

Chapter 5

Impacts and Effectiveness of Employment Insurance

This chapter analyzes the impacts and effectiveness of the Employment Insurance (EI) program for individuals by examining both access to and adequacy of benefits. The analysis also examines the EI program's effect on workforce attachment, the impacts of Employment Benefits and Support Measures (EBSMs), and the EI program's role in the workplace.

Annexes 2 and 4 provide the detailed EI administrative data used in this chapter, while Annex 5 outlines the main findings and methodologies of the research studies cited here. Unless otherwise indicated, tables and charts in this chapter are based on EI administrative data.

I. EI and Individuals

As indicated in chapters 2 and 3, there were 2,138,900 new EI claims for income support in 2008/09, an increase of 21.7% over the 1,757,500 claims established in the previous year. Also, more than 694,000 individuals participated in EBSMs,¹ an increase of 13.3% from 2007/08. This section assesses the impact and effectiveness of EI from the individual's perspective by examining both the access to and the adequacy of EI benefits.

A. Access to and Eligibility for Benefits

The EI program provides temporary income support and assistance to Canadian workers during periods of unemployment. It is an insurance program that pays benefits to replace lost income for those who have made contributions to the EI program for a specified period. To be eligible for regular EI benefits, an individual must have contributed to the EI program; be available for work after the termination of employment, which must not have been for cause or due to a voluntary quit;² and meet regional entrance requirements with a sufficient number of hours

of insurable work in the last year. The minimum number of hours required to qualify for regular benefits depends on the regional unemployment rate.

The hours required are higher for workers who have entered the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants). These two groups are known collectively as NEREs (new entrants/re-entrants).³

1. Unemployed Population

Statistics Canada's Employment Insurance Coverage Survey (EICS) provides an array of information on eligibility for the EI program and can be used to calculate a number of measures. It provides a picture of who does or does not have access to EI benefits among the jobless.⁴ Summaries of the various EICS eligibility measures are presented in Chart 1, Table 1 and Annex 5.

According to the 2008 EICS, there was an estimated average of 1,094,600 unemployed people in Canada (shown as U in Chart 1) in 2008.⁵ The survey estimated that 767,100 of these individuals had been paying EI premiums before becoming unemployed (UC in Chart 1),

¹ Since most EBSM participants also collect Part I income benefits, adding these numbers would overstate the total number of individuals benefiting from the program.

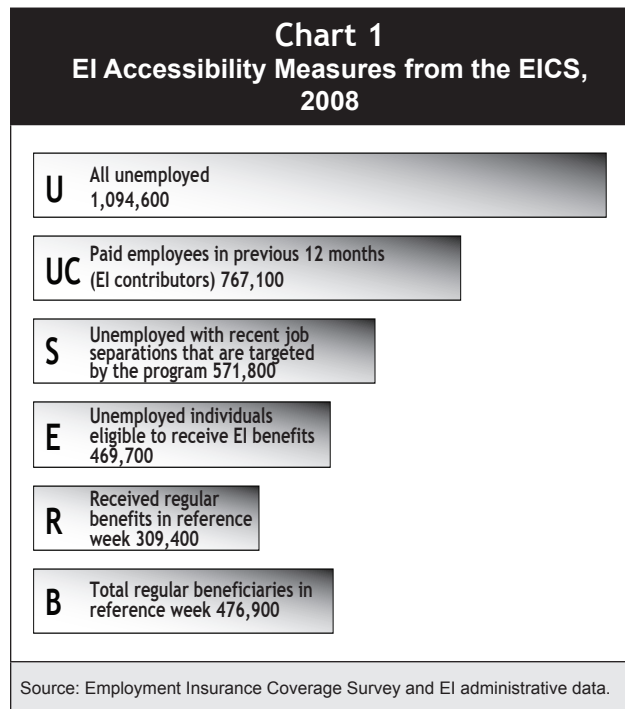
² Section 29 of the *Employment Insurance Act* identifies 13 specific circumstances that constitute just cause for voluntarily leaving employment. Just cause for voluntarily leaving employment is not limited to the situations currently defined in the Act. Jurisprudence has shown there to be 40 main reasons deemed just cause for voluntarily leaving employment. Within the terms of the Act, just cause for voluntarily leaving employment exists where, given all circumstances, the claimant had no reasonable alternative to leaving employment.

³ An individual who has received at least one week of maternity or parental benefits in the five-year period preceding the termination of employment is not a new entrant or re-entrant.

⁴ Statistics Canada, *Employment Insurance Coverage Survey* (Ottawa: Statistics Canada, 2008).

⁵ The EICS estimate of the number of unemployed people is slightly different than the Labour Force Survey (LFS) estimate, as the EICS figure is calculated by taking 4 out of the 12 months used by the LFS.

representing 70.1% of all unemployed people. Those who had not been paying premiums included self-employed workers, individuals who were unemployed for more than 12 months and people who had never worked. The proportion of unemployed individuals who had been contributing to EI has been fairly stable over the past several years.

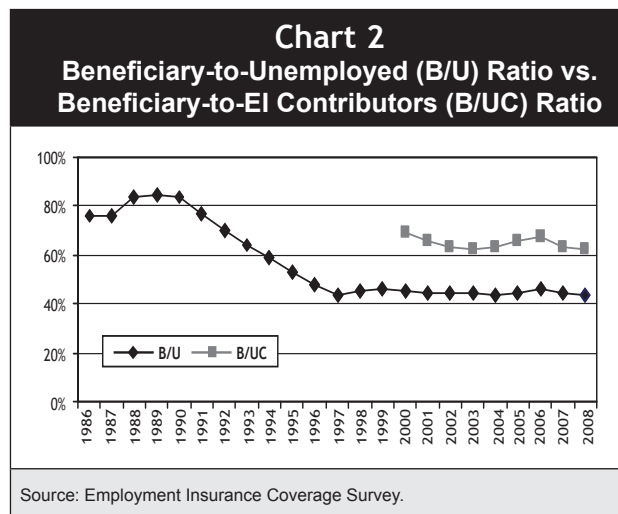


The 2008 EICS also estimated that among all unemployed, 571,800 had a job separation that was acceptable under the program parameters and were therefore targeted by the program (S in Chart 1). They represented 52.2% of the unemployed (S divided by U). The remaining 47.8% of unemployed individuals fell outside of the program parameters. According to the EICS, among the unemployed individuals who had been paying premiums, 74.5% had a recent job separation that was acceptable under the program parameters (S divided by UC). Of those who did not, 9.9% were ineligible because they had returned to school and 15.5% had left their job without just cause.

Among unemployed individuals who had been contributors and had a recent job separation that qualified under the EI program criteria, 82.2% were eligible to receive EI benefits in 2008 (E divided by S in Chart 1). This is a more relevant measure of coverage of the EI program than the other measures, as it considers unemployed individuals targeted by the program. The remaining 17.8% (representing

102,100 unemployed individuals) had a qualifying job separation, but had not worked enough insurable hours to qualify for benefits.

The beneficiaries-to-unemployed ratio (B divided by U) is often used as an indicator of access to the EI program. The B/U ratio⁶ has the advantage of simplicity and historical availability. It has, however, limitations as it includes many people who are outside the parameters of the EI program, as previously indicated. As shown in Chart 2, since 1997 the annual average B/U ratio has been fairly stable around 44.5%. In 2008, the ratio was 43.6%. The B/UC ratio is a modification of the B/U ratio in which the total number of unemployed individuals is replaced by the number of unemployed individuals who had been paying EI premiums in the previous 12 months. In 2008, the B/UC ratio was 62.2% compared with 63.1% in 2007.



Hours-based eligibility for EI is influenced by work patterns and can vary depending on job tenure and individual characteristics. EI eligibility for some sub-groups is presented in Table 1 and is based on the number of unemployed individuals eligible for EI benefits, divided by the number of unemployed individuals with a recent job separation that met EI program criteria (E/S ratio). The eligibility rate for youth (aged 15 to 24) with a recent job separation who qualified under EI was among the lowest at 51.9% in 2008. It was, however, higher than in the previous four years. The lower eligibility rate reflects the fact that youth are more likely to have worked part time or in temporary jobs that provide fewer hours of insurable employment. Part-time workers had the lowest eligibility rate in 2008, at 35.8%.

⁶ Historical B/U ratios are recalculated each year and may vary from past calculations when historical revisions are made to the LFS. EI administrative data on the number of regular beneficiaries can also be obtained from Statistics Canada, CANSIM Table 276-0001.

