

**Presentation by  
Barbara Byers, Executive Vice-President  
of the  
Canadian Labour Congress**

**to the  
Standing Committee on Human Resources,  
Skills and Social Development and the  
Status of Persons with Disabilities (HUMA)**

**regarding  
Bill C-308**

April 26, 2010



**Canadian Labour Congress**  
**Congrès du travail du Canada**

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## **Introduction**

On behalf of the 3.2 million members of the Canadian Labour Congress (CLC), we want to thank you for affording us the opportunity to present our views. The CLC brings together Canada's national and international unions along with the provincial and territorial federations of labour and 130 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations, in all parts of Canada.

The Canadian Labour Congress welcomes and urges all parties to support this important Bill.

## **Access**

The Bill would expand access to regular benefits to 360 hours. As members are aware, the CLC has long called for such a uniform entrance requirement of 360 hours across the country.

## **Level of Benefits**

The Bill would modestly increase EI benefits to 60% of earnings, calculated on the basis of the best 12 weeks over the previous year. We welcome the proposed move to 60% of the best 12 weeks. Members should recognize that the average benefit today is very

low — at about \$350 per week — barely enough to support even a single person above the poverty line. The maximum benefit today is about \$150 less per week than it was in the last recession.

### **Duration/Exhaustees**

It can be estimated that a new EI claimant today will, on average, qualify for about 38 weeks or nine months of benefits. That is the average of 31 weeks before the recession (2006-07), plus the extra five weeks added in the last Budget, plus the extra two weeks generated on average by a two-percentage-point rise in the national unemployment rate.

At this point in the recession, jobs are still very hard to find. Between the start of the recession and September 2009, the average duration of a spell of unemployment has risen from 13.6 to 17.0 weeks, and more than one in five unemployed workers in February 2010 had been out of work for more than six months, clearly placing those on EI at risk of running out in the very near future if, in fact, they have not already exhausted it.

While we notice that this Bill improves access and level of benefits, the duration of benefits remains a concern that still needs to be addressed.

### **The “Stress Test”!**

The current serious recession has amounted to a “stress test” for the current EI system, the first test of fast-rising unemployment since the new hours-based system was introduced in the mid-1990s.

Since the crisis began in October 2008, there has been a modest rise in the proportion of all unemployed workers collecting regular EI benefits, driven by two key factors. First, the initial stages of the downturn were marked by major layoffs of workers who had typically been in stable employment before becoming unemployed. Before the recession, proportionately more of the unemployed were new entrants and re-entrants to the workforce, who need 910 hours of work (almost six months of full-time work) to get into the system. This requirement disqualifies many young workers, as well as parents (almost all women) returning to work after a leave, as well as recent immigrants.

Second, the EI system automatically responds to downturns, though with an important lag, because entrance requirements and the duration of benefits depends on the local unemployment rate (based on a three-month moving average). By mid-2009, the entrance requirement to qualify for EI had fallen compared to October 2008 in about 40 of the 58 EI Regions, accounting for over 80% of workers.

Yet, the fact of the matter is that many, many workers — especially women and young workers — have fallen through the cracks. Since October 2008, the number of unemployed workers who were unemployed but not collecting regular EI benefits rose rapidly (one-third). The proportion of unemployed workers collecting benefits has jumped for men, but has barely increased for women.

The proportion of unemployed workers collecting benefits remains very low in many parts of the country, below 50% in the three Western provinces, and also in Ontario, where it stands at just 40%. Part of the reason is that it is difficult to gain access when

jobs suddenly disappear in what used to be a low unemployment region.

Entrance requirements in terms of hours worked continue to exclude many unemployed workers from benefits. HRSDC research shows that about 10% of all unemployed workers in recent years worked before becoming unemployed, but did not have enough hours of work to qualify for benefits. That amounts to about 160,000 unemployed workers in any given month today, and a much higher number over the course of a year.

Studies by HRSDC of a proposal to temporarily drop the entrance requirement to 360 hours from the current range of 420 to 700 hours depending upon the local unemployment rate showed that this would bring about 184,000 more workers into the system over a year at a cost of \$1.14 billion. (This proposal would still have imposed a 910-hour requirement — or about six months' full-time work — on new labour force entrants and re-entrants, and would have let workers with relatively low qualifying hours into the system for only 14 to 36 weeks, depending on the local unemployment rate.)

As proposed in this Bill, the CLC believes that a 360-hour threshold should also replace the 910-hour requirement (or about six months' full-time work) imposed on new labour force entrants and re-entrants. This serves to exclude many recent immigrants, and may account for why so many unemployed workers in Toronto and Vancouver are ineligible for benefits.

On top of unemployed workers who never qualify for benefits, many unemployed workers collect benefits for a while, but exhaust a claim before finding a new job. Workers who entered the EI

system in the early stages of the crisis in late 2008 were starting to run out of benefits in significant numbers by the fall of 2009, and the number of exhaustees will soar in the months ahead.

Before the recession, more than one in four (27.9%) claimants exhausted their benefits (29.9% of women and 26.5% of men), and more than one in three (34.3%) older workers exhausted their benefits.<sup>1</sup> Currently, claimants are eligible for between 19 weeks and 50 weeks of benefits depending upon how many hours of work they put in in the 52-week qualifying period before a claim and the regional rate of unemployment. (This includes the temporary five weeks of benefits added to the system in all regions in the 2009 Budget.) In an “average” region with an unemployment rate of 8% to 9% — the same as the average national rate — eligibility ranges from 23 to 47 weeks depending upon the number of hours worked in the previous year. More than 1,820 hours or essentially a history of working in a full-time, permanent job are required to get the maximum 47 weeks of benefits. (The 50-week maximum only applies in regions with an unemployment rate above 12%.)

It can be estimated that a new EI claimant today will, on average, qualify for about 38 weeks or nine months of benefits. That is the average of 31 weeks before the recession (2006-07), plus the extra five weeks added in the last Budget, plus the extra two weeks generated on average by a two-percentage-point rise in the national unemployment rate.

We can expect that the total number of new, regular claims in 2009 will hit about two million. If the exhaustion rate were to remain the same as in 2006-07, we could eventually see some 500,000 plus exhausted claims in late 2009 and into 2010. It is

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<sup>1</sup> HRSDC, EI Monitoring and Assessment Report, 2008: 74-75.

open to question if the exhaustion rate will remain the same as before the recession. On the one hand, a higher unemployment rate automatically triggers somewhat longer benefit periods, and five weeks have been temporarily added for two years. About 400,000 workers were expected by HRSDC to qualify for the extra five weeks in 2009-10. On the other hand, it will be far harder than in 2006-07 for those on claim to find a new job before their eligibility period comes to an end.

At this point in the recession, jobs are still very hard to find. Between the start of the recession and September 2009, the average duration of a spell of unemployment has risen from 13.6 to 17.0 weeks, and more than one in five unemployed workers in September had been out of work for more than six months, clearly placing those on EI at risk of running out in the very near future if, in fact, they have not already exhausted.

The CLC has called for improved access to 50 weeks of EI regular benefits. If the majority of MPs come to an agreement on this Bill, we would not want our position on the duration of benefits to stop the increase to more access and improved benefits. We still believe that benefits should be paid longer to better protect Canadians and the Canadian economy from the consequences of an economic downturn like the one we are in now...

In conclusion, we urge your support for an important and progressive piece of legislation.

Thank you.