

4.1 Employment Insurance

Employment Insurance is a federal responsibility, and has been an important national social insurance program since its inception in 1940. EI has evolved over the years to cover risks beyond job loss, and now includes sickness, maternity, parental, work-sharing, and compassionate care benefits. In 2005, the Supreme Court of Canada affirmed this evolving federal responsibility as an appropriate response to the new realities of the workforce in Canada.¹

The EI program is facing new challenges in 2008, as economic growth in Canada stalls and the U.S. economy slips closer to a recession. The EI program has been a key source of countercyclical stimulus in previous economic downturns² and will provide important macroeconomic stabilization in the current context.

However, the cutbacks in UI/EI in the 1990s have diminished the income protection it provides for Canadians. Today, only about four in every 10 unemployed workers collect regular EI benefits, down from 80% in 1990. Only one in three unemployed women collect benefits, down from 70% in 1990. Only 20–25% of unemployed workers in most major urban centres, like the Greater Toronto Area (GTA) and the Lower Mainland in

British Columbia, now receive benefits at any one time, since many do not qualify at all, and because others quickly exhaust their benefits. Immigrants and youth are particularly disadvantaged by the special entrance requirements for new entrants to the labour force.

While some other factors are at play, Employment Insurance coverage has shrunk mainly because of changes to program rules which make it much harder for workers to qualify for both regular and maternity/parental benefits, and which also cut the length of time for which benefits can be collected. Workers who have enough hours to get into the system often qualify for only a short period of benefits, as low as 14 weeks for a person who just qualifies in a region with a low overall unemployment rate. A 2007 study prepared for Status of Women Canada and the CCPA found that women are particularly disadvantaged by the hours system and gender differences in non-standard employment.³

During this time of tremendous economic uncertainty and upheaval, many workers in Canada feel vulnerable. Workers facing unemployment are often one or two pay-cheques away from liv-

ing in poverty, and it is tremendously important that the EI program is there to protect them.

Not only is it much harder to qualify for EI, but benefits have also been cut to 55% of insured earnings, for a maximum weekly benefit of \$435, which barely meets the poverty (LICO) threshold for a single adult.

As well, maternity and parental benefits play an important role in enabling workers to balance work and family responsibilities. But many new parents fail to qualify for benefits, and those who do often find that they can't afford to take a leave.

Due to high qualifying hours requirements, as high as 910 hours or six months of full-time work, many unemployed workers do not qualify for benefits at all. Women, youth, part-time workers, the working poor, recent immigrants, and residents of big cities are most affected. Those who do qualify usually get an inadequate short-term benefit, and the maximum benefit barely matches the poverty-line for a single person.

EI also fails to deliver training to many precariously employed workers or a bridge to good alternative jobs for the victims of ongoing economic restructuring flowing from changes in trade and the high Canadian dollar. This is untenable at a time of major job loss and massive economic restructuring, when re-training is urgently required.

In 2005, the House of Commons Standing Committee on Human Resources, Skills Development, and the Status of Persons with Disabilities listened to labour and social groups and recommended proposals which the AFB views as key to building a better system. These measures passed Second Reading in the House of Commons (Bill C-269), but have not yet moved on to Third Reading.

The Parliamentary Committee made 28 recommendations in total. Recommendation 10 calls for a uniform EI entrance requirement of 360 hours of work, to lower the high barrier to qualifying for part-time and temporary workers

and new entrants to the workforce. Recommendation 15 calls for an increase in benefits. This can be achieved by increasing the benefit rate to 60% of earnings, based on the best 12 weeks of earnings, and an increase in the maximum benefit period to 50 weeks.

Testimony by a senior Human Resources and Skills Development Canada (HRSDC) official to the Standing Committee on December 7, 2004, indicated that the annual cost of these changes would be about \$2 billion. The cost would now be lower because of the lower unemployment level. To cover these costs, the AFB will maintain, rather than cut EI premiums, and raise maximum insurable earnings under EI from \$41,000 to \$45,000. Gradually raising maximum insurable earnings will increase net premium revenues to cover program improvements. Employment Insurance reforms will be made within the framework of the Employment Insurance account.