	2008 (%)	2007 (%)	2006 (%)	2005 (%)
B/U ratio	43.6	44.2	46.1	44.8
B/UC ratio	62.2	63.1	67.8	65.4
Eligibility rate for unemployed people with a recent job separation that qualified under EI (E/S)	82.2	82.3	82.7	83.4
...for unemployed youth	51.9	45.9	47.0	49.8
...for unemployed adult women	86.4	87.7	85.4	87.2
...for unemployed adult men	90.6	90.4	91.5	90.2
...for people who had worked full time	91.1	90.0	87.6	90.4
...for people who had worked part time	35.8	33.6	53.8	43.1
...for people who had worked full and part time	70.0	81.0	68.9	77.3
...for immigrants	81.6	87.6	77.5	77.3

The eligibility rate for adult men with a recent job separation who qualified under EI was 90.6% compared with 86.4% for adult women.

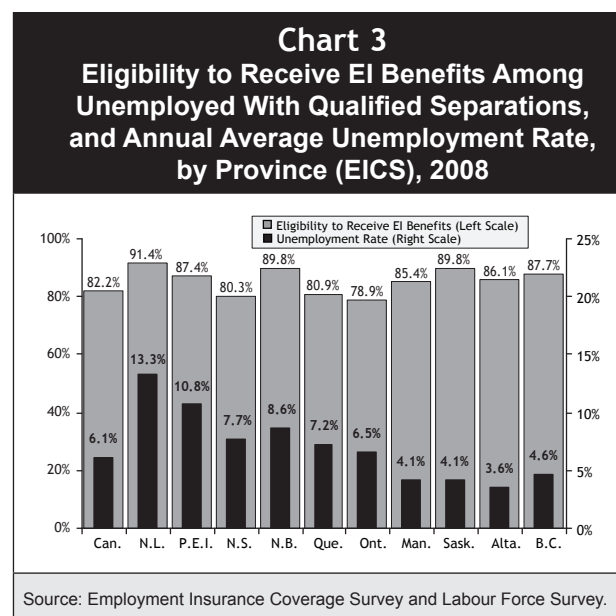
As mentioned in Chapter 1, unemployment rates increased in 2008/09, although some variance in labour market performance remained across provinces and territories. The EI program adjusts eligibility requirements and entitlements to reflect regional unemployment rates. As shown in Chart 3, eligibility rates fluctuated across the country from 78.9% in Ontario to 91.4% in Newfoundland and Labrador.⁷

While the above sections analyze EI eligibility, it is also possible to measure EI receipt among unemployed people with qualifying separations—the number of unemployed individuals who received regular benefits in the EICS reference week divided by the number of unemployed individuals with a recent job separation that met EI program criteria (R/S in Chart 1).

⁷ Due to sample size, EICS estimates at the provincial level can fluctuate widely from year to year.

⁸ IMDB data are based on immigrants who are permanent residents of Canada.

⁹ The analysis is based on the most recent information available for the tax system.



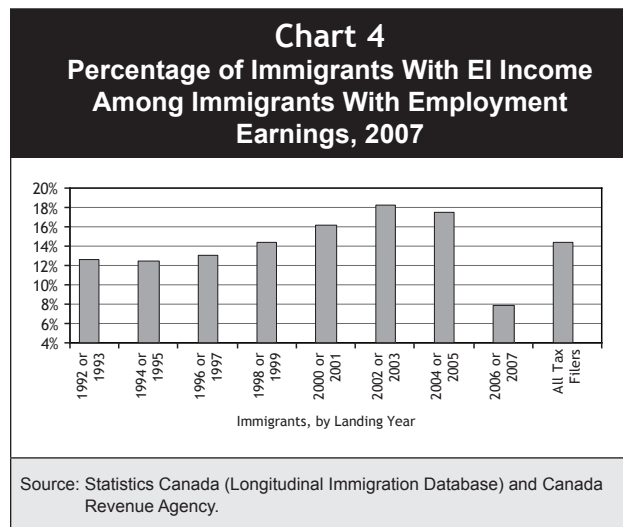
Receipt of benefits (R/S) can differ from eligibility, since not all those who are eligible file a claim for benefits. In 2008, among unemployed individuals with a recent job separation that met EI criteria, an average of 54.1% received regular benefits during the reference week. That same year, among those who had sufficient hours to make a claim, 65.9% received regular benefits (R/E in Chart 1).

1.1 Immigrants

The EICS estimated that, among the unemployed population with recent job separations accepted under EI rules, the eligibility rate of immigrants for regular benefits was 81.6% in 2008, down from 87.6% in 2007. Since 2000, when the first EICS results became available, immigrants have generally been less likely than Canadian-born workers to be eligible for EI benefits. In 2002 and 2007, however, the eligibility rate was greater for immigrants than for Canadian-born workers.

To better understand EI receipt among immigrants, Human Resources and Skills Development Canada (HRSDC) also conducted an analysis based on Statistics Canada's Longitudinal Immigration Database (IMDB) and tax data. The analysis shows the proportion of all immigrant⁸ tax filers who reported EI income in addition to their employment earnings. For the 2007 taxation year,⁹ results show that, as they enter the labour force, recent immigrants (those who landed in 2006 or 2007) have EI usage similar to that of youth, regardless of their age.

As shown in Chart 4, few recent immigrants (about 8%) who had employment earnings received EI benefits in 2007. As immigrants build labour force attachment, more of them access the EI program and receive benefits. Data show that in 2007, EI usage was highest among immigrants who had arrived in 2002 or 2003, four to five years after they had landed. Overall in 2007, immigrants tended to use the program in a proportion similar to that of all tax filers in Canada.



2. Employed Population

The main analysis in this section is based on the Survey of Labour and Income Dynamics (SLID)¹⁰ and an analysis of the hours worked by employees according to a hypothetical layoff scenario. The analysis measures the proportion of employees who would have had sufficient insured hours over the qualifying period to meet regional EI entrance requirements (ranging from 420 to 700 hours, depending on the unemployment rate in the economic region), if all workers had been laid off in December of the year studied. The SLID simulation¹¹ suggests that 87.0% of individuals who were working as employees in December 2007 would have been eligible for EI regular benefits if they had been laid off that month. The remaining 13.0% would not have had enough hours of insured employment to meet the eligibility requirements for establishing an EI claim. Estimates of potential eligibility among employed individuals are higher than the estimates of eligibility among unemployed individuals, which are based on the EICS. The gap in the estimates reflects the different characteristics and labour market experiences of employed and unemployed individuals.

¹⁰ The SLID is a longitudinal Statistics Canada survey that follows individuals over six consecutive years. Every three years, a new panel of individuals is added to the survey.

¹¹ Constantine Kapsalis and Pierre Tourigny, *Potential EI Eligibility of Paid Workers in December 2007* (Ottawa: Data Probe Economic Consulting Inc., 2009).

The eligibility rate among employed individuals was slightly lower than the previous year (87.5% in December 2006). In fact, it has remained fairly constant since 1997 at around 87.5%, which shows that the majority of employees have full-time, stable employment and that, as expected, qualifying for EI benefits would not be an issue for most individuals.

The proportion of individuals with sufficient hours to claim EI benefits was similar across the country in 2007, with coverage rates ranging from 84.2% in British Columbia to 89.4% in Atlantic provinces. Ontario (87.0%), Quebec (87.1%) and the Prairies (87.7%) had similar potential eligibility rates. EI potential eligibility was somewhat lower for employed adult women (87.4%) than for employed adult men (94.3%), primarily because women are more likely than men to work part time. Among full-time workers, however, there was a smaller difference between women and men (92.7% vs. 95.1%, respectively).

The EI program has specific provisions for contributors who are unlikely to qualify for benefits. Individuals with insured earnings of less than \$2,000 are entitled to a refund of their EI premiums when they file an income tax return. According to Canada Revenue Agency data, in 2007, 1.1 million individuals were eligible for an EI premium refund, representing 6.5% of those in paid employment.

2.1 Job Separation and Record of Employment

In 2008, there were approximately 8.8 million job separations in Canada. For each of these, the employer filed a Record of Employment (ROE), which includes information on the reason for separation. Among the different reasons for separation, the most common include layoff, voluntary quit, injury or illness, return to school, and the decision to stay home to care for a newborn child. The ROE is the single most important document in establishing an EI claim. Service Canada uses the information contained on an ROE to determine whether a person qualifies for EI benefits, the benefit rate, and the duration of his or her claim. It is important to note that not all job separations result in EI claims, as many job leavers are moving to other employment, while others separate for reasons that are outside the parameters of the EI program.

