

BRIEFING NOTE

TO: UBCIC CHIEFS COUNCIL
FROM: NATASHA KIM, POLICY RESEARCHER AND WRITER
DATE: AUGUST 24, 2020
RE: IMPACTS OF THE TRANSITION FROM CERB TO EI ON BC FIRST NATIONS

PURPOSE:

To provide the UBCIC Chiefs Council with a comprehensive background and analysis of the federal government's plans to transition Canada Emergency Response Benefit (CERB) recipients back to employment insurance (EI) in September 2020, with a specific consideration on how this may impact First Nations in BC.

RECOMMENDATIONS:

1. Nations should consider providing this Briefing Note directly to members and encouraging those individuals currently on CERB or considering CERB to take the following steps to ensure that they will be rolled into EI or the three new worker benefits programs:
 - a. Those that are currently receiving CERB through Service Canada will be automatically transitioned to EI in September and will not need to re-apply; however, if you have any issues or questions, you can reach a CERB agent at 1-833-699-0299
 - b. Those who qualify for traditional unemployment benefits but have been receiving CERB through Canada Revenue Agency, will need to file a new EI application online and can do so here: <https://srv270.hrdc-drhc.gc.ca/AW/introduction?GoCTemplateCulture=en-CA>
 - c. Those that don't qualify for EI can apply for the three new temporary benefits programs (Canada Recovery Benefit, the Canada Recovery Caregiving Benefit, or the Canada Recovery Sickness Benefit) through Canada Revenue Agency in October 2020 when applications open – more details will be released by the federal government in the coming weeks, a web page for the three recovery benefits will be established in mid-September

BACKGROUND:

Beginning in March 2020, due to public health orders that were issued to protect vulnerable populations and slow the transmission of COVID-19, a widespread shutdown and disruption of businesses and services occurred across Canada. To mitigate the financial burdens employees were facing and as part of their COVID-19 Economic Response Plan, on March 25, 2020 the federal government announced its \$80 billion CERB program which will be transitioned into a revamped EI program starting on September 27, 2020.

Jointly administered by Canada Revenue Agency and Service Canada, CERB currently provides a \$2,000/month benefit to workers who have stopped working due to the pandemic. It was initially developed because the EI system did not have the capacity to handle the waves of new applicants as millions were laid off at the start of the pandemic.

Considerations Specific to First Nations in BC

It is important to note that First Nations in BC have been uniquely impacted by COVID-19 in every aspect of their lives; their treatment throughout the pandemic was and is beset by systemic inequities, discrimination, and fragmented government aid and action that has exacerbated pre-existing socioeconomic challenges related to housing, food security, and health-care.

Indigenous employees in industries particularly hit hard by these measures – tourism, hospitality, retail, and food services – faced reduced work hours, mental and physical stress, unemployment, and great financial instability. 91% of Indigenous hospitality and tourism businesses have closed or now operate only in a limited capacity.¹ Furthermore, micro-businesses on reserve have limited or no access to mainstream or COVID-relief funding. Many Indigenous businesses experienced trouble and frustration determining which relief programs they can access, and how to properly complete applications. The Indigenous Business and Investment Council (IBIC)'s [COVID-19 Indigenous Business Survey](#), conducted from April 22-29th 2020, also highlighted how 84% are seeing a “drop in revenue, business, or deal flow,” and 89% are anticipating a further “decrease in revenue in the near-term.” The financial stress that Indigenous business and employees are undergoing has intensified food insecurity, essential supply shortages, and the mismanagement of traditional food sources related to fishing and hunting. According to Indigenous Services Canada, First Nations' largest expenditures in light of COVID-19 have been in relation to food supplies and security.²

CCPA Recommendations

Economist David Macdonald of the Canadian Centre for Policy Alternatives (CCPA) provided an in-depth overview of the negative repercussions of the shift to EI estimating that of the 1.4 million CERB recipients that would qualify for EI under the current rules, three quarters would still get payments less than CERB flat rate of \$500 per week. In addition, the switchover to EI would disproportionately impact women as Macdonald estimates that 57% of CERB recipients at risk of being ineligible for EI are women.³

These statistics did not bode well for Indigenous communities and others financially hit the hardest by COVID-19, including women and low-wage, racialized workers. Already struggling with paying rent, balancing childcaring responsibilities and maintaining employment, Indigenous parents or caregivers who stopped working due to a lack of childcare do not qualify under the current rules for EI. Typically, those that are self-employed or work part-time also cannot enroll in EI. Furthermore, there were around 150,000 people who made \$5000 in the past year but do not have enough employment hours to qualify. In order to ensure everyone is considered, the CCPA released an “[Alternative Federal Budget Recovery Plan](#)” on July 21, 2020 which contained amendments to the EI system, including:

- Creating a floor on benefits of \$500 a week or increase the rate from 55% to 75% of income for those who are EI-eligible but didn't make much before becoming unemployed
- EI qualifying hours should be reduced to a universal 300 over the prior year

¹ COVID-19 Support to British Columbia First Nations: Highlights of ISC BC Region Comprehensive Outreach - May 12, 2020 (<https://documentcloud.adobe.com/link/review?uri=urn:aaid:scds:US:cdf0d834-cd5c-477c-baee-24ff60200893>)

² Ibid.

