of an “insurable” job loss, but what is needed is
  - insurable income loss
  - extension of coverage to quitters, new entrants, self-employed
Introduction

Three policy goals

1. Program delivery
2. Income support with engagement
3. Income insurance with agency

Market shaping policy

References

(U) Total unemployed individuals: 1,108,500 (100%)

(A) Unemployed individuals who did not pay premiums: 399,900 (36.1%)

- A1 — Did not work in the previous 12 months or never worked: 345,100 (31.1%)
- A2 — Were self-employed or unpaid family workers: 54,800 (4.9%)

(B) EI premium-paying unemployed individuals with an invalid reason for job separation: 174,600 (15.8%)

- B1 — Quit without a just cause - other reasons: 85,600 (7.7%)
- B2 — Quit to go to school: 89,100 (8.0%)

(C) Potentially eligible unemployed individuals but insufficient hours of insurable employment: 67,100 (6.1%)

- C1 — Did not have sufficient hours of insurable employment: 67,100 (6.1%)

(D) Eligible unemployed individuals with enough hours of insurable employment: 466,900 (42.1%)

- D1 — Receiving EI regular benefits: 302,600 (27.3%)
- D2 — Benefits temporarily interrupted or waiting to receive benefits: 65,500 (5.9%)
- D3 — Did not claim or receive benefits for unknown reasons: 45,600 (4.1%)
- D4 — Exhausted EI benefits in the past 12 months: 42,600 (3.8%)
- D5 — Receiving non-regular EI benefits: 10,400 (0.9%)
Employment insurance inadequacies

Coverage

Eligibility

- an eligibility requirement in terms hours of employment that varies according to the regional unemployment rate
  - currently there are 62 Employment Insurance Regions, and to calculate an unemployment rate that reasonably reduces statistical noise Statistics Canada uses a three month moving average of past unemployment rates
  - eligibility (and duration of benefits) have sharp cut-offs changing with a 0.1 percentage point difference in the regional unemployment rate
Employment insurance inadequacies

Coverage

Eligibility

Administrative complexity

- “special” benefits have grown in scope and magnitude but are subject to many administrative rules robbing claimants of agency and their bargaining power
- a building up of more and more contingencies associated with “family” risks each associated with rules and regulations
  - Maternity and Parental: maternity, standard parental, extended parental
  - Sickness: employer-paid?, long-term or permanent disability, bed rest during pregnancy
  - Care giving: Family caregiver benefit for children, Family caregiver for adults, Compassionate care benefits
Employment insurance inadequacies

Coverage

Eligibility

Administrative complexity

For a person needing end-of-life care

Medical certificate for Employment Insurance compassionate care benefits form: a medical doctor or nurse practitioner must complete and sign this form.

This certificate:

• confirms that the person has a serious medical condition
• confirms that the person is at significant risk of death within 26 weeks
• confirms that the person needs the care or support of one or more caregivers

You can receive benefits during the 52 weeks following the date the person is certified to be in need of end-of-life care.

Only one medical certificate is required. This applies if only one caregiver is claiming the 26 weeks of benefits, or if benefits are being shared. If more than one medical certificate is submitted, the first valid certificate determines the start and end dates of the 52-week timeframe.
Employment insurance, back to the future

The 1971 Unemployment Insurance legislation

- covered quitters and new entrants with particular eligibility requirements and co-insurance features
- a five phase benefit structure geared to national and regional risks, including eligibility rules and benefit duration tied to changes in the unemployment rate
  - broadly defined regions, essentially provinces and a couple of sub provincial regions
  - a benefit phase determined by the national unemployment rate to reflect a country-wide shock, financed through the Consolidated Revenue Fund
A modified Canada Workers Benefit as income insurance

A modified Canada Workers Benefit as a new phase in the Employment Insurance Benefit structure, filling gaps in coverage and generosity

- a means of transitioning from the Canada Emergency Response Benefit motivated by insurance not just income support

- a “participation income” fostering labour market engagement while insuring earnings (Atkinson 2015)
  - cover all labour earnings regardless of source
  - offer an unconditional payment triggered by labour market changes
  - offer in-work income support with a tax back rate in harmony with Working While on Claim provisions
A modified Canada Workers Benefit as income insurance

Setting the income guarantee as income support (Phase 0)

1. Canadian Emergency Response Benefit sets a precedent
2. Income Assistance levels in the province
3. The Poverty Reduction Strategy also sets a precedent, the deep income poverty line

Setting the income guarantee as income insurance (Phase 0)