In 2008, approximately 3.3 million job separations in Canada were layoffs. On average, individuals had worked 746 insured hours in the 52 weeks before these layoffs occurred.

As mentioned above, to qualify for regular benefits, workers must have worked a minimum number of hours in the year before becoming unemployed or since their last claim (whichever period is shorter). The hours of work required vary, depending on the local unemployment rate at the time of the layoff. This provision is known as the Variable Entrance Requirement (VER). The VER ranges from 420 hours in regions where the unemployment rate is above 13.0% to 700 hours where the rate is below 6.1%. The rationale behind the VER is to adjust entry requirements by taking into account differences in regional unemployment rates.

A study examining job separations between 1990 and 2008¹² shows that, in 2008, almost 70% of job separations occurred in regions where the unemployment rate was 7% or less. In these regions, people needed at least 665 hours to qualify for EI regular benefits. This is to be expected, since most people choose to live where employment is most available.

As mentioned in previous *Monitoring and Assessment Reports*, the proportion of job separations that occur after sufficient hours to qualify for EI regular benefits have been accumulated declines as the unemployment rate declines. In 2008, in regions of 13.1% unemployment or higher, 85.2% of job separations occurred after enough hours of work had been accumulated to meet the VER. Conversely, in regions of low unemployment rate (6.0% or lower), only 69.6% of job separations occurred after sufficient hours of work had been accumulated to meet the VER.

The above-mentioned study concludes that the change from weeks-based coverage to hours-based coverage and other legislative changes have increased the percentage of ROEs that meet the VER in high unemployment regions compared with those in lower unemployment regions. The study also finds that the unemployment rate and the overall percentage of job separations meeting the VER, combining weeks and hours from ROEs in the previous 52 weeks, have both been declining over time. This result

is explained by the fact that as employment increases and the unemployment rate decreases, the VER becomes more stringent and individuals require more hours of insurable employment to be eligible for EI regular benefits.

2.2 Non-Standard Workers

Non-standard work is typically defined as part-time (less than 30 hours a week), seasonal, cyclical, temporary or own-account self-employed work, as opposed to standard work, which is usually full-time, full-year work. With respect to demographics, a recent study¹³ shows that women are more likely to hold permanent part-time jobs and that youth make up 41.3% of all temporary part-time workers. More older workers, particularly men, are self-employed when compared with core-aged men (30% and 18%, respectively).¹⁴ Further, those with less than a high school education make up a significant portion of temporary part-time workers (28.3%). Finally, workers from the Atlantic Region comprise a high share of full-time temporary workers (15.4%) and almost half (47.1%) of all temporary part-time workers in Canada are from Quebec.

According to the Labour Force Survey (LFS), over 27% of individuals who worked part time in 2008/09 did so as a personal preference and over 30% did so because they were going to school. Other reasons to work part time stated in the survey included personal or family responsibilities (3.4%), their own illness (3.8%), and childcare responsibilities (10.4%). Among part-time workers, about 10% indicated that they were working part time due to the lack of full-time work. Individuals working part time for a full year can qualify for EI benefits with as little as 8 to 14 hours of work per week.

Workers who are new to the workforce or returning from an extended absence are subject to the new entrant/re-entrant (NERE) provision under EI, which requires that they work at least 910 insured hours, rather than the VER, to be eligible for EI. This provision is meant to ensure these workers have established significant work attachment before accessing regular benefits. Youth account for a disproportionate share of employees who are NEREs. According to the SLID, while youth represented 14.9% of all employees in 2007, they accounted for 32.3% of those who were NEREs.

¹² HRSDC, *ROE-Based Measures of Eligibility* (Ottawa: HRSDC, Evaluation Directorate, 2009).

¹³ HRSDC, *Employment Insurance Access for Part-Time and Short-Term Workers* (Ottawa: HRSDC, Evaluation Directorate, 2009).

¹⁴ Katherine Marshall and Vincent Ferrao, *Perspectives on Labour and Income: Participation of Older Workers* (Ottawa: Statistics Canada, 2007).

Analysis of access based on data from the 2007 SLID indicates that youth and NEREs had lower coverage rates, 64.7% and 58.4%, respectively, due to their lower number of insured hours and the NERE requirement to work at least 910 hours to qualify for benefits. However, 43.2% of youth who were NEREs had sufficient insured hours to receive EI benefits. The 2007 SLID also indicates that part-time workers had lower coverage, at 53.3%. Women who worked part time, however, had better coverage than their male counterparts (55.1% versus 48.3%).

As will be discussed in section II, a simulation of the SLID 2007 data in the 23 EI pilot regions shows that the lowering of the entrance requirement for NEREs from 910 hours to 840 hours raised their EI coverage rate from 53.2% to 58.1%.

Seasonal workers have access rates closer to those of standard workers. The EICS indicates that 85.0% of seasonal workers who had been contributing to EI and then had a job separation accepted under the program were eligible for benefits in 2008. This proportion has been higher than that of all employees since 2004.

An HRSDC study¹⁵ profiling EI access among part-time and short-term workers indicates that the three main reasons for individuals not claiming EI benefits are that they did not think they had sufficient insurable hours, they found another job immediately or they felt no need to use EI benefits. The study also indicates that multiple-job holders are not negatively affected by eligibility requirements but are more likely to collect EI benefits than single-job holders. In terms of regional comparisons, the study reveals that part-time workers in the Atlantic Region and Quebec have higher eligibility rates than their counterparts in the other provinces, except in the case of part-time temporary workers in Ontario.

2.3 Women

It has been argued that women may find it harder to qualify for EI benefits due to their part-time employment status and their family obligations, which reduce their ability to accumulate sufficient work hours. A recent study¹⁶ has found that approximately one quarter of couples are in a relationship in which both parties do the same amount of unpaid work,¹⁷ and that the complementary-traditional

model, in which men do more paid work and women do more unpaid work, is becoming less common. The latter, however, remains the largest category, representing one third of couples. Furthermore, another 25% of couples are classified as “women’s double burden” in which the woman does the same amount of paid work as her husband, or more, as well as more unpaid work. The presence of children is a major determinant of these categories. Families with children are more likely to be categorized as complementary-traditional or women’s double-burden models.

As discussed in Chapter 1, women account for 47.5% of all workers. They also represent a large proportion (70.1%) of part-time workers who are also NEREs. The Labour Force Survey (LFS) indicates that women represent a similar share of temporary employees (51%) as men do (49%). They account, however, for a higher proportion of term or contract workers, whereas men account for a higher proportion of seasonal workers. In terms of part-time workers, women account for 68% and men account for 32%. Women represent the majority of those who decide to work part time and one of the main reasons they do so is to care for children. Their high incidence of part-time work is also linked to their employment in the types of industries with high proportions of part-time positions, such as accommodation and food services, trade, and information, culture and recreation.

According to the Employment Insurance Coverage Survey (EICS), women’s access to EI regular benefits is high; over three quarters (77.8%) of unemployed women who had been paying premiums and then were laid off or quit with just cause were eligible for regular benefits, compared with 84.6% for men.

Several reasons can prevent unemployed individuals from qualifying for EI benefits. The lack of insurable hours is not, however, as significant a factor as not having worked in the past 12 months. The 2008 EICS indicates that among all unemployed workers, only 10.1% of women and 8.8% of men were not eligible for regular benefits due to lack of hours. Considered from a different angle, of those who claimed and received regular benefits in 2008/09, over 95% qualified with more than the maximum number of hours required (700). This proportion is the same for men and women.

¹⁵ HRSDC, *Employment Insurance Access for Part-Time and Short-Term Workers* (Ottawa: HRSDC, Evaluation Directorate, 2009).

¹⁶ Roderic Beaujot, Zenaida Ravanera and Jianye Liu, *Models of Earning and Caring: Trends, Determinants and Implications* (London: University of Western Ontario, Population Change and Lifecourse Strategic Knowledge Cluster, December 2009).

¹⁷ Paid work covers work for pay plus unpaid work in family businesses or farms. In time-use studies, training and studies in relation to work are also usually included. Unpaid work covers all the other work done in the household or community, such as civic and voluntary activity, and all care activities, including elder and childcare.

2.4 Older Workers

Over the last several years, the labour force proportion of workers aged 55 and over has been increasing, while the proportion of workers under 45 has been declining. This development reflects the aging of the Canadian labour force. A study on the participation of older workers¹⁸ concludes that during the past decade, the participation of men and women aged 55 to 64 has climbed steadily, reaching 60% in the first half of 2007. This increase is explained by the higher participation of women in the labour force, rising educational attainment and an increasing desire of those above 55 to continue working.

