



New Employment Insurance Special Benefits for the Self-Employed

Last November, the Honourable Diane Finley, Minister of Human Resources and Skills Development, introduced the Fairness for the Self-Employed Act in the House of Commons. The legislation proposed to extend Employment Insurance (EI) special benefits, including maternity, parental, sickness and compassionate care benefits, to the self employed.

The Direct Sellers Association of Canada was consulted by the Minister's office prior to the tabling of the legislation and was subsequently asked to appear before the Standing Committee on Human Resources, Skills and Social Development during the committee review of the legislation.

The DSA supported the new measures, telling the committee that as an industry comprised of self-employed individuals, "any action to level the playing field between the employed and the self-employed is something we fully support."

With support from all parties, the legislation was passed into law on December 15th, 2009.

What is it?

The new EI Measure for Self-Employed People extends access to EI special benefits to self-employed people on a voluntary basis.

There are four types of EI special benefits:

- **maternity benefits**, which are available to birth mothers only and cover the period surrounding the child's birth (maximum of 15 weeks);
- **parental benefits**, which are available to biological or adoptive parents while they are caring for newborn or newly adopted children—these benefits may be taken by either parent or shared between them (maximum of 35 weeks);
- **sickness benefits**, which may be paid to a person who is unable to work because of illness, injury, or quarantine (maximum of 15 weeks); and
- **compassionate care benefits**, which may be paid to a person who has to be away from work temporarily to provide care or support to a family member who is gravely ill with a significant risk of death (maximum of 6 weeks).

Participation in the new EI for Self-Employed

Participation in the EI Measure for Self-Employed People is **voluntary**.

You can participate if you are:

- self-employed; **and**
- a Canadian citizen or a permanent resident.

For the purposes of the EI Measure for Self-Employed People, a **self-employed person** is someone who:

- operates his or her own business; **or**
- is employed by a corporation but is not eligible to participate in the EI program as an employee because he or she controls more than 40 percent of the voting shares of that corporation.

If you are a self-employed person in Quebec, you are already covered for maternity and parental benefits through the Quebec Parental Insurance Plan. If you choose to participate in this new measure, you will be eligible to apply for EI sickness and compassionate care benefits.

When does it start?

If you are a self-employed Canadian, you were able to enter into the program through **Service Canada** starting on January 31, 2010.

If you enter into an agreement between **January 31, 2010 and April 1, 2010**, you will be able to make a claim for EI special benefits as early as January 2011. **This is a special start-up measure.** However, if you enter into an agreement with the Commission after April 1, 2010, you will have to wait 12 months from the date of your agreement before you will be able to make a claim for EI special benefits. For example, if you enter into an agreement on **June 15, 2010**, you will be able to apply for EI special benefits as early as **June 15, 2011**.

Once you enter into the agreement, you will have 60 days to reconsider your decision. If you choose to withdraw from the EI Measure for Self-Employed People within this 60-day period, you will not have to pay any premiums.

Once the 60-day grace period has elapsed, your participation lasts indefinitely, unless you terminate it.

However, please keep in mind that you can only terminate your agreement **if you have never received EI special benefits as a self-employed person**. If you have received benefits, you cannot terminate your agreement. In other words, after you receive EI special benefits, **you have to continue to pay EI premiums on your self-employment income for the entire duration of your self-employment career, regardless of any change in the nature of your self-employment.**

Premium costs

EI premiums are payable on the amount of your earnings from self-employment, up to an annual maximum amount. The annual maximum amount for **2010** is **\$43,200**.

The 2010 EI premium rate for self-employed people is **\$1.73 per \$100** of earnings, which is the same rate that employees pay. This means that the maximum EI premium you can pay for the 2010 calendar year is **\$747.36**.

Since Quebec has its own parental benefits program, the Quebec Parental Insurance Plan, the 2010 EI premium rate for self-employed people in Quebec is **\$1.36 per \$100** of earnings. In Quebec, the maximum EI premium you can pay for the 2010 calendar year is **\$587.52**.

Eligibility for benefits

To qualify for benefits as a self-employed person, you must experience an interruption of earnings at the beginning of the week during which you have **reduced the time you usually devote to your business by more than 40 percent** as a result of illness, injury, quarantine, pregnancy, the need to care for newborn or newly adopted children, or the need to provide care or support to a family member.

For example, if you adopt a child and you reduce your usual 40-hour work week to 10 hours per week, you have reduced the time you devote to your business by 75 percent. In this case, therefore, you would experience an interruption of earnings.

Amount of benefit

For those who are self-employed, the weekly benefit amount is 55 percent of the **average weekly earnings** from the calendar year before the year you submit an EI claim, up to a yearly maximum amount. For 2010, this maximum amount is **\$43,200**, and the **maximum weekly EI benefit amount is \$457**.

Your **average weekly earnings** are your total self-employment earnings for the previous calendar year, divided by 52. Total self-employment earnings are your self-employment income minus any losses, as calculated according to the *Income Tax Act*.

Your earnings from insurable employment (earnings as an employee) may also be used to calculate your average weekly earnings.

Salaried worker who has some income from self-employment - Sickness benefits

Salaried employees (that is, those with insured earnings from paid employment) who also earn some income from self-employment may choose to contribute under the EI program provisions for the self-employed. These "mixed income" workers have two options for applying for EI special benefits:

- they can apply as salaried workers; or
- they can apply as self-employed workers.

In either case, they must meet the benefit eligibility requirements.

If they receive benefits as self-employed workers, their benefit level is based on both their insured self-employed earnings and their eligible insured earnings from paid employment. However, receiving benefits under the self-employed option commits them to making premium payments on self-employed earnings for as long as they are self-employed.

Working while on benefits

You can work part-time while claiming EI special benefits, but you will have to declare any earnings you have from this part-time work on your bi-weekly EI reports (you will have to submit EI reports every two weeks during the period your EI claim is active to show you are still entitled to receive EI benefits).

- If you are claiming sickness or maternity benefits, the government will deduct any part-time earnings from your benefits on a **dollar-for-dollar basis**.
- If you are claiming parental or compassionate care benefits, you can earn either a maximum of **25 percent** of your weekly benefit (if your weekly benefit amount is **\$200** or more) or a maximum of **\$50** (if your weekly benefit amount is less than **\$200**) without changing the amount of EI benefits you receive for that week. The government will deduct any money you earn above that amount from your benefits on a **dollar-for-dollar basis**.

Keep in mind that you must **always** declare all your earnings.

Any income your business generates for you while you are receiving EI benefits can reduce your EI benefit amount.

For more information on EI Special Benefits for the Self-Employed:

http://www.servicecanada.gc.ca/eng/sc/ei/self_employed_workers.shtml