4. change in the provincial unemployment or employment rate would trigger the income guarantee or raise it higher
A modified Canada Workers Benefit as income insurance

Setting the income guarantee as income insurance (Phase 0)

4. change in the provincial unemployment or employment rate would trigger the income guarantee or raise it higher

- “Sahm Recession Indicator”
  - signals a recession in the United States when the three-month moving average of the national unemployment rate rises by at least 0.50 percentage points above its minimum during the previous 12 months (Sahm 2019)
  - a proposed trigger for direct stimulus payments offering a more effective automatic stabilizer

- assess for Canada
  - use provincial not national statistics
  - use something simpler and easier to communicate than Sahm rule based on change in provincial employment or unemployment rates
Canada Workers Benefit for unattached workers

Phase II

No Phase 0 when insurance is not needed

Phase I

Phase III

Benefits fall by 12 cents for every dollar

Earned income/Net income (2018 or 2019 dollars)
Canada Workers Benefit for unattached workers

Phase II

Phase 0
When triggered by need for insurance

Phase I

Benefits fall by 12 cents for every dollar

Phase III

Earned income/Net income (2018 or 2019 dollars)
Other steps toward Employment Insurance reform

1. render regional unemployment rates less binding by broadening the bands determining eligibility and duration

<table>
<thead>
<tr>
<th>Regional rate of unemployment</th>
<th>Without violation</th>
<th>Minor violation</th>
<th>Serious violation</th>
<th>Very serious violation</th>
<th>Subsequent violation</th>
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<tr>
<td>6 % and under</td>
<td>700</td>
<td>875</td>
<td>1050</td>
<td>1225</td>
<td>1400</td>
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<tr>
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<td>831</td>
<td>998</td>
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<td>945</td>
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<td>893</td>
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<td>9.1 % to 10 %</td>
<td>560</td>
<td>700</td>
<td>840</td>
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<td>10.1 % to 11 %</td>
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<td>656</td>
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<td>11.1 % to 12 %</td>
<td>490</td>
<td>613</td>
<td>735</td>
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<td>12.1 % to 13 %</td>
<td>455</td>
<td>569</td>
<td>683</td>
<td>796</td>
<td>910</td>
</tr>
<tr>
<td>More than 13 %</td>
<td>420</td>
<td>525</td>
<td>630</td>
<td>735</td>
<td>840</td>
</tr>
</tbody>
</table>

You must accumulate 600 insurable hours to qualify for sickness, maternity, parental, compassionate care, or family caregiver benefits.

Source: https://www.canada.ca/en/services/benefits/ei/ei-regular-benefit/eligibility.html
Other steps toward Employment Insurance reform

1. render regional unemployment rates less binding by broadening the bands determining eligibility and duration

   - the local politics that over the decades increased the number of regions from 16 to 62 make changing regional boundaries a challenge
   - the design and noise in the statistics make the narrow bands capricious, and force the eligibility rule to be backward looking
   - so .... use wider bands
     - for example, less than 6%, 6 to 10%, higher than 10%
Other steps toward Employment Insurance reform

1. render regional unemployment rates as less binding by broadening the bands determining eligibility and duration

2. convert special benefits into “personal” accounts
   - borrow the philosophy of design from the three-tiered structure of the pension system, and offer individuals agency
   - individuals may use their accounts for whatever reason, with no reporting requirement to government, for the duration they wish, subject to their balances, but this is a way of delivering on sickness benefits and including the self-employed and quitters in an incentive compatible way
   - publicly fund as a universal base contribution to all accounts, that is targeted according to income like the OAS/GIS, and that can be augmented in times of collective emergency
   - individual EI contributions flow into personal accounts, employer contributions continue to be used for unemployment due to employer-initiated job separation
Other steps toward Employment Insurance reform

1. render regional unemployment rates as less binding by broadening the bands determining eligibility and duration
2. convert special benefits into “personal” accounts
3. raise the maximum insurable earnings and hence contributions and income replacement
4. de-emphasize and focus Part II benefits
Market shaping policy
Introduction

Three policy goals

1. Program delivery
2. Income support with engagement
3. Income insurance with agency

Market shaping policy

References

Just enormously shitty corporate behaviour

National Post
@nationalpost · Jun 11
Loblaw to end extra pandemic pay for front-line workers
business.financialpost.com/news/retail-ma...

7:26 PM · Jun 11, 2020 · Twitter Web App

Source: https://twitter.com/RobynUrback/status/1271222229141983233?s=20
COVID19, the great revealer of socio-economic inequalities

They are most objectively called “service sector workers,” and often referred to as part-time, temporary, contingent, and even the precariate, but during COVID-19 they are called public-facing and have become “essential” workers, and even referred to as “heroes.”