Older workers usually have a strong and enduring attachment to the labour force, and are therefore able to meet the EI hours-based requirements. The 2007 Survey of Labour and Income Dynamics (SLID) data reveal that 87.4% of employees aged 55 to 69 could have qualified for EI benefits if they had been laid off in December 2007. Also, the latest EICS data show that among employed people aged 45 and older¹⁹ who had been contributing to EI and then had a job separation accepted under the program, 90.6% were eligible to receive benefits in 2008.

The aforementioned study also finds that earnings and occupations of older and core-age workers are strikingly similar. These findings are consistent with those observed in the EI program, as the characteristics of older workers who claim regular benefits are similar to those of other workers, most notably in the 25 to 44 age category.

The trend over the past 10 years has seen regular claims increasing only among older workers, remaining stable for workers aged 45 to 54 and decreasing for those under 45. In 2008/09, however, regular claims increased significantly for all age groups.

3. Access to Fishing Benefits

EI fishing benefits are paid to self-employed fishers. These benefits provide important income support in many rural communities. As discussed in Chapter 2, eligibility for fishing benefits is determined by the claimant's insurable earnings, rather than the number of hours worked. The amount of earnings required to qualify ranges between \$2,500 and \$4,200 annually, depending on the regional unemployment rate, amounts that have remained the same since 1996. Those who have just started working as

self-employed fishers or have returned to fishing after an absence of a year or more preceding their qualifying period, however, may need a minimum of \$5,500 to qualify. In 2008/09, over 90% of fish harvesters qualified for benefits with earnings above this amount, unchanged from previous years.

To account for the fact that there are two separate fishing seasons in parts of the country, there are two separate benefit periods for fishing benefits: a summer qualifying period that can be established starting in October and a winter qualifying period that can be established starting in April.

As discussed in Chapter 2, in 2008/09 the number of fishing claims decreased by 4.2% to reach 30,529 claims, but the actual number of fishers who made these claims declined more to reach 21,695 claimants (-6.1%). The difference between the number of fishing claims and the number of fishing claimants can be attributed to the fact that, due to the two separate fishing seasons in one year, some fishers are active in both seasons and are allowed to claim fishing benefits twice a year. In fact, 8,827 fishing claimants, or 40.7%, made multiple fishing claims in 2008/09.

The number of fishing claims in British Columbia dropped to 2,701 (-12.8%), following a 17.0% decrease the previous year. They accounted for 8.8% of the national total. Since 2003/04, fishing claims in this province have dropped by more than one third (-38.7%). Between 2003 and 2008, the provincial total for commercial landings decreased by 31.8%. These decreases are influenced by the regulations of Fisheries and Oceans Canada, which, in coordination with the United States, has set quotas at lower levels to conserve resources in the Pacific in recent years.

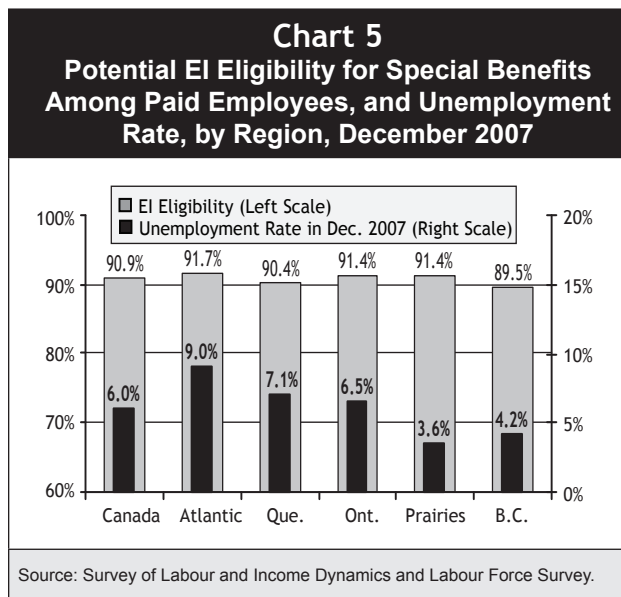
As mentioned before, fishers in Newfoundland and Labrador are likely to be active in both seasons. Fishing claims in that province made up 44.4% of all fishing claims in 2008/09, up slightly from 43.7% in 2007/08. The number of claims decreased, however, by 2.5% to 13,569. There were 4,363 fishing claims established in the province in the first quarter (April claims), a 2.2% increase over the previous year. The number of claims established in the third quarter (October claims), however, decreased by 6.1%.

¹⁸ Katherine Marshall and Vincent Ferrao, *Perspectives on Labour and Income: Participation of Older Workers* (Ottawa: Statistics Canada, 2007).

¹⁹ The EICS does not provide a breakdown for the 55 and older age group.

4. Access to Special Benefits

In addition to assisting Canadians who are unemployed and seeking to re-enter the workforce, EI plays an important role in supporting working Canadians who are too sick to work, who need to stay at home with newborn or newly adopted children, or who take a temporary leave from work to provide care or support to a gravely ill family member. This section examines access to special benefits, particularly maternity and parental benefits. While the hours of insured work required to be eligible for regular benefits varies according to regional unemployment rates, access to special benefits is based on 600 hours of insured work, regardless of unemployment rate.



According to SLID data, in December 2007, an estimated 90.9% of employees would have had sufficient hours to qualify for special benefits, had they needed them at the time. Eligibility for special benefits has consistently been over 90% for the past several years. Provincially, there was little variation in access to special benefits, with less than 3 percentage points separating British Columbia (89.5%) and the Atlantic provinces, which had the highest access at 91.7% (see Chart 5). This indicates that the 600-hour eligibility threshold is equitable, regardless of the regional unemployment rate of insured workers. Nearly all full-time workers (96.6%) would have had sufficient hours to qualify for special benefits, regardless of gender.

Among part-time employees, 64.8% of women and 60.1% of men would have been eligible to collect EI special benefits.

4.1 Maternity and Parental Benefits

As described in Chapter 2, there were 172,650 maternity claims in provinces other than Quebec in 2008/09,²⁰ an increase of 2.5% over the previous fiscal year.

According to the EICS, the number of mothers with a child up to 12 months old rose by 2.6% in 2008, to nearly 387,000. More than three quarters of these mothers (77.0%) had insurable income before having or adopting their child and 88.1% of them had received maternity or parental benefits. Overall, two thirds (67.8%) of mothers received special benefits in 2008, a proportion that has remained relatively stable since 2003.

The proportion of fathers who claimed or intended to claim parental benefits increased to 28.2% in 2008, from 26.8% in 2007, 20.0% in 2006 and 15.0% in 2005. This increase mainly reflects the trend in Quebec following the introduction of the Quebec Parental Insurance Plan (QPIP) on January 1, 2006.²¹

The number of biological parental claims established by men outside Quebec rose by 7.0% (+1,680) in 2008/09, continuing a six-year trend of increased take-up by men. Women continued to establish the vast majority of parental claims (86.5%) and collected 31.7 weeks of parental benefits, on average, compared with 16.8 weeks for men.²²

B. Adequacy of Benefits

The examination of the adequacy of EI benefits is based on average weekly benefits, and on the duration of regular and special benefits. This section includes analysis for claimants from low-income families with children, seasonal workers, and claimants living in urban and rural regions.

To ensure timeliness and accuracy of the analysis of the duration of benefits, different sets of data are used, depending on the type of EI benefits being considered. For the longer maximum duration of regular benefits, including the analysis of the Working While on Claim and Family Supplement provisions, claims established in 2007/08 are considered. This ensures all claims were completed. A large proportion of these claims terminated

²⁰ Quebec introduced its own parental insurance plan on January 1, 2006, which has replaced EI maternity and parental benefits in the province.

²¹ The proportions reported above originate from the EICS and include parents in Quebec receiving benefits from the provincial program.

²² Data on claim duration cover only claims commencing during the first half of the period to ensure data are based on completed claims.

in 2008/09. For the duration of parental benefits, claims established in the first half of 2008/09 are used to ensure data are based on completed claims. Finally, given the shorter duration of maternity, sickness and compassionate care benefits, claims established in 2008/09 are used.

1. Level of Benefits

Under the *Employment Insurance Act*, maximum insurable earnings (MIE) for EI reflect the calculated value of annual average earnings, called projected annual average earnings (PAAE).²³ The PAAE is based on the average weekly earnings of the industrial aggregate in Canada, as published by Statistics Canada.

