

FACT SHEET



UNEMPLOYMENT INSURANCE

The insurance scheme that turned into a cash cow for government

No wonder the Liberal government changed the name from Unemployment Insurance to Employment Insurance (EI). Don't count on collecting if you're unemployed. As of 2002, over a million workers have lost EI protection since the Liberal's cuts since 1993. And, while benefits have been shrinking, the EI surplus has been ballooning.

Canadian Labour Congress analysis reveals that 60% of the drop in claimants were workers earning less than \$15,000 and over a third of these were earning less than \$10,000 a year. Not surprisingly, women were the most affected. More women live in low-income situations than men. In 1997, almost half of single women over 65 and 56% of all families headed by lone-parent mothers had incomes which fell below low-income cut-offs.

The drop in coverage has been dramatic. In 1989, 70% of unemployed women were covered by Unemployment Insurance. Ten years later, that figure had dropped to just 32%. The portion of women getting UI is ten percentage points less than men. Compared to 10 years ago, close to 300,000 women who lose their job will not get EI protection.

One of the reasons women are disproportionately affected is that the new EI sys-

tem ignores women's labour market realities, as well as their family responsibilities. In the 1990s, job growth was primarily in the area of part-time work and women fill the vast majority of part-time jobs. Child bearing and family responsibilities mean interruptions or absences from the workplace.

Instead of accommodating this reality, EI is biased against part-time workers. The average work week of a part-time worker is 16.5 hours. Before 1997, the minimum hours under EI were 15, now they are 35.

The shift to an hourly formula for determining eligibility that took effect with the introduction of Employment Insurance hurt all workers but women most of all. Minimum hours for claimants in the workforce in most of the country increased to 560 from 240. Only a fifth of all women have enough hours to qualify as full year hours. The hours for new entrants and re-entrants tripled from 300 to 910. Because women leave the labour force for child care and family reasons more frequently than men, a disproportionate number of women need to qualify as new entrants.

Unemployed women who do receive insurance face another penalty if they have weeks of no work or weeks when they earn less than normal earning. For them the benefit cheque is less than 55% of the regular weekly earnings. Even weeks not worked are counted in when calculating weekly earnings for benefit purposes.

The increase in minimum hours has also had an impact on women able to access UI maternity benefits. Most of the women fail-

ing to qualify work part-time or part-year as maternity and parental rules favour full-time workers.

The only beneficiary in the EI scheme is the federal government. While premiums continue to be collected, even from low-income earners, and eligibility drops, the government keeps building a surplus. In 1992, the Unemployment Insurance account stood at \$20.5-billion. Of that, \$15.3-billion was paid out in benefits to unemployed workers, while the remainder covered costs associated with employment programs, administration, maternity, parental and sickness benefits.

In 2002, the EI account stood at roughly the same amount - \$20.4-billion. Except that now benefit payments accounted for only \$7.2-billion and other costs remained the

same at \$5.2-billion. The remaining \$8-billion - more than had been paid out in benefits - was allocated as a surplus.

Without the EI surplus, the Liberal government would have to report a budget deficit, rather than an overall surplus. The EI surplus is now over \$40-billion. This is considerably more than the \$15-billion maximum the Chief Actuary of Human Resources Development Canada considered sufficient to cover higher benefit payments during a recession and to prevent premium rates from rising. The surplus is more than sufficient to provide much more inclusive coverage.

*Sources: Canadian Labour Congress
Unemployment Insurance Bulletin 2002;
Analysis of UI Coverage for Women*

