

Annex 6

Recent Legislative Changes to Employment Insurance (EI)

Elements of EI Reform: Bill C-12 (1996 and 1997)

Element	Rationale
<p>Reduction in Maximum Insurable Earnings (MIE)</p> <ul style="list-style-type: none"> The MIE was reduced to \$750 (the equivalent of \$39,000 per year) in July 1996 and frozen at this level until 2000. This reduced the maximum weekly benefit to \$413 (55% of \$750) from \$448 in 1995 and \$465 for the first six months of 1996. 	<ul style="list-style-type: none"> Bases the MIE on a formula that takes into account average wage increases over the previous eight years. Because the high inflation and wage increases of the 1980s continued to be considered in setting the MIE, it had escalated faster than wages, making EI benefits competitive with wages in some parts of the country and in some industries.
<p>Reduced Maximum Benefit Duration</p> <ul style="list-style-type: none"> Effective July 1996, the maximum length of a claim was reduced from 50 to 45 weeks. 	<ul style="list-style-type: none"> Reflects the fact that most claimants find work within the first 40 weeks of receiving benefits. Only affects workers in high unemployment regions who work for long spells prior to unemployment.
<p>New Entrants and Re-Entrants</p> <ul style="list-style-type: none"> Effective July 1996, new entrants and re-entrants to the labour force needed 26 rather than 20 weeks of work to qualify for EI. In January 1997, the 26 weeks were converted to 910 hours. This rule applies only to those who have had minimal or no labour market attachment over the past two years. Workers who have at least 490 hours of work in the first year of employment need only 420 to 700 hours the next year. Time on EI, workers' compensation, disability benefits and sick leave counts as time worked. 	<ul style="list-style-type: none"> Discourages a cycle of reliance: <ul style="list-style-type: none"> ensures that workers, especially young people, develop a significant attachment to the labour force before collecting EI benefits. Returns insurance principles to the system: <ul style="list-style-type: none"> workers must make a reasonable contribution to the system before collecting benefits. Strengthens the relationship between work effort and entitlement to benefits.
<p>Benefit Calculation</p> <ul style="list-style-type: none"> Weekly benefits are calculated as follows. Total earnings over the 26-week period preceding the establishment of the claim are divided by the number of weeks of work in this period or the minimum divisor of 14 to 22 (depending on the regional rate of unemployment), whichever is higher. The result is multiplied by 55% to determine the weekly benefit. 	<ul style="list-style-type: none"> Creates a strong incentive to work more than the minimum amount of time to qualify for benefits (at least two more weeks than the old entrance requirement). Provides an incentive to work in the "shoulder" season. Ensures a better relationship between flow of benefits and normal earnings.