The MIE was \$40,000 in 2007, \$41,100 in 2008, and \$42,300 in 2009. Accordingly, the maximum weekly benefit was \$423 in 2007, \$435 in 2008 and \$447 in 2009. The MIE was raised for the fourth consecutive year to reach \$43,200 for 2010, which increased the maximum weekly EI benefit to \$457.

From 2007/08 to 2008/09, the average regular weekly benefit increased by 4.7%, from \$347 to \$364, the 12th consecutive increase. Growth in average weekly benefits was strong for almost all benefit types, with the exception of fishing benefits (see Table 2). Average weekly benefit growth rates for all other types of regular and special benefits were stronger for women than for men in 2008/09. While average weekly benefits reflect the earnings gap between men and women, the continuing trend of stronger growth in women's average weekly benefits means that the gap is gradually closing. Average regular weekly benefits for women now represent 84% of men's.

An analysis²⁴ based on the 2006/07 SLID panel data estimates the average EI replacement rate in 2007 and explores differences by employee characteristics. The results show the replacement rate ranged from 55% for those with weekly earnings below \$750 (71% of all claimants in 2007) to 22% for those with weekly earnings above \$1,500 (3% of all claimants in 2007). The differences in the replacement rate reflect differences in average weekly earnings, no matter the individual characteristics. For example, the replacement rate declines with age, a reflection of the fact that earnings tend to increase with age. Also, in general, women have lower average wages

		2007/08 (\$)	2008/09 (\$)	Growth (%)
Regular	Men	373	387	3.9
	Women	310	324	4.5
	Both	347	364	4.7
Fishing	Men	397	408	2.7
	Women	377	386	2.4
	Both	393	404	2.7
Parental (Biological)	Men	390	401	2.8
	Women	342	353	3.4
	Both	348	360	3.4
Maternity	Men	n/a	n/a	n/a
	Women	338	350	3.5
	Both	338	350	3.5
Sickness	Men	354	367	3.4
	Women	288	298	3.5
	Both	316	327	3.8
Compassionate Care	Men	374	384	2.5
	Women	326	339	4.3
	Both	338	352	4.1

and, as a result, a higher replacement rate than men. There are small regional differences, again explained by differences in average earnings. Finally, among different types of claimants, occasional claimants have a relatively higher replacement rate.

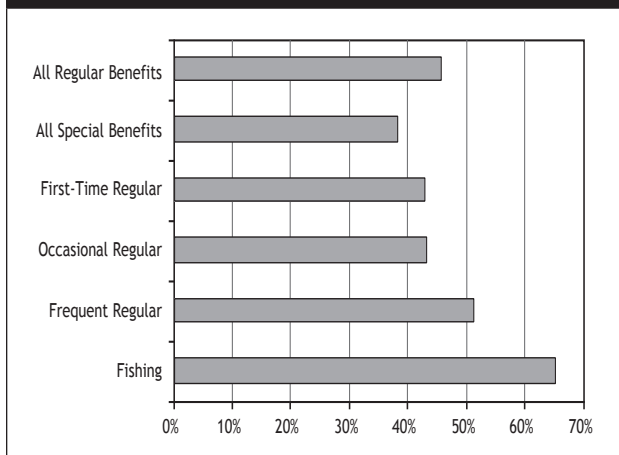
With the increases in average wages over time, the proportion of clients receiving the maximum weekly benefit has also been rising consistently. It increased to 44.8% in 2008/09, up from 42.3% in 2007/08 and 41.3% in 2006/07.

The work pattern of some claimants increases the likelihood that they will receive the maximum weekly benefit, as illustrated in Chart 6. Generally, fishers and regular frequent claimants are much more likely to receive the maximum benefit than other claimants. In 2008/09, 65.1% of fishing claimants received the maximum weekly benefit. This is in contrast to a proportion of 42.6% for first-time regular claimants.

²³ The methodology used to obtain the PAAE is outlined in the *Employment Insurance Act* and in the *Report on the Maximum Yearly Insurable Earnings* (Ottawa: HRSDC, Chief Actuary, 2009), http://www.hrsdc.gc.ca/en/employment/ei/premium_rate/2009/index.shtml.

²⁴ Costa Kapsalis and Pierre Tourigny, *Effective EI Replacement Ratio* (Ottawa: Data Probe Economic Consulting Inc., 2009).

Chart 6
Percentage of EI Claimants Receiving the
Maximum Weekly Benefit, 2008/09



2. Benefit Repayment

To reflect insurance principles, claimants of regular or fishing benefits who have high earnings and are not first-time claimants repay part of the benefits they receive.²⁵ In 2007, repeat EI beneficiaries whose net income exceeded \$50,000 repaid the lesser of 30 cents of every dollar in benefits they received, or 30 cents for every dollar of net income above the threshold.

For the 2007 taxation year, 148,989 claimants of regular or fishing benefits repaid \$146.2 million. The number of claimants who repaid benefits rose by 1.5% and the amount repaid was 1.4% higher than the amount observed in 2006. On average, claimants repaid \$981, essentially unchanged from the previous year. In 2007, claimants who repaid a portion of their benefits were on claim for an average of 8.7 weeks, or 0.8 week less than in 2006, continuing a downward trend that has persisted since 2003. These shorter durations resulted in individual claimants receiving \$272 less in EI benefits during the year (\$3,433 compared with \$3,705 in 2006). The fact that claimants were on claim for shorter periods is consistent with the improved labour market conditions in 2006, which reduced the time claimants needed to find a new job. At this time, data are only available for 2007. Future reports will analyze the effects on benefit repayment of the deteriorating economic conditions in 2008 and 2009.

Men remained the vast majority of those who repaid benefits. They accounted for 89.2% of the total in 2007, a slight increase from the 88.9% share they represented in

2006. The number of men who repaid a portion of their benefits increased by 1.8% in 2007, whereas the number of women who repaid a portion of their benefits decreased by 1.0% in 2007. This is in contrast with the growth observed in 2006, when the number of women who repaid benefits grew at nearly three times the rate observed for men that year (27.2% compared with 9.6%). As in 2006, the average repayment women made in 2007 was about 20% lower than that of men (\$822 compared with \$1,000).

The number of claimants who repaid a portion of their benefits in the younger age groups increased, by 17.2% for those under 25 and by 8.1% for those aged 25 to 44. Older workers (aged 55 and older) continued to be overrepresented among those who repaid benefits. In 2007, they accounted for 21.3% of all claimants who repaid benefits, while they represented 16.1% of all regular claims. As noted above, the number of youths who repaid benefits increased notably, although they represented only 3.1% of all those who repaid benefits. Older workers were the only age group whose average repayment amount decreased in 2007, to \$1,206 from an average of \$1,230 the previous year.

Provincially, individuals in the Atlantic provinces who repaid benefits repaid higher amounts than did claimants in the rest of Canada. This is due to the fact that even high-income EI claimants require more weeks to find a new job in regions of high unemployment. In fact, claimants who repaid a portion of their benefits in Prince Edward Island were on claim for an average of 17.5 weeks, while their counterparts in provinces outside Atlantic Canada all had benefit durations of 9.6 weeks or less. Claimants in three provinces who had seen decreases in their average repayment amounts in 2006 saw increases in 2007: Saskatchewan (+\$89), Nova Scotia (+\$49) and Manitoba (+\$22). Claimants in two other provinces saw increases in their average repayment amounts: Newfoundland and Labrador (+\$14) and British Columbia (+\$11). Claimants in the other five provinces saw declines in their average repayments, ranging from \$3 in New Brunswick to \$164 in Prince Edward Island.

3. Benefits to Low-Income Families: Family Supplement

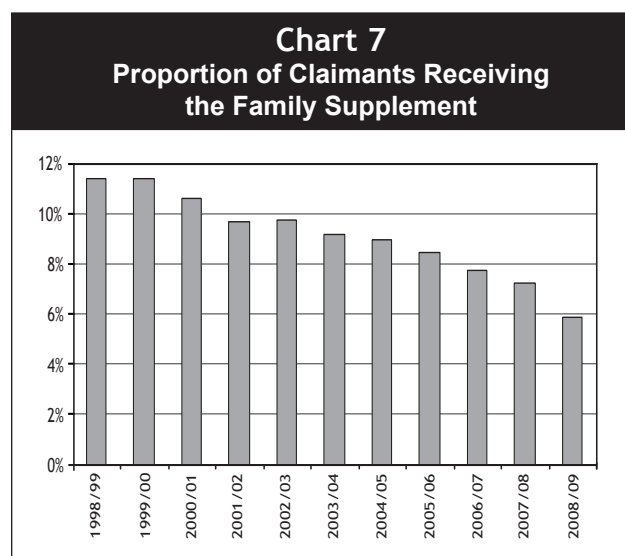
The adequacy of EI benefits is also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families with

²⁵ See Annex 6 for further details on the benefit repayment provision.

children.²⁶ The Family Supplement can increase the benefit rate of 55% to a maximum of 80% for claimants with net family incomes of \$25,921 or less.²⁷

As indicated in Chapter 2, approximately 126,310 individuals received the Family Supplement top-up in 2008/09, a number that declined only slightly from the previous year (127,340).

