# How to leverage employment insurance programs during difficult times

Pamela Chan Ebejer, Partner
Fatimah Khan, Associate

In the context of current economic uncertainty where employers are worried about layoffs, how can they use employment insurance programs to mitigate the harm of tariffs, harm to employees from layoffs, and save money?

# Agenda

- New Employment Insurance (EI) Work-Sharing Program
- Temporary relief methods:
    - Supplemental Unemployment Benefit (SUB) Plan
    - Suspension of Rules on Monies Paid on Separation
    - Discretionary Waiver of the One-Week Waiting Period
    - Adjusted regional unemployment rates
- EI Premium Reduction Program

# Work-sharing agreements: What Are They?

- Assists employers and employees in avoiding layoffs and provides employees with income support when there is a decline in business for reasons beyond employer's control.
- A three-party agreement involving employers, employees and Service Canada:
  - Unions must be involved in unionized workplaces.
- Employees must agree to:
  i. a reduced schedule of work, and
  ii. share the available work equally over the term of the agreement
- Work-Sharing Agreements often must have a minimum duration of 6 weeks and can last up to 26 weeks:
  - Extensions can be requested for up to 12 additional weeks.

# The new EI Work-Sharing Program

- New special measures for the EI Work-Sharing Program have been Implemented by the Government of Canada:
  - Announced on March 7, 2025
  - Expanded employer and employee eligibility and overall scope of Program for businesses affected by the U.S tariffs
- Introduced two key changes:
  i. Expanded employer and employee eligibility requirements
  ii. Increased the flexibility of the terms of Work-Sharing Agreement

# EI Work-Sharing Program

What is it

- Program assists employers to avoid layoffs where there is a temporary decrease in business activities due to reasons beyond the control of the employer.
- Allows eligible employees to collect EI benefits during these periods of reduced working hours.

How to participate

- Employers, employees, and unions (if applicable) must agree to be a party to a Work-Sharing Agreement.
- Apply to Service Canada at least 10 business days before beginning the Work-Sharing Program.
- Further timelines apply once Service Canada approves the application:
  - Employers have ongoing reporting requirements throughout the Work-Sharing Agreement.

# EI Work-Sharing Program: Expanded employer eligibility

| Previous eligibility requirements | New eligibility |
| --- | --- |
| a year-round business operating in Canada for at least 2 years | have been operating in Canada for a minimum of 1 year |
| a private business, a publicly held company or a certain type of non-for-profit | are non-profit and charitable organizations experiencing a reduction in revenue levels as a direct or indirect result of the tariffs |
| have experienced a decrease in overall work activity of at least 10% in the past six months | are experiencing a decrease in work activity over the past six months. |
| have recovery measures in place to return employees back to normal staffing levels and regular work hours by the end of the Work-Sharing agreement | are cyclical or seasonal employers |
| have at least two eligible employees in the Work-Sharing unit that must share the available work equally | have a minimum of 2 EI eligible employees who agree to a reduction in hours and to share any available work |

# EI Work-Sharing Program:
# Expanded employee eligibility

Special measures now include:

- Employees who are not year-round, permanent, full-time or part-time employees; and
- Employees assisting the employer recovery efforts
  - Allows management employees to participate in the Work-Sharing Program

# EI Work-Sharing Program: Amended time restrictions

- Work-Sharing Agreement restrictions have been loosened by the new Special Measures:
  - The length of an Agreement under this special measure can be extended up to 76 weeks – up from the maximum 12-week extension
  - The required cooling-off period between successive Work-Sharing Agreements has been waived.

# Temporary relief methods: Supplemental Unemployment Benefit (SUB) Plan

- SUB Plans may be useful for an employer that wishes to make use of the EI program to help retain its employees and provide financial stability during a period of economic slowdown.
- Allows employers to “top up” regular EI benefits, so an employee can earn an aggregate of up to 95% of their normal weekly earnings.
  - Unique because ordinarily top-up payments reduce the  amount of EI that an employee can receive.