- but in the aftermath of the pandemic they will not be paid any more, and labour market inequality will likely be exacerbated

- “It is nice for premiers and prime ministers to thank truck drivers and grocery store clerks for their essential work, but it will be hypocrisy of the highest order for our governments to only hope to start up again where we left off.” (Corak 2020)
COVID19, the great revealer of socio-economic inequalities

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- but in the aftermath of the pandemic they will not be paid any more, and labour market inequality will likely widen
  1. immediate impacts on inequality
     - low wage individuals experienced greater job and work hours cuts
     - job finding rates of young workers and new entrants collapsed
     - gender differences in job holding and hours of work widened
     - high wage individuals recovered quickly and increased savings
Introduction

Three policy goals
1. Program delivery
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Market shaping policy

Reference:

COVID19, the great revealer of socio-economic inequalities

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  1. immediate impacts on inequality
  2. longer term impacts
    - career interruptions of primary care givers, scarring of young and new labour market entrants, permanent layoffs and unexpected long term loss of “permanent” incomes
    - increased reliance on labour-saving technology that is “brought forward” with continued rise of super-star firms, increased market concentration, and wage polarization
    - social mobility falls as mental well-being and family stress deteriorate, education inequalities exacerbate, and income declines echo into next generation
COVID19, the great revealer of socio-economic inequalities

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- but in the aftermath of the pandemic they will not be paid any more, and labour market inequality will likely widen
  1. immediate impacts on inequality
  2. longer term impacts
- public policy cannot address all the concerns about low wages and the attendant insecurity through the tax-transfer system, and there is a growing need for promoting more inclusive labour markets with complementary “market shaping” policies

- The panel examined:
  - minimum wages and the setting of the federal minimum wage
  - norms and ethical wage differentials
  - worker voice and right to disconnect
  - labour standards

- Other issues are also certainly part of this theme (Atkinson 2015; Autor and Reynolds 2020; Johal 2020; Stanford 2020)
  - competition policy
  - use of technology and the taxation of capital
  - job guarantee
Setting the minimum wage

An important complement to the social policy changes put forward here is the minimum wage

- an aspect of ethical wage policy, embodying a notion of “fairness” and “dignity”
- found to be impactful in raising low end wage rates, spilling over to somewhat higher wage rates, and reducing overall wage inequality
- government benefits tied to market incomes need to be backstopped by a complementary minimum wage to address the possibility that employers may lower market wage rates
Setting the federal minimum wage

Federal minimum wage

- covers workers in the Federally Regulated Private Sector (Canada 2019)
  - 915,000 employees of 18,000 employers in banking, broadcasting, telecommunications, inter-provincial and international transportation, federal Crown Corporations and some activities on First Nations reserves
  - 42,000 of these employees earn the minimum wage (one-in-twenty), with about one-third employed in road transport and one-quarter in banks
- tied to the provincial minimum wage
  - Part III of the Canada Labour Code sets the federal rate to that enacted in provincial legislation in the province of employment, but federal government retains authority to set another rate if it so wishes
  - provincial minimum wages currently range from about $11 to $15 per hour, and have varied considerably over the years
Setting the federal minimum wage

The Expert Panel on Modern Federal Labour Standards was submitted before the pandemic, in June 2019, and recommended (Canada 2019, 39):

Recommendation 1: The Panel recommends that a freestanding federal minimum wage be established and adjusted annually.

Options

Recommendation 2: The Panel proposes two options for setting the federal minimum wage:

1) A common federal minimum wage in all provinces, benchmarked at 60% of the median hourly wage of full-time workers in Canada; and
2) A minimum wage set at 60% of the median wage in each province.

Should this be reconsidered going forward in the near term?

- a national example for all “large” employers that might signal the need for ethical policies and changes to provincial minimum wages targeted in the first instance toward large employers
Summary: Three next steps for social policy

Our review of the changes in the labour market and the social policy gaps revealed by the COVID19 crisis leads us to suggest three broad recommendations for the conduct of public policy.

1. Maximize auto-enrolment and just-in-time program delivery
2. Offer full income support with engagement
3. Offer broad income and earnings insurance with agency

We also suggest a need for “market shaping” policies that lean against growing insecurities and inequalities in jobs and pay

- this complement to social policy involves a host of reforms that strengthen ethical wage norms and offer workers greater voice
- minimum wage increases targeted in the first instance toward large employers
References