With the exception of 2002/03, the proportion of EI claimants receiving the Family Supplement top-up has been declining consistently since 1999/00, reaching 5.9% in 2008/09 (see Chart 7). As mentioned in previous reports, the decline in the share of these claims is due largely to the fact that the threshold has remained fixed while family incomes have risen.



In 2008/09, total Family Supplement payments to men declined more rapidly (-7.5%) than did payments to women (-3.0%). Women are more likely to receive the Family Supplement. In 2008/09, 10.7% of women who claimed EI were entitled to the Family Supplement compared with 2.4% of men. Similarly, in 2008/09, women represented the vast majority (76.4%) of Family Supplement recipients. This number has increased almost every year since the beginning of the decade, when it was 69.0%. This proportion was higher for special benefits (89.0%) than for regular benefits (69.1%).

Although total Family Supplement payments declined for all age groups in 2008/09, claimants aged 25 to 44 experienced the largest decline with a 4.8% decrease.

In 2008/09, low-income families received \$130.2 million in additional benefits through the Family Supplement. These payments have been declining since 2003/04, when \$187.0 million was paid. In 2008/09, the average weekly top-up decreased for a second consecutive year, although slightly, dropping to \$42.00 from \$42.10 the previous year. Previously, the top-up amount had hovered around \$43 since 1999/00.

Recipients of the Family Supplement top-up collected more weeks of regular benefits and used a higher percentage of their entitlement than non-recipients. In 2007/08,²⁸ recipients of the Family Supplement used almost 3 more weeks of regular benefits (21.5 weeks), on average, than those not receiving the Family Supplement (18.6 weeks). In addition, those who received the top-up used an average of 72.1% of their total entitlement compared with 59.8% for those who did not receive the Family Supplement.

4. Regular Claim Duration

Before 2008/09, regular EI beneficiaries were entitled to between 14 and 45 weeks of income support, depending on the number of insured hours worked and the unemployment rate of the region in which they established a claim. In response to the economic downturn, a suite of measures was introduced as part of the Economic Action Plan (EAP) to help unemployed workers facing transitions in tough economic times. The measures include a temporary legislative change that went into effect on March 31, 2009, for all individuals with regular benefit claims that are active between March 1, 2009, and September 11, 2010. It provides five additional weeks of EI regular benefits to claimants in all regions. In addition, the maximum duration of benefits available under the EI program in regions of high unemployment has been increased from 45 weeks to 50. Future reports will cover the outcomes of these measures.

On average, regular claimants who started a claim in 2007/08 received 18.7 weeks of benefits, unchanged from the previous year.

²⁶ This assessment includes all claim types (regular, fishing and special).

²⁷ Like other claimants, those receiving the Family Supplement are subject to the maximum weekly benefit.

²⁸ Data and analysis on the duration of Family Supplement payments relate to claims established in 2007/08 to ensure that all claims were completed. Note that many of these claims were completed in 2008/09.

For the last four years, the proportion of entitlement that regular claimants use has remained relatively stable at about 60%. In 2007/08, it increased by 0.9 percentage point to 60.6%. This stability has persisted even though Canada's economic performance has varied from year to year. In fact, since 2001/02, regular claimants have, on average, consistently used less than 62% of their entitlement.

As in previous periods, the average percentage of EI entitlement used in 2007/08, on average, was highest in the Atlantic provinces, ranging from 64.8% in New Brunswick to 67.7% in Prince Edward Island. Alberta has had the lowest percentage of entitlement used in the last two years, at 52.3% for 2007/08 and 54.3% for 2006/07. Of all provinces, Alberta also registered the biggest decrease in the percentage of EI entitlement used (-2.0 percentage points).

Historically, women and men have used a similar proportion of their EI entitlement. That was also the case in 2007/08, when men used an average of 60.2% of their entitlement and women used 61.1%. Both figures increased from the previous year. Among all age groups, older workers continued to use the highest percentage of their EI entitlement, at 67.9%, compared with 57.6% for youth, 59.0% for claimants aged between 25 to 44, and 60.1% for those aged 45 to 54. All age groups saw their average EI entitlement use increase over the previous year.

While eligibility for EI benefits is not an issue for the majority of older workers, it is also true that, once unemployed, older workers receive EI for a longer period and are more likely to use all the benefits to which they are entitled. On average, in 2007/08, older workers received 20.7 weeks of regular benefits, almost unchanged from 20.8 weeks the previous year. In comparison, among all claimants who received regular benefits, the average duration was 18.7 weeks.

Of regular claims started in 2007/08, many of which were completed in 2008/09, all claimants used a proportion of their EI entitlement similar to that of occasional and frequent claimants; first-time claimants used 62.0% of their entitlement, occasional claimants used 61.2% and frequent claimants used 58.8%.

Another way to assess the adequacy of EI entitlement is to examine the degree to which claimants exhaust their

benefit entitlement. Of all completed claims initiated in 2007/08, 28.4% were exhausted. This proportion has hovered around 28% for the last few years.

The exhaustion rate has always been higher for women than for men. That was still the case for claims initiated in 2007/08, as 30.4% of women and 27.1% of men used all the weeks of benefits to which they were entitled. The slightly higher exhaustion rate for women may be due to the fact that women, on average, are entitled to fewer weeks of regular benefits (30.9 versus 32.9 for men), since women generally have fewer hours of insurable employment.

In recent years, claimants aged 45 to 54 have had the lowest rate of exhaustion, while those aged 25 to 44 have had the second lowest rate. For completed claims started in 2007/08, these were 26.0% and 27.7%, respectively. Youth (24 and younger) had an exhaustion rate of 28.5%, while older workers (55 and older) continued to register the highest exhaustion rate (34.3%), compared with 28.4% for all claimants. The likelihood of exhausting benefits varies by claim history. For claims initiated in 2007/08, many of which ended in 2008/09, 34.4% of first-time claimants exhausted their benefits compared with 21.1% of frequent claimants.

5. Fishing Claim Duration

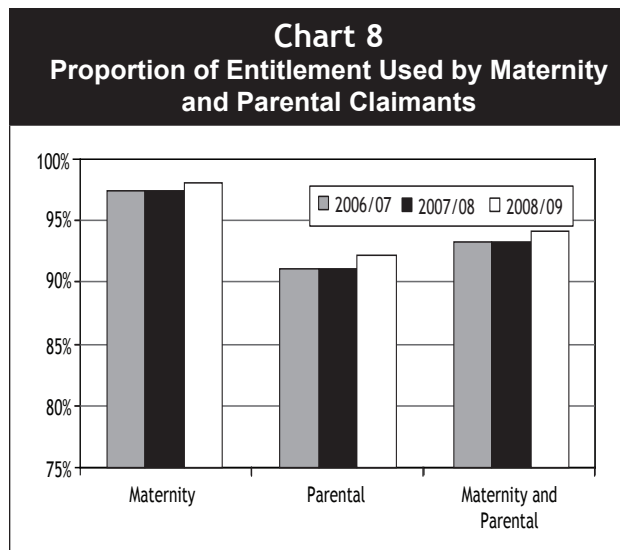
Fishing claimants received an average of 20.3 weeks of benefits in 2008/09. Fishers in British Columbia, who have only one fishing season, had the longest average benefit duration at 22.9 weeks. Benefit durations in the Atlantic provinces varied between 19.1 and 20.5 weeks. Fishers with two claims received, on average, 19.3 weeks of benefits on their first claim and 17.4 on their second claim compared with an average duration of 22.9 weeks among fishers who established just one claim during the year.

6. Special Benefits Claim Duration

6.1 Maternity and Parental Benefits

As in previous fiscal years, analysis indicates that in 2008/09, parents used almost all of the EI maternity and parental weeks to which they were entitled. As indicated in Chart 8, parents used 94.2% of the full year²⁹ available to them, a proportion relatively unchanged from the previous year (93.3%).