³ https://behindthenumbers.ca/2020/08/10/whats-at-stake-in-the-move-from-cerb-to-ei/?mc_cid=df03eb209e&mc_eid=249e8a44da

- EI should be altered to cover gig and self-employed workers, and parents who had to reduce or halt work hours to care for children or dependents
- EI should move to an attestation basis for the first payment, which will help those who might not have their official layoff paperwork in order

Details of CERB and EI Systems

The terms and conditions of the current CERB and EI systems are outlined in detail below. It should be noted that a worker cannot be paid CERB and EI for the same period. Workers can apply for CERB if they have stopped working because of COVID-19; if they became eligible for EI regular or sickness benefits on March 15, 2020, or later, their Employment Insurance claim will be automatically processed through the Canada Emergency Response Benefit. Those who are already being paid their EI regular benefits cannot apply for CERB and will continue to receive their EI benefits until the end of their benefit period.

Canadian Emergency Response Benefit (CERB)

What it is	Eligibility
<p>A \$2,000/month benefit for a maximum of 24 weeks (equivalent to \$500/week) for workers who have stopped working for reasons related to COVID-19, including:</p> <ul style="list-style-type: none"> - If you are in quarantine or sick; -You are taking care of others because they are in quarantine or sick; and/or - You are taking care of children or other dependents because their care facility is closed due to COVID-19. 	<p>Those:</p> <ul style="list-style-type: none"> • Residing in Canada, who are at least 15 years old; • Who have stopped working because of reasons related to COVID-19 or are eligible for Employment Insurance regular or sickness benefits or have exhausted their Employment Insurance regular benefits or Employment Insurance fishing benefits between December 29, 2019 and October 3, 2020; • Who had employment and/or self-employment income of at least \$5,000 in 2019 or in the 12 months prior to the date of their application; and, • Who have not quit their job voluntarily.

Employment Insurance (EI):

What it is	Eligibility
<p>EI is an unemployment insurance program that provides regular benefits to individuals who have lost their jobs through no fault of their own (i.e., due to shortage of work, seasonal or mass lay-offs) for between 14 – 45 weeks, depending on the unemployment rate in the worker’s region.</p> <p>For most people, the basic rate for calculating EI benefits is 55% of their average insurable weekly earnings, up to a maximum amount. As of January 1, 2020, you can receive a maximum amount of</p>	<ul style="list-style-type: none"> • Been employed in insurable employment and accumulated between 420-700 hours of work during the qualifying period; • Been without work and pay for a minimum of seven consecutive days over the previous 52-week period; • Have worked for the necessary number of insurable employment hours over the last 52-week period or since the beginning of the last EI claim.

\$573 per week.	
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CURRENT STATUS

The government's [most recent CERB figures](#) show \$68.46 billion in benefits to 8.58 million applicants over the course of the program. About half of those recipients have gone to EI-eligible workers. As of August 2, 4.7 million Canadians were receiving CERB, approximately 10 times more than what the [EI system supported in February 2020](#) (443,000 people) before the pandemic hit Canada.

Despite the widespread dependence on CERB, on July 31, 2020, the federal government announced they would be transitioning CERB recipients back to an EI support system as the final CERB pay period was set to end on August 29, 2020. Prime Minister Justin Trudeau stated that no one would be left behind and that the goal was to move everyone receiving CERB to EI, covering anyone looking for work "with a better, 21st-century EI system." However, this move stands to have massive repercussions millions of workers, specifically those that did not qualify for EI before the pandemic. According to the July Labour Force Survey (LFS), 2.1 million CERB recipients would not be eligible for EI under existing EI rules and could slip through cracks in the switchover unless adequate reforms are made.

On August 20, 2020, the federal government announced further details of their revamped EI program and the creation of three new benefit programs that are part of their new \$37 billion income support plan for workers. This plan will include the following measures:

- Originally set to end August 29, 2020 **CERB will be extended for another 4 weeks**
- **EI modifications:** the government is increasing the EI benefits to a minimum of \$400/week (previously there was no floor on how little workers could get); reducing the hours of eligible employment in the past year from 420-700 hours to 120 hours to account for the disruptions and shorter work hours arising from the pandemic; and allowing claimants to receive at least 26 weeks or 6 months of benefits (usually the number of weeks of benefits ranges from 14-45 depending on the local unemployment rate)
 - Ultimately, this means those that are eligible for EI will receive a minimum of \$400/week to a maximum of \$573/week for at least 26 weeks
- **Those that don't qualify for EI** can apply for three new temporary benefits that will be administered by CRA, with applications opening in October 2020:
 - **The Canadian Recovery Benefit:** a \$400 weekly benefit for up to 26 weeks for those that are self-employed or don't meet the bar for EI
 - **The Canadian Recovery Sickness Benefit:** a \$500 weekly benefit for up to two weeks for those who do not have paid sick leave and become sick or must self-isolate due to reasons related to COVID-19
 - **Canada Recovery Caregiving Benefit:** a \$550 weekly caregiving benefit for anyone can't work because they're caring for a dependent or a child in the wake of school and daycare closures
- Upcoming changes to allow workers to keep more of their benefits even while working, eliminating the earnings cliff (the sudden decrease in public benefits that can occur with a small increase in earnings) created under CERB that created a dis-incentive to work

The EI changes and the three new benefits will go into effect September 27, 2020 and remain in force for one year. The expected costs to taxpayers are as follows: \$8 billion for the one-month extension of CERB, \$7 billion for the planned modifications for the EI program, and \$22 billion for the three new benefits programs.

ANALYSIS

As it was alarmingly projected that 2.1 million people receiving CERB would not qualify for EI under the current conditions, First Nations have a vested interest in ensuring they are not overlooked or underserved in the upcoming transition from CERB to EI. Moving forward, First Nations will need to be proactive in their applications to EI and the other income support programs, ensuring that any changes do not unintentionally or intentionally undermine their financial prospects and wellbeing.

As applying for benefits and income supports can be a convoluted and oftentimes frustrating process, First Nations should read the full eligibility criteria and instructions for how to apply on Service Canada's website (links in appendix) and contact Service Canada agents directly for clarification and more information that will continue to be released in the upcoming months.

Although the COVID-19 pandemic has had severe economic impacts on First Nation communities and families across the province, the federal government has not provided publicly available disaggregated data to determine how many Indigenous workers are currently on CERB. Moving forward, the government should disclose this data to help identify gaps in the accessibility of benefits for First Nations and to create a comprehensive picture of the impacts CERB and other income support programs have on Indigenous and other racialized workers. Needless to say, with the intersecting and deepening socioeconomic challenges Indigenous peoples are shouldering, and with many Indigenous businesses disproportionately impacted by the social distancing directives and travel restrictions, it is imperative that their workers are able to access a benefit system like CERB that does not unfairly curtail payments or exclude the most vulnerable.

Fortunately, for the most part, the federal government's new \$37 billion income support plan for workers addresses the existing EI service gaps and is aligned with some of the CCPA's recommendations from their Alternative Federal Budget Recover Plan. Most significant are the changes to the payment thresholds and eligibility terms for EI. Normally, the current EI funding formula would be calculated at 55% of a worker's previous weekly earnings to a maximum of \$573/week, with no floor on EI benefits. This meant that workers would make on average \$312/week—vastly below CERB amount of \$500/month. Consequently, the government has introduced a floor on EI benefits of \$400/week for at least 26 weeks and reduced the qualifying employment hours to 120 hours (equivalent to three weeks) in the past year. The \$400 floor now means recipients will get between that and the maximum \$573/week, a significant boost for many.

Furthermore, self-employed and gig workers, out-of-work mothers/parents, and others who wouldn't normally qualify for EI can now apply to three different streams of funding on an attestation basis: the Canada Recovery Benefit, the Canada Recovery Sickness Benefit, and the Canada Recovery Caregiving Benefit. They will also be able to earn up to \$38,000 in annual net income from employment or self-employment while receiving payments. Also helpful is the government's decision to extend CERB eligibility for another month, allowing workers who were set to run out of CERB payments at the end of August to have more breathing space and time to seek employment.

Ultimately, while Canada's new income support plan introduces much needed changes to the current EI system, there is still a lack of data around the accessibility and effectiveness of income supports for First Nations in BC who are significantly more vulnerable to the socioeconomic impacts of COVID-19. Raising the EI floor to \$400 may not be sufficient for First Nation workers who continue to face a significant wage gap, making consistently far less than the non-Indigenous population in Canada. As many First Nation reserves have a median income below the poverty line, there needs to be improved supports, specific to low-paid Indigenous workers, with a floor similar to the weekly \$500 benefit set by CERB or to a comparable low-income supplement based on individual, not household earnings.

NEXT STEPS

1. UBCIC will continue to monitor the rolling out of the Canada Recovery Benefit programs; legislation is needed in order to enact these three benefits and as Parliament is prorogued until Sept. 23, their creation hinges on the Liberal government's ability to survive a confidence vote and pass a new bill.

APPENDICES

1. CERB information: <https://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html>
2. EI information: <https://www.canada.ca/en/services/benefits/ei/ei-regular-benefit.html>