

Employment Insurance



ALTERNATIVE
FEDERAL BUDGET
2017

EMPLOYMENT
INSURANCE

HIGH STAKES

- 20% of jobs are part time and roughly 14% are contract or seasonal; it is hard for these workers to qualify for EI.
- The EI benefit rate is low – just 55% of earnings averaged over the previous six months.
- Nearly three-quarters of working fathers took paid parental leave in Quebec, compared to only 13% of working fathers outside Quebec.

CLEAR CHOICES

- Establish a uniform national eligibility requirement of 360 hours for regular benefits, and 300 hours for special benefits.
- Add a low-income supplement so that no regular or special benefits fall below \$300/week.
- Add eight weeks of leave that can only be taken by a non-birthing parent.

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Background

Employment insurance (EI) is a vital part of Canada's social safety net. Successive federal governments have made the program less equitable and harder to access, at the same time as our labour market has undergone major changes. A social insurance program should dampen the effects of labour market inequality, but the current design of EI actually amplifies inequality.

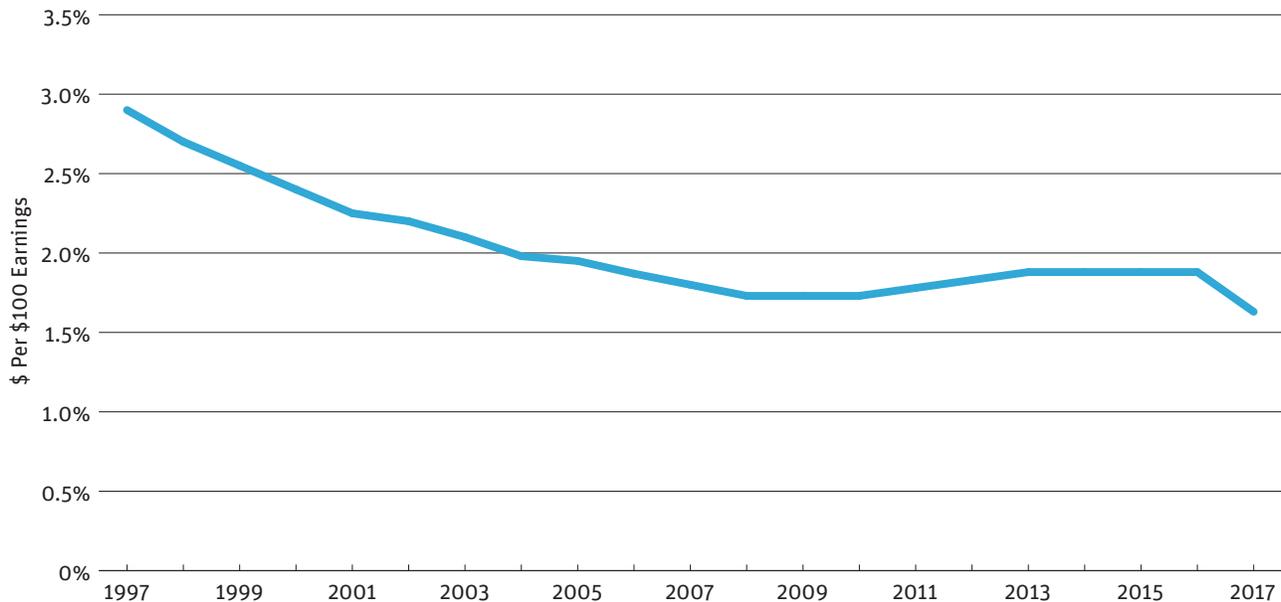
EI could be used to address precarious employment, support a just transition, or reduce inequality. Instead of doing any of these things, the federal government will be reducing premiums from 1.88% to 1.63%. This works out to a loss of about \$4 billion

per year in revenue for the EI fund over the next seven years.

Regular Benefits: Addressing Precarious Work and Inequality

EI is not keeping up with the realities of today's job market, in which 20% of jobs are part-time and roughly 14% are contract or seasonal. A key disadvantage of temporary and part-time employment is that when the job ends, workers are unlikely to qualify for EI. In the event they do qualify, it can be for as few as 14 weeks of benefits. Because of variations in hours worked from week to week, benefit rates can also be lower for

FIGURE 11 EI Premium Rate, 1997–2017



Source: Canada Revenue Agency, <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/ei/cnt-chrt-pf-eng.html>

precarious workers — this is one way that EI amplifies labour market inequalities.

We know that racialized and Indigenous workers, workers with disabilities, and LGBTQ workers are all disproportionately represented in low-wage precarious work. EI should help level the playing field for these workers.

Access to Benefits: Hours Worked

Workers qualify for regular benefits based on the number of hours they have worked over the previous year and the local unemployment rate. Fewer hours are needed to qualify in regions with high unemployment rates, and claimants in those regions receive benefits for more weeks. In an average EI region with an unemployment rate of 7% to 8%, workers need at least 630 hours — about

four months of full-time work — to qualify for EI. They are eligible for between 17 and 40 weeks of benefits depending on how long they’ve worked over the previous year.

This rule implies that the local unemployment rate is the most important factor for determining how hard it is for workers to find a new job. While that may have been mostly true at one time, it is no longer the case for precarious workers in urban areas. A pan-Canadian entrance requirement of 360 hours would level the playing field for precarious workers.

We want to acknowledge that a growing number of unemployed workers haven’t contributed to EI over the past 12 months — they may be students, previously self-employed, unpaid interns, or returning from parental leave. These workers need to be able to ac-

cess training through labour market agreements, which are funded through general revenue and not EI premiums.

Benefit Levels

As it stands, the basic parameters of Canada's EI system are insufficient. The benefit rate is low — just 55% of earnings averaged over the previous six months. Women still face a significant earnings gap in Canada, and so their EI benefits are also lower. Between 2006 and 2015, women's average weekly benefits were consistently about \$60 lower than men's.¹

One way to address this inequality is to set a minimum floor for benefits. While EI has a supplement for low-income families with children under 18, there is no supplement for those without children. EI has had higher replacement rates for lower-income workers in the past; it would not be out of place for a social insurance system to implement this kind of policy to lessen labour market inequalities.

Parental Benefits: Addressing Inequality

Child care and parental leave were hot topics during the 2015 election. In response, the Liberals promised to introduce more flexible parental benefits if they were elected. Their proposal had two options: parents could take the existing 35 weeks in smaller chunks over an 18-month period, or they could take leaves of up to 18 months with a lower weekly benefit level.

Neither of these options increases the total value of the benefits available to par-

ents or does anything to improve access to benefits for parents who don't qualify under current rules, nor do they improve access to child care for parents who need it.

Access to Benefits:

Hours Worked and Benefit Levels

Workers need 600 hours of insurable employment in the past year to access maternity, parental, and adoption benefits in most of Canada. Quebec has its own provincial plan and provides benefits to workers with more than \$2,000 in labour market earnings — equivalent to about 186 hours of work at Quebec's current minimum wage of \$10.75.

Many new parents are surprised to find out that they don't qualify for these benefits, especially recent graduates, self-employed workers, and part-time workers. As well, the low replacement rate makes taking parental leave unaffordable for low-income families.

Prior to the 1997 changes to unemployment insurance, parents needed the equivalent of 300 insurable hours of work to qualify for maternity or parental benefits. Lowering the entrance requirement to 300 hours and instituting a minimum benefit level would give new parents better access to benefits and make taking parental leave more affordable for families.

Addressing Gender Inequality

Looking at Quebec's experience gives us some clues about how to improve EI parental benefits. Research shows that Quebec fathers are far more likely to take parental leaves than fathers in the rest of Canada. In 2010, nearly three-quarters (72.5%) of work-

ing fathers took paid parental leave in Quebec, compared to only 13% of working fathers outside Quebec.²

A study found that an increase in the number of Quebec fathers taking leave had lasting effects on the division of unpaid labour within the home, resulting in more balance between unpaid and paid work responsibilities for opposite sex spouses.³ Fathers who took parental leave spent more time doing unpaid work and their spouses spent more time in paid work.

Fairness for Migrant Workers

In 2012, Canada changed its regulations to expressly limit EI parental benefits only to those individuals who were authorized to remain in Canada at that time.⁴ This meant that migrant workers (such as seasonal agricultural workers) who left Canada but were likely to return at the beginning of the next growing season no longer had access to parental benefits.

All other Canadian workers are eligible to receive parental benefits even if they leave the country. Only migrant workers are treated differently. This change was regressive — parental benefits were the only type of EI benefit that many migrant workers were able to access. As a result, most migrant workers are no longer eligible for *any* employment insurance benefits, even though they pay into the program with each paycheque. The AFB will reverse this mean-spirited change.

Just Transition: Training for a Green Industrial Revolution

We have a major opportunity to move unemployed, underemployed, and low-paid workers into better jobs as a part of a strategic response to meeting our climate change targets. We can expand access to EI training programs with a focus on labour adjustment and transition. That way, Canadian workers could benefit from the transition to a green economy by accessing new, green jobs created by public investment programs and sector strategies.

The labour market development agreements (LMDAs) between the federal government and the provinces and territories will be crucial in accomplishing this goal. The LMDAs transfer funds from the EI account to the provinces and territories for training programs for people who are EI contributors. The current LMDAs transfer \$1.95 billion in funding annually to the provinces and territories for EI training programs. During the last federal election, the Liberals said they would increase the LMDA transfer by \$500 million per year. The AFB strongly supports this commitment.

Access to a Fair Appeals Process

In the 2012 budget, the federal government made profound changes to the appeal process for employment insurance claims, abolishing the Board of Referees and instituting the Social Security Tribunal (SST). Previously, appeals were heard by local EI boards of referees, which had three part-time members: one appointed from each

of labour and business by the respective EI commissioners, and a neutral chair appointed by the government. The EI board members were knowledgeable about local labour conditions as well as EI legislation and regulations, and delivered timely decisions, usually within 28 days.

The changes in 2012 were made with no consultation or notice to stakeholders. The result was a process that takes longer than ever, that is at odds with basic principles of procedural fairness, and that stacks the odds against unemployed workers.

The structure of the new SST appeal process is highly unusual, and deviates from accepted legal norms. Workers are required to submit all of their evidence and legal submissions at the first stage of the process, before they have even been informed of the case against them or given full disclosure of their file. Normally a person would have the chance to see the evidence against them so that they can respond in an informed way.

It also takes considerably longer to complete an appeal than it did under the former system. The SST's service standard is to deliver final decisions in 85% of cases within 90 days of the appeal being filed. This is on top of the time it took to get the original decision plus the time for reconsideration of the decision from the EI commission.

AFB Actions

Action: Leave premiums at \$1.88 per \$100 of earnings, up to the 2017 maximum insurable earnings of \$51,300.

Result: Increased revenue of approximately \$3.5 billion in 2017 for the EI Operating Account.

Action: Establish a uniform national eligibility requirement of 360 hours for regular benefits, and 300 hours for special benefits (returning to pre-1990 levels) and restore migrant workers' access to parental benefits. (Cost: \$2 billion/year)

Result: An additional 250,000 workers will receive regular and special benefits.

Action: Add eight weeks of leave that can only be taken by a non-birthing parent. This leave is additional to maternity leave and parental leave, and would be available to adoptive parents and same-sex couples as well. (Cost: \$600 million/year)

Result: An additional 155,000 parents could take parental leave.

Action: Add a low-income supplement so that no regular or special benefits fall below \$300/week. (Cost: \$900 million /year)

Result: Reduced inequality for low-income workers.

Action: Restore the Board of Referees appeal system for EI. The Social Security Tribunal introduced in the 2012 budget isn't working for workers, and has proven to be costly and inefficient.

Result: More justice for unemployed workers.

Notes

1 2012 and 2014/2015 EI Monitoring and Assessment Reports, Annex 2.2, found online: www.esdc.gc.ca/en/reports/ei/index.page

2 Findlay, L.C. and D.E. Kohen. (2012). “Leave practices of parents after the birth or adoption of young children,” in Canadian Social Trends, Statistics Canada.

3 Patnaik, A. (2016). Reserving Time for Daddy: The Short and Long-Run Consequences of Fathers’ Quotas Available at SSRN: <http://ssrn.com/abstract=2475970>

4 Employment Insurance Regulations, SOR/96-332, s. 55(4) <<http://canlii.ca/t/52hlc>> retrieved on 2016-01-26; New Release (December 6, 2012), at <http://news.gc.ca/web/article-en.do?nid=711069>