²⁹ Recipients receive a full year of benefits when they combine maternity benefits with parental benefits and the waiting period.



As previously mentioned, regular claimants receiving the Family Supplement remained on claim longer than those not receiving the supplement. This is not the case, however, for claimants who received maternity and parental benefits, as low-income and high-income families received their benefits over a comparable period of time. In fact, low-income claimants receiving maternity and parental benefits and the Family Supplement collected an average of 46.6 weeks of benefits, similar to the number of weeks collected by high-income claimants not receiving the Family Supplement (47.0 weeks). This shows that low-income parents (who are entitled to the Family Supplement because of their combined low income) use, on average, a similar amount of combined maternity and parental benefits as high-income parents (who are not entitled to the Family Supplement). Thus, the level of income does not seem to affect the amount or duration of parental and maternity benefits used.

6.2 Sickness Benefits

EI provides up to 15 weeks of sickness benefits to help clients who are absent from work due to short-term illness, injury or quarantine. Analysis of the adequacy of sickness benefits is based on the number of weeks of sickness benefits collected. In 2008/09, claimants collected an average of 9.4 weeks, or 62.7% of the maximum entitlement. Since 2000/01, the average duration has been relatively stable, ranging from 9.3 weeks to 9.6 weeks. In addition, in 2008/09, 31.4% of sickness claimants collected the maximum 15 weeks of benefits. This proportion has also been relatively stable over the last few years.

Older workers were slightly overrepresented among those who collected the maximum 15 weeks of benefits. In 2008/09, they represented 19.7% of all EI sickness claims but 24.0% of those who collected all 15 weeks of benefits.

Slightly less than half of sickness claimants (46.8%) in 2008/09 collected between 11 and 15 weeks of benefits (including the 31.4% who collected 15 weeks), 24.0% received between 6 and 10 weeks, and 29.2% collected between 1 and 5 weeks.

6.3 Compassionate Care Benefits

A recent study³⁰ indicates that the majority of employed Canadians have caregiving responsibilities. Just over one in four (27.8%) employed Canadians care for elderly dependents, twice as many have childcare responsibilities (54.2%), and almost one in five (16.8%) have responsibilities for both childcare and eldercare—in other words, they have dual demands at home in addition to demands related to being employed. The study finds that those who have childcare responsibilities alone are under less pressure than those caring for elders (either elders alone or elders in combination with children), although they still face substantive challenges related to the need to balance work and childcare.

The number of compassionate care benefit (CCB) claims has grown every year since the introduction of the benefit, but the growth has varied. After two consecutive years of strong growth (8.3% in 2005/06 and 9.6% in 2006/07), it grew by only 0.5% in 2007/08 and 2.3% in 2008/09.

Women have consistently represented about three quarters of all CCB claimants. They continued to do so in 2008/09, when they accounted for 71.9% of all CCB claims. Of all the claimants receiving compassionate care benefits, 57.5% received the maximum entitlement of 6 weeks. On average, however, claimants received 4.7 weeks of benefits in 2008/09, and the vast majority (96.7%) did not share the benefits (the benefits may be shared among family members). All results remained almost unchanged from the previous year.

³⁰ Linda Duxbury, Chris Higgins and Bonnie Schroeder, *Balancing Paid Work and Caregiving Responsibilities: A Closer Look at Family Caregivers in Canada* (Ottawa: Canadian Policy Research Networks, 2009).

6.4 Combining Benefits

Different types of special benefits can be combined within a single claim, under certain circumstances, to a maximum of 71 consecutive weeks.³¹

For 2007/08,³² 5.6% of all women who received special benefits used more than 50 weeks, representing 19,290 women, up 7.9% from 17,880 the previous year. On average, these women received 58.6 weeks of benefits, for this fiscal year as well as the last. Among these women, almost four out of five (78.9%) were first-time claimants. In 2008/09, women claimed 67.2% of total special claims and received 83.6% of total special benefits.

As mentioned in the previous report, low-income claimants and individuals receiving the Family Supplement are more likely to combine special benefits than are high-income claimants and individuals not receiving the Family Supplement.

When considering all types of income benefits paid in relation to premiums paid, women benefit more from the EI program than do men.

7. Seasonal Claims

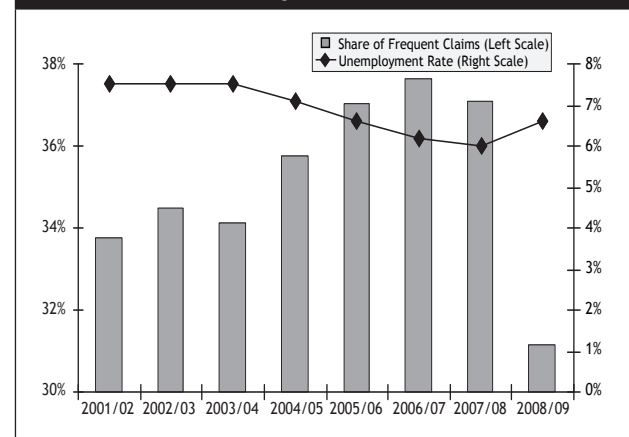
Following two consecutive years of decline, the number of regular claims established by frequent claimants rose in 2008/09, reaching 511,810.³³ Seasonal claimants make the vast majority of frequent claims.³⁴ During the reference period, seasonal claimants made 80.6% of frequent claims compared with 82.3% in 2007/08.

In 2008/09, seasonal workers claiming regular benefits were mainly men (63.0%) and a majority (57.8%) were 45 and older. The volume of frequent regular claims is less affected by labour market conditions than that of non-frequent regular claims.

With the declining unemployment rate observed since 2003/04, the total number of regular claims also dropped, notably first-time and occasional claims. As a result, the share of regular claims established by frequent claimants has increased over this time (see Chart 9). This trend was reversed in 2008/09. Over the period, the number

of frequent claims increased by 31,670 (+6.6%), while the number of first-time claims increased by 209,910 (+50.9%) and the number of occasional claims increased by 106,830 (+26.6%). As a result, in 2008/09, the proportion of total claims that were frequent claims decreased from 37.1% to 31.2%, while the share of first-time claims increased from 31.9% to 37.9%.

Chart 9
Percentage of Regular Claims That Are Frequent Claims



The industrial makeup of seasonal claimants goes a long way toward explaining the other characteristics of these individuals. Two of the three industries with the most seasonal claimants are male-dominated. Also, two of the three industries with an important share of seasonal claims account for large portions of total EI regular claims. Construction, an industry in which men make almost all regular claims (93.2%), accounted for 23.1% of all seasonal claims and 17.0% of total regular claims in 2008/09. Manufacturing represented 13.3% of all seasonal claims and 20.7% of total regular claims. In this industry, men established over 70% of these seasonal claims. The educational services industry, where women established 81.8% of regular claims, was the other industry with a large number of seasonal claimants; it accounted for 15.5% of all seasonal claims and 8.2% of total regular claims in 2008/09. Unlike education and construction, manufacturing is underrepresented among seasonal claims.

³¹ Claimants can combine weeks of special benefits to reach the maximum of 71 weeks if the weeks of special benefits are consecutive and uninterrupted by any period of regular benefits.

³² Data and analysis on duration relate to claims established in 2007/08 to ensure all claims were completed. Note that many of these claims were completed in 2008/09.

³³ Frequent claimants are individuals who have had three or more active claims in the five years before the current claim.

³⁴ Seasonal claimants are frequent claimants who started previous claims at about the same time of year as the current claim.

Although there are seasonal claimants in all provinces, the incidence of these claims is higher in provinces where a large portion of employment is concentrated in seasonal industries. Quebec has a high incidence of seasonality; the province accounts for 39.6% of total seasonal claims compared with 30.6% of all regular claims. Conversely, Ontario accounts for 21.0% of seasonal claims but 32.7% of total regular claims. The disparity is partially explained by differences in the seasonality of their construction industries. Quebec had over twice as many seasonal construction claims (47.4%) as Ontario did (19.1%), in spite of the fact that Ontario's construction industry employed over twice as many workers as did Quebec's.

The Atlantic provinces, which have a seasonal industrial makeup, all had high incidences of seasonal claims. The four Atlantic provinces together accounted for 26.0% of seasonal claims but only 14.5% of total regular claims. British Columbia, on the other hand, accounted for only 6.4% of total seasonal claims and 11.0% of all regular claims.

A recent study³⁵ on seasonal workers concludes that this type of worker is more likely to be male, have a low level of education and have fewer family dependants than workers in general. These workers are also more prominent in eastern provinces and in primary industries.