The AFB also supports investments in training through EI. In 1997, responsibility for training was devolved to the provinces, and this has led to a situation where Canada spends much less on training than do other countries in the OECD. Increased funding for training for the unemployed is urgently required, and so is support for paid training leaves for employed workers through pilot projects based on the apprenticeship model (apprentices get EI support for the classroom part of their training).

EI is financed on the basis of a payroll tax, paid by both workers and employers. Workers are required to contribute 1.73% of covered earnings, and employers contribute 1.4 times this amount — in recognition of the fact that employers exercise greater control over the employment relationship. EI premiums have been drastically reduced in recent years, and the current rate-setting mechanism provides absolutely no contingency for an unforeseen economic downturn. The combined surplus in the EI account exceeds \$54 billion — money that workers have contrib-

uted over the years which is now being used to pay down the debt rather than provide benefits to workers.

The EI rate-setting mechanism is badly flawed, as a recent study by the Canadian Institute of Actuaries reveals.⁴ The CIA report was critical of the absence of a rate stabilization fund and the lack of independent actuarial advice in setting EI premiums. The AFB supports an independent and transparent rate-setting process. The 2007 Speech from the Throne promised to correct flaws in the current system, and these are long overdue.

The AFB will make improvements to service delivery. The current Service Canada model streams workers towards Web-based applications, with little support for those with computer literacy and/or language challenges. This dependence on computer-based applications and central call centres makes it more difficult for claimants to access EI services. The devolution of training services to the provinces can also be an obstacle to accessing these services. The AFB will invest in well-trained workers who can counsel EI applicants and deliver the personal quality of services that many EI claimants require.

Notes

¹ Reference re Employment Insurance Act (Can.), ss. 22 and 23, 2005 SCC 56, [2005] 2 S.C.R. 669

² 2004 Monitoring & Assessment Report, HRSDC, March 2005

³ Monica Townson & Kevin Hayes, Women and the Employment Insurance Program, CCPA, November 2007

⁴ A Look Back and a Way Forward : Actuarial Views on the Future of the Employment Insurance System, Canadian Institute of Actuaries, November 2007

GENDER ANALYSIS Employment Insurance

Women in Canada will greatly benefit from reforms to the Employment Insurance (EI) system.

In the five years following the introduction of the EI Act in 1996, women's access to benefits decreased by 6%. Men's access decreased 1%.⁵

Seven out of 10 part-time employees are women. Only 42.8% of unemployed part-time workers qualified for EI.⁶

Those who claim maternity or parental benefits must work 600 hours in the previous 52 weeks. Women are more likely to work part time, and are therefore less likely than men to qualify for parental benefits.

Changes toward electronic service delivery for both EI and Old Age benefits at Service Canada have a disproportionately negative effect on older women and women whose first language is not English or French.

⁵ Critoph, Ursule. 2003. "Who Wins, Who Loses: The Real Story of the Transfer of Training to the Provinces and Its Impact on Women", *Training the Excluded for Work Access and Equity for Women, Immigrants, First Nations, Youth, and People with Low Income*, ed. M. Griffin Cohen, UBC Press, Vancouver; Hayes, Kevin. 2003. *Falling Unemployment Insurance Protection for Canada's Unemployed—An analysis of B/U ratios (UI beneficiaries to unemployed) by age and gender from 1990 to 2001*, Canadian Labour Congress, Ottawa. <http://canadianlabour.ca/updir/unemployed-fallingEn.pdf>

⁶ Canadian Labour Congress, Submission by the Canadian Labour Congress to the Canada Employment Insurance Commission regarding the 2007 Employment Insurance (EI) Premium Rate Setting, (2003) 3 (1–11). found at http://canadianlabour.ca/index.php/Unemployment_Insuran/1045