Elements of EI Reform: Bill C-12 (1996 and 1997) *(continued)*

Element	Rationale
<p>Hours-Based System</p> <ul style="list-style-type: none"> • Effective January 1997, EI eligibility is based on hours rather than weeks worked. • For regular benefits, claimants need 420 to 700 hours instead of 12 to 20 insured weeks. • For special benefits, claimants need 700 hours instead of 20 insured weeks. 	<ul style="list-style-type: none"> • Is a better measure of time worked. • Removes inequities and anomalies of the weeks system: <ul style="list-style-type: none"> – recognizes the intense work patterns of some employees; – corrects the anomaly that existed under Unemployment Insurance (UI), when 15 hours or 50 hours both counted as one week; and – eliminates the 14-hour job trap—under UI, those working fewer than 15 hours (either all the time or some of the time) with a single employer were not insured or not fully insured. • Is fairer and more equitable (i.e., all hours count).
<p>Family Supplement</p> <ul style="list-style-type: none"> • Claimants with children and annual net family incomes of up to \$25,921 receive a top-up of their basic insurance benefits. • The Family Supplement increased the maximum benefit rate to 65% in 1997, to 70% in 1998, to 75% in 1999 and to 80% in 2000. 	<ul style="list-style-type: none"> • Better targets assistance to those most in need: <ul style="list-style-type: none"> – the 60% rate under UI was very poorly targeted—about 45% of low-income families did not qualify; and – about 30% of those who did receive the 60% rate had family incomes over \$45,000.
<p>Allowable Earnings While on Claim</p> <ul style="list-style-type: none"> • Effective January 1997, claimants can earn \$50 or 25% of their weekly benefit, whichever is higher. 	<ul style="list-style-type: none"> • Helps low-income claimants. • Encourages claimants to maintain labour force attachment and increase their earnings from work.
<p>Benefit Repayment (Clawback)</p> <ul style="list-style-type: none"> • Benefits were repaid at the rate of \$0.30 for every \$1 of net income above the threshold. • For those who had collected 20 or fewer weeks of benefits in the last five years, the threshold was \$48,750 of net income (the former level was \$63,750). The maximum repayment remained at 30% of benefits received. • For those with more than 20 weeks of benefits in the last five years, the threshold was \$39,000 of net income. The maximum repayment varied from 50% to 100% of benefits received. 	<ul style="list-style-type: none"> • Is fairer and more accurately reflects insurance principles. • Discourages repeat use of EI by those with high levels of annual income.
<p>Intensity Rule</p> <ul style="list-style-type: none"> • The intensity rule reduced the benefit rate by one percentage point for every 20 weeks of regular or fishing benefits collected in the past five years. • The maximum reduction was five percentage points. 	<ul style="list-style-type: none"> • Introduces an element of experience rating to the program, since heavy users of the system bear more of the costs. • Discourages use of EI as a regular income supplement rather than insurance for times of unpredictable job loss, while not excessively penalizing those who make long or frequent claims. • Creates a better balance between contributions made and benefits received.

Elements of EI Reform: Bill C-12 (1996 and 1997) *(continued)*

Element	Rationale
<p>First-Dollar Coverage</p> <ul style="list-style-type: none"> Effective January 1997, all earnings from the first dollar are insurable up to the annual MIE. There are no weekly minimums or maximums for determining earnings. 	<ul style="list-style-type: none"> Creates a more equitable and balanced system—all work is insurable. Substantially decreases paper burden for employers.
<p>Premium Refunds</p> <ul style="list-style-type: none"> Beginning in 1997, workers earning \$2,000 or less per year have their premiums refunded. 	<ul style="list-style-type: none"> Helps workers who must pay premiums but will not have enough hours to qualify for benefits.
<p>Increased Sanctions for Fraud</p> <ul style="list-style-type: none"> Effective July 1996, penalties for fraud by employers and claimants were increased. Effective January 1997, claimants who committed fraud after June 1996 face higher entrance requirements. 	<ul style="list-style-type: none"> Protects the integrity of the EI program.

Enhanced Parental Benefits: Bill C-32 (2000)

Element	Rationale
<p>Parental Benefits</p> <ul style="list-style-type: none"> Effective December 31, 2000, the duration of parental benefits was increased from 10 to 35 weeks. 	<ul style="list-style-type: none"> Helps parents spending time with their child during the critical first year of his or her life. Helps working parents to better balance their work and family responsibilities.
<p>Entrance Requirement</p> <ul style="list-style-type: none"> Effective December 31, 2000, the number of hours of insurable employment required to qualify for maternity, parental or sickness benefits was reduced from 700 to 600 hours. 	<ul style="list-style-type: none"> Improves access to special benefits.
<p>Waiting Period</p> <ul style="list-style-type: none"> Effective December 31, 2000, a second parent sharing parental leave is no longer required to serve a second two-week waiting period. 	<ul style="list-style-type: none"> Improves flexibility by allowing parents who share benefits to serve only one waiting period.
<p>Allowable Earnings While on Claim</p> <ul style="list-style-type: none"> Effective December 31, 2000, claimants can earn \$50 or 25% of their weekly parental benefit, whichever is higher. 	<ul style="list-style-type: none"> Helps low-income claimants. Improves flexibility by allowing parents to work while receiving parental benefits.