Some seasonal claimants have a combined work-benefit period of less than 52 weeks per year. This can result in a period where income from neither work nor EI is available to these workers, if the seasonal job to which they are returning is not yet available. To address the issue of income gaps that seasonal workers face, a pilot project providing five additional weeks of entitlement to EI regular benefits ran from June 6, 2004, to February 28, 2009, in regions of high unemployment.³⁶ The project tested whether an additional five weeks of benefits would address the annual income gap faced by seasonal workers whose weeks of work and EI benefits may not provide income throughout the year, and whether this approach would have any adverse labour market effects. An evaluation of the pilot project³⁷ reports that the pilot project achieved its primary objective: reducing the number of seasonal workers facing income gaps. The evaluation also showed that other workers, such as non-seasonal workers and non-gappers,

also received extra weeks of benefits. As a result, the pilot project incurred additional costs. The study finds that almost 75% of the payments made under the pilot project went to claimants who were neither gappers nor seasonal workers.

As mentioned in previous reports, the likelihood of becoming a seasonal claimant without full-year income is higher in regions of high unemployment, where claimants require fewer hours to qualify for benefits. Many seasonal claimants accumulate their hours over a short period, averaging 50 or more hours of work per week. Among people who initiated claims in 2007/08,³⁸ most of which were completed in 2008/09, there were 12,970 seasonal claimants whose combined work-benefit period was shorter than 52 weeks, down 36.1% from 20,300 in the previous year. Part of this decline can be explained by the temporary measure introduced through Canada's Economic Action Plan (EAP), which provided 5 additional weeks to claimants in all regions across Canada and increased the maximum number of weeks to 50 from 45. As a result, some seasonal claimants received enough EI benefits and were able to avoid an income gap.

Seasonal claimants who did not have a full year of income averaged 20.7 weeks of work and 26.0 weeks of EI (including the waiting period). This left a gap of 5.3 weeks in which they had no income.

Among the provinces, Quebec had a large proportion of seasonal gappers (41.7%), followed by Ontario (12.5%) and British Columbia (12.5%). The Atlantic Region accounted for 24.7% of all seasonal gappers. The regions containing Canada's three largest cities (Toronto, Montréal and Vancouver) accounted for 2.9%, 13.3% and 3.5% of seasonal gappers, respectively.

8. Regular Benefits in Major Urban Centres and Rural Regions

The Canadian economy comprises urban regions containing major metropolitan centres that are significant economic hubs, as well as rural regions that preserve industries essential to the functioning of the economy. Canada's regions have diverse labour market characteristics and, as a result, the use of regular benefits differs among these

³⁵ HRSDC, *An Evaluation Overview of Seasonal Employment: Update* (Ottawa: HRSDC, Evaluation Services, 2009).

³⁶ The pilot project was scheduled to end on June 6, 2009. It was replaced, however, by a temporary legislative change extending the extra five weeks of benefit entitlement to all active claims across the country from March 1, 2009, until September 11, 2010.

³⁷ HRSDC, *An Evaluation of the Pilot Project to Extend Employment Insurance Benefits by Five Weeks: 2004–2009* (Ottawa: HRSDC, Evaluation Services, 2010).

³⁸ Data analysis is based on all completed claims initiated in 2007/08 to ensure that all claims in question have been terminated.

regions. The six largest census metropolitan areas in terms of population—Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montréal—have the largest populations in their census metropolitan areas and are used to characterize the profiles of EI regular benefits in urban regions.

In 2008/09, average weekly benefits for regular claimants increased by \$17 in both major urban centres (\$363) and rural regions (\$365) from the previous year. This reflected the 4.7% increase in average weekly benefits for regular claims. The proportion of regular claimants receiving the maximum weekly benefit was also similar in urban and rural regions (45.1% and 45.8%, respectively).

Regular claimants in major urban centres had an average entitlement of 35.2 weeks in 2008/09, while those in rural regions were entitled to an average of 38.0 weeks.³⁹ The urban figure rose significantly over that in the previous year, when claimants in major urban centres had an average entitlement of 28.8 weeks and claimants in rural regions had an entitlement of 34.8 weeks. Regular claimants in major urban centres qualified with 1,489 insured hours, on average, while those in rural regions qualified with 1,341 insured hours, on average.

The difference in average entitlement between regular claimants in major urban centres and those in rural regions is reflected in the duration of regular benefits. In 2007/08, regular benefit claimants in major urban centres received an average of 17.6 weeks of benefits compared with 20.5 weeks for those in rural regions.⁴⁰

The usage of EI in major urban centres across Canada diverged in various aspects, and there were patterns similar to those seen in the previous year (see Table 3). Among claimants in the six major urban centres, regular benefit claimants in Toronto had the highest number of average weeks paid (19.2) and one of the highest percentages of entitlement used (64.1%).⁴¹ Regular benefit claimants in Calgary and Edmonton had the two highest numbers of average insured hours (1,560 and 1,550, respectively), the two highest amounts of average weekly benefits (\$399 and \$402), the two lowest numbers of average weeks paid (14.5 and 13.6) and the two lowest percentages of entitlement used (52.3% and 49.6%). Calgary and Edmonton showed

the same characteristics of regular benefits use in the previous year. Regular claimants in Montréal had the lowest number of average insured hours (1,410) and the lowest amount of average weekly benefits (\$345), which was also true in 2007/08. Finally, as was the case in the previous year, regular claimants in Ottawa had the lowest number of average entitlement weeks (32.7). More detailed information on the various elements discussed in this section can be found in Annex 4.

The difference in the composition of the labour market in various major urban centres can help explain the differences in the usage of regular benefits. The proportion of non-standard workers⁴² in a labour market can account for some of the differences, as non-standard workers have labour market characteristics that differ from those of standard workers. A recent study found that non-standard workers were significantly less well paid than standard workers in major urban centres.⁴³ The study also found that non-standard workers had lower employment tenure than standard workers. In 2008, Vancouver had the highest share of non-standard workers (33.0%), followed by Montréal (29.0%), while Calgary had the lowest share of non-standard workers (26.1%).

All six major urban centres across Canada had a lower share of total regular claims relative to their share of total employment in Canada. Toronto exemplified this case, comprising 17.0% of total employment, while accounting for 11.8% of total regular claims. Montréal had been the only major urban centre to have a lower share of total employment than its share of total regular claims in the previous reporting period, but in 2008/09, it comprised 11.0% of total employment while accounting for 10.4% of total regular claims.

³⁹ Benefit entitlement was affected by the five additional weeks of benefits provided in the Economic Action Plan (EAP), which became effective March 1, 2009.

⁴⁰ Data on claim duration relate to claims established in 2007/08 to ensure all claims were completed.

⁴¹ Data on entitlement used are for claims established in 2007/08 to ensure all claims were completed.

⁴² Non-standard workers are those engaged in part-time, seasonal, cyclical, temporary or own-account self-employed work, as opposed to full-time, full-year work.

⁴³ HRSDC, *Trends in Employment Insurance (EI) Eligibility and EI Benefit Adequacy of Non-standard Workers in Large Urban Centres* (Ottawa: HRSDC, Evaluation Services, 2009).

Table 3
Key Statistics for Regular Benefits in Major Urban Centres, 2008/09

	Average Unemployment Rate ⁴⁴	Share of Total Employment	Share of Total Regular Claims	Average Insured Hours	Average Entitlement Weeks	Average Weeks Paid ⁴⁵	Average Weekly Benefit
Montréal	7.6%	11.0%	10.4%	1,410	35.3	17.3	\$345
Ottawa	4.8%	2.9%	1.2%	1,488	32.7	15.9	\$373
Toronto	7.0%	17.0%	11.8%	1,529	36.4	19.2	\$364
Calgary	3.6%	4.1%	2.1%	1,560	34.5	14.5	\$399
Edmonton	3.9%	3.6%	2.0%	1,550	34.2	13.6	\$402
Vancouver	4.5%	7.2%	4.2%	1,509	33.3	16.9	\$364

II. Promoting Workforce Attachment

The EI program strives to find a balance between providing adequate income benefits and encouraging workforce attachment. Several features of the program encourage labour market attachment; however, the analysis in this chapter focuses on four specific elements: the divisor, the EI pilot projects (Extended Weeks, Working While on Claim, NERE, and Best 14 Weeks), the Working While on Claim provision and the Small Weeks provision.

1. Divisor

A claimant's weekly benefit amount is determined by dividing earnings accumulated during the 26-week period before the establishment of the claim by the number of weeks the claimant worked during that period. To encourage