

Left Out in the Cold

Briefing on Employment Insurance Issues
(Regular Benefits)

Canadian Labour Congress
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Who Qualifies for EI?

- Unemployed and without pay for at least one week (severance postpones claim).
- Did not quit; was not fired.
- Paid premiums for required hours in qualifying period before claim (usually one year).
- Actively seeking work.

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How Important a Program?

In 2006-07 (Unemployment Rate 6.2%):

- 1,328,000 regular claims
- \$8 billion in regular benefits

Note:

% workers unemployed at some time in a year can be double % unemployed in an average month.

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How Important a Program?

- EI provides needed temporary income support for active job search or training.
- EI stabilizes individual AND family income (important for women's equality).
- EI benefits spent in the community stabilizes hard-hit communities.
- EI is a key “macro economy automatic stabilizer”.

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How Important a Program?

- Compared to previous recessions, EI will leave many in the cold; provide modest, limited benefits to the unemployed; and fail to stabilize the economy.
- Today (October 2008) less than half of the unemployed (43%) qualify for benefits – only 32% in Ontario, 35% in BC.
- 40% of men collect; 32% of women (2004).

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Why Do So Many Unemployed Workers Fall Through the Cracks?

Some unemployed are always ineligible (new entrants to work force, previously self-employed),

BUT

Main reason is “The Grid” - a complex system of rules which bases eligibility AND duration of benefits on the local unemployment rate.

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Why Do So Many Unemployed Workers Fall Through the Cracks?

Most workers with permanent, full-time jobs who become unemployed will qualify but **NOT** temporary, contract, seasonal or part-time workers (women, young workers, recent immigrants).

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Entry to the System

Entry based on hours worked:

- 910 hours for “new entrants/re-entrants” or almost 6 months of FULL-TIME work.
- 420 – 700 hours once qualified, depending on local unemployment rate.

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Entry - Hours

Unemployment Rates:

- < 6% - 700 hours
e.g. Ottawa, Edmonton, Vancouver
- 7-8% - 630 hours
e.g. Montreal, Toronto
- 10-11% - 525 hours
e.g. Windsor
- over 13% - 420 hours
e.g. FEW parts of rural Atlantic Canada, Quebec

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Duration of Benefit

- 14 - 45 weeks based on local unemployment rate AND number of hours worked (usually over previous year).
- Average eligibility period for a claim - 32 weeks (2006).
- Generally only those who had permanent full-time jobs before layoff qualify for maximum.

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Duration of Benefit (Weeks) Unemployment Rate < 6%

e.g. Ottawa

< 700 hours – 0 weeks

700 hours – 14 weeks

1190 hours – 21 weeks

1820 hours plus – 36 weeks (maximum)

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Duration of Benefit (Weeks) Unemployment Rate 7-8%

e.g. Toronto

< 630 hours – 0 weeks

630 hours – 17 weeks

1260 hours – 26 weeks

1820 hours plus – 40 weeks (maximum)

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Duration of Benefit (Weeks) Unemployment Rate 10-11%

e.g. Windsor

<525 hours – 0 weeks

525 hours – 21 weeks

1785 hours plus – 45 weeks (maximum)

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How Large is the Benefit?

- 55% of Maximum Insurable Earnings of \$42,300 (Average Earnings) = \$447 per week MAXIMUM (2009) (taxable).
- Benefit based on previous 26 weeks including periods of no work, low hours (which often precede layoff).
- Average Benefit (2006) Men - \$360; Women \$298; Average - \$335.

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Key Issues - ACCESS

CLC proposes uniform entrance requirement of 360 hours in all regions vs 420 – 910 today.

Who Gains?

- Part-timers - mainly women and young workers (only half qualify today).
- Temporary and contract workers - many “disguised employees” combining insured and non-insured work.
- Unemployed workers in “low” unemployment areas.

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Key Issues - ACCESS

- Local unemployment rate should not lower access – unemployment is involuntary.
- Makes system more equitable for women, recent immigrants, young workers.
- Would help working poor individuals and families.

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Key Issues - DURATION

CLC proposes a maximum 50 weeks

- Would reduce proportion of exhaustees (now 25%) which always rises in recessions.
- Exhaustion of benefits helps explain why half of the unemployed do not qualify.
- Would limit social assistance claims on provinces in recession.

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Key Issues – BENEFIT LEVEL

CLC proposes 60% of insurable earnings based on best 12 weeks

- Maximum benefit in 1996 - \$604 in today's dollars vs \$447 in 2009.
- Best 12 weeks eliminates benefit reductions due to short hours before layoff.

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Yeah But - It would cost too much

- Improving EI would cost a lot but is an effective form of economic stimulus (vs tax cuts) AND most effective way to help victims of the economic crisis.
- Lowering entrance requirement has biggest impact on modest claims; duration will increase in downturn anyway.
- Cost would be low if unemployment returned to 6% or less.

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Yeah But - It would cost too much

- Government used to backstop EI in recessions.
- Since mid-1990s, EI Fund has been looted by the Federal Government.

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Program Finances

\$54 BILLION of accumulated surplus collected 1994 through 2008.

e.g. in 2000:

- Premiums - \$20.4 billion
- All Benefits - \$12.4 billion
- Surplus - \$7.9 billion

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Program Finances

Premium Rate ignores surplus – balances premiums/benefits on “forward looking” basis.

Premiums should be frozen in recession.

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Yeah But – A More Generous System would Raise Unemployment

- Unemployment is involuntary and, in any recession, there are more unemployed workers than available jobs.
- We need to put a floor under wages and working conditions in a recession.
- People need time and income to look for another job or retrain (with support from EI).

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Yeah But – A More Generous System would Raise Unemployment

Many European countries (e.g. Sweden, Denmark, Netherlands, Austria) have much more generous EI systems:

- Benefits 80% of wages for 2 years.
- PLUS low unemployment.

How?

Decent benefits PLUS Active Labour Market Measures (job sharing; job finding; retraining).

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Other Important EI Issues

- 2 week waiting period
- Severance pay
- Work Sharing
- Program Administration
- (Sick Pay – duration too low)
- (Maternity, Parental, Adoption, Caring Leave)

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Conclusion

- 360 Hours
- 60% of Wages over best 12 Weeks
- 50 Weeks

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