| SUB plan requirements | |
|---|---|
| 1. identify the employee group(s) covered | 6. require that the combined payment of SUB Plan benefits and EI benefits not exceed 95% of the employee's normal weekly earnings |
| 2. apply to any period of unemployment caused by a temporary work stoppage, training, illness, injury, quarantine or any combination of these reasons | 7. provide that, on plan termination, all remaining SUB Plan assets revert to the employer or be used for top-up payments or plan administration costs |
| 3. require the employee be in receipt of EI benefits as a condition of payment or be serving the waiting period, have insufficient insurable employment hours to qualify for benefits, or have received all the benefits to which the employee is entitled | 8. require that the SUB Plan be submitted to the Canada Employment Insurance Commission (Commission) prior to its effective date and that written notice of any change to the plan be given to the Commission within 30 days after the effective date of the change |
| 4. be financed entirely by the employer, with separate accounts for top-up payments | 9. provide that the employees have no vested right to payments under the SUB Plan (except during specified periods of unemployment) |
| 5. provide that the amount of any SUB Plan benefits will not reduce any other employee remuneration or severance pay | |

# Temporary relief methods: Three major EI regulation amendments

On March 22, 2025, the federal government announced that it will be temporarily amending Employment Insurance (EI) regulations with three major changes:

1. The one-week waiting period for all EI claims will be suspended for six months.
2. The unemployment rate will be adjusted in all regions with an unemployment rate below 13.1%.
3. The normal rules regarding earnings paid upon a temporary or permanent separation from employment are being suspended for six months.

Purpose of the changes = to provide relief from an administrative burden for employers processing terminations and settlements during this period of economic uncertainty.

# Temporary relief methods: Suspension of Rules on Monies Paid on Separation (March 30 – October 11, 2025)

- Similar to relief granted during the pandemic.
- Lump sum severance payments will not trigger EI repayment obligations where:
  - The claimant's benefit period begins between March 30, 2025 and October 11, 2025; or
  - The separation payment would otherwise be allocated to a period where the first week falls between March 30, 2025 and October 11, 2025 (dates are inclusive).
- Employers should note that EI repayment obligations can still apply for separations from employment that occurred before March 30, 2025.
- If the separation from employment occurs during the relief period, the temporary relief measures will suspend the EI repayment obligation for separation payments in respect of the separation from employment.
  - However, ongoing payments of employment income, such as salary continuance would still be allocated for EI purposes.

# Temporary relief methods: Discretionary waiver of the one-week waiting period (March 30 – October 11, 2025)

- The standard one-week waiting period for all EI benefit periods commencing between March 30, 2025 and October 11, 2025 may be waived by Employment and Social Development Canada (ESDC).
- Applies to all types of EI claims.
- ESDC issued guidance that EI claimants may serve the waiting period if it’s to their advantage because of a top-up from a SUB plan.

# Temporary Relief Method: Adjusted Regional Unemployment Rates (April 6 – July 12, 2025)

**Purpose**: reduce the number of insurable hours that employees need to qualify for regular EI benefits.

The unemployment rate will be adjusted in all regions with an unemployment rate below 13.1%.

- For any region with unemployment at or below 6.1%, the unemployment rate will be adjusted to 7.1%.
- For regions with unemployment between 6.2% and 12%, the unemployment rate will be increased by 1%.
- For regions with unemployment between 12.1% and 13%, the unemployment rate will be adjusted to 13.1%.

# EI Premium Reduction Program: Short-Term Disability Plan

## Overview

- A federal program that allows employers to pay reduced EI premiums when they offer qualifying short-term disability plans.
- Recognizes that short-term disability plans reduce reliance on EI sickness benefits.

## Key Benefit

- Lower EI Premium Multiplier (less than the standard 1.4x rate):
  - Must return 5/12 of premium savings to employees.
- Supports cost-efficiency during economic slowdowns.
- Offset employee costs without cutting staff or benefits.

# EI Premium Reduction Program: Short-Term Disability Plan

**Requirements -** To be considered for a premium reduction, your short-term disability plan must:

- Provide at least 15 weeks of benefits for short-term disability
- Match or exceed the level of benefits provided under EI
- Pay benefit to employees within 8 days of illness or injury
- Be accessible to employees within 3 months of hiring, and
- Cover employees on a 24-hour-a-day basis

**Application Process**

- Submit application to Service Canada
- Include documentation of plan

**Eligible Plan Types:**

- **Weekly Indemnity Plans** (short-term income replacement)
- **Cumulative Paid Sick Leave Plans** (e.g., 1 day/month, up to 75+ days)

Reduction rate varies and is based on which qualified plans category the short-term disability plan falls under

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# Thank you!

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