



GETTING THERE

AFB 2018



Alternative Federal Budget 2018



Employment Insurance



ALTERNATIVE
FEDERAL BUDGET
2018

EMPLOYMENT
INSURANCE

SITUATION

- Temporary and part-time workers rarely qualify for EI and benefits are limited when they do.
- Women, racialized Canadians and other marginalized groups receive consistently less EI support due to their lower average wages.
- 86% of working fathers claimed paid parental leave in Quebec in 2015, but only 12% of fathers in the rest of Canada did.
- Despite paying into EI, there is almost no way for migrant workers to claim either parental or regular benefits.

DESTINATION

- Set a universal EI entrance requirement of 360 working hours to level the playing field for precarious workers.
- Set a minimum benefits floor for all unemployed workers, not just those with children.
- Add eight weeks of EI leave that can only be taken by a non-birthing parent.
- Issue open work permits for the Temporary Foreign Worker Program and allow migrants to obtain parental benefits.

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Background

Employment insurance (EI) is a vital part of Canada's social safety net, but successive federal governments have made the program less equitable and harder to access. A social insurance program should dampen the effects of labour market inequality; the current design of EI amplifies it.

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 has reduced premiums from 1.88% in 2015 to 1.66% in 2018. This change will cut \$3.6 bil-

lion per year from revenues 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. Even when they do qualify, benefits can last as few as 14 weeks.

Because of variations in hours worked from week to week, benefit rates can also be lower for precarious workers — 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, and claimants in those regions receive benefits for longer.

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. Low unemployment rates in one sector can mask high unemployment in others. A pan-Canadian entrance requirement of 360 hours would level the playing field for precarious workers.

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 access training through labour market agreements, which are funded through general revenue, 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, and 13% lower in 2015-16¹.

We know that racialized workers also face a significant earnings gap in Canada. According to the 2016 census, racialized men's average employment income is 78% of the average white man's income, and racialized women's average employment income is only 59% of the white men's average. While this unquestionably translates into lower EI benefits, such data is not collected by the program.

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, and to ensure workers can meet their basic needs and pay for housing while they look for new jobs.

Parental benefits: Addressing inequality

In Budget 2017 the federal government announced a measure to implement a Liberal campaign promise on flexible parental benefits. Parents can now choose between combined leave of 50 weeks at a 55% benefit replacement rate or 18 months at a 33% rate.

This change does not increase the total value of the benefits available to parents, nor does it improve access to benefits for parents who don't qualify under current rules. It is also, in effect, inaccessible for low-income parents, who will not be able to live on 33% of their earnings for a year and a half.

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 178 hours of work at Quebec's current minimum wage of \$11.25.

Many new parents are surprised to find out that they don't qualify for these benefits, especially recent graduates, and self-employed and part-time workers. Also, 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. Returning 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

Quebec's experience offers 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 2015, 86% of working fathers claimed or intended to claim paid parental leave in Quebec, compared to only 12% of working fathers in the rest of Canada.

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. 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 limit EI parental benefits to those individuals who were authorized to remain in Canada at that time. 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 policy.

The AFB would transform the Temporary Foreign Worker Program so that it issues open work permits. Permits that are tied to only one employer make it very difficult for migrant workers to qualify for regular EI benefits because they have to establish that they could get another job. The system also currently makes these workers much more vulnerable in the workplace. They may be reluctant to speak out against poor or dangerous workplace conditions, for example (see the AFB Immigration chapter).

Just transition: Training for a green industrial revolution

We have a major opportunity to offer unemployed, underemployed and low-paid workers 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 cre-

ated by public investment programs and sector strategies.

Labour market development agreements (LMDAs) between the federal government and the provinces and territories will be crucial in accomplishing this goal. The LMDAs currently transfer \$1.95 billion from the EI account to the provinces and territories for training programs for people who are EI contributors. Budget 2017 gradually increases this amount to \$2.45 billion in annual funding by 2021-22. The AFB strongly supports this commitment and encourages a focus on supporting a just transition for workers.

Access to a fair appeals process

In 2012, 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 from labour, one from business 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 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.

The new appeal process also takes considerably longer to complete than 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; in 2016-17, the SST met this service standard only 12% of the time. 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: Return EI premiums to \$1.88 per \$100 of earnings up to the 2018 maximum insurable earnings of \$51,700.

Result: Increased revenue of approximately \$3.5 billion in 2018 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 per 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 per 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 per week (cost: \$900 million per 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 EI Monitoring and Assessment Report: <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2016/annex2.html>.