A More Responsive EI Program: Bill C-2 (2001)

Element	Rationale
<p>Intensity Rule</p> <ul style="list-style-type: none"> Eliminated October 1, 2000, the intensity rule had reduced the benefit rate by 1 percentage point for every 20 weeks of EI regular benefits used in the past. The maximum reduction was 5 percentage points. 	<ul style="list-style-type: none"> This rule was proven to be ineffective and had the unintended effect of being punitive.
<p>Benefit Repayment (Clawback)</p> <ul style="list-style-type: none"> The following rules now apply, effective retroactive to the 2000 taxation year. <ul style="list-style-type: none"> First-time claimants of regular or fishing benefits are now exempt from the benefit repayment. Claimants of special benefits (maternity, parental and sickness benefits) are no longer required to repay any of those benefits. The benefit repayment threshold for regular and fishing benefits is at one level: \$48,750 of net income, with a repayment rate of 30%. The maximum repayment is the lesser of 30% of excess net income above the threshold of \$48,750, or 30% of the claimant's benefits. 	<ul style="list-style-type: none"> Corrects a discrepancy. Analysis indicated that the benefit repayment provision was having a disproportionate impact on middle-income claimants. Focuses on repeat claimants with high incomes and simplifies the provision.
<p>Re-Entrant Parents</p> <ul style="list-style-type: none"> Effective retroactive to October 1, 2000, the rules governing re-entrant parents were adjusted so that these claimants now require the same number of hours as other workers to qualify for regular benefits. 	<ul style="list-style-type: none"> Ensures that parents returning to the workforce following an extended absence to raise young children are not penalized.
<p>Maximum Insurable Earnings (MIE)</p> <ul style="list-style-type: none"> The MIE will remain at \$39,000 until the average earnings exceed this level, at which time the MIE will be based on average earnings. 	<ul style="list-style-type: none"> Corrects a discrepancy. The MIE was higher than the average industrial wage.

Access to Special Benefits: Bill C-49 (2002)

Element	Rationale
<p>Period to Claim Parental Benefits</p> <ul style="list-style-type: none"> Effective April 21, 2002, parents of a newborn or newly adopted child who is hospitalized for an extended period now have a window of up to two years, instead of one year, to claim parental benefits. 	<ul style="list-style-type: none"> Provides flexibility for parents who choose to wait until their child comes home before collecting parental benefits.
<p>Period to Claim Special Benefits</p> <ul style="list-style-type: none"> Effective March 3, 2002, the maximum number of combined weeks of special benefits was increased from 50 to 65 weeks. 	<ul style="list-style-type: none"> Ensures full access to special benefits for biological mothers who claim sickness benefits prior to or following maternity or parental benefits.

Compassionate Care Benefits: Bill C-28 (2003)

Element	Rationale
<p>Compassionate Care Benefits</p> <ul style="list-style-type: none"> • Effective January 4, 2004, compassionate care benefits are available to help eligible family members to provide or arrange care, within a 26-week period, for a gravely ill family member who faces a significant risk of death. The duration of the benefits is up to six weeks within the 26-week window. • Flexibility is a key feature of the new benefits. Claimants can choose how and when to claim benefits within the 26-week window. Eligible family members can decide to have one person claim all six weeks or decide to share the benefit. Eligible family members can claim weeks of compassionate care benefits concurrently or consecutively. 	<ul style="list-style-type: none"> • Provides support to workers during temporary absences from work due to the need to provide care or support to a gravely ill family member who faces a significant risk of death within a 26-week period.

Canada Employment Insurance Financing Board (CEIFB): Bill C-50 (2008)

Element	Rationale
<ul style="list-style-type: none"> • The Act creating the CEIFB became effective on June 18, 2008. • The CEIFB will be responsible for: <ul style="list-style-type: none"> – setting EI premium rates beginning in 2011 under a modified premium rate-setting process; and – keeping a separate account where excess premiums will be held and invested. 	<ul style="list-style-type: none"> • Ensures that EI revenues are sufficient to cover EI costs in the coming year. • Ensures that funds are available to repay advances made to the EI Account. • Uses current premium surpluses to reduce future premium rates.

Temporary Extension of Employment Insurance Benefits: Bill C-10 (2009)

Element	Rationale
<p>Five-Week Extension of EI Regular Benefits</p> <ul style="list-style-type: none"> • This temporary legislative change became effective on March 31, 2009. • The legislative change affects all claims active or starting between March 1, 2009, and September 11, 2010. These claims are automatically eligible for five additional weeks of regular benefits. 	<ul style="list-style-type: none"> • Provides all EI regular benefit claimants with additional financial support while they search for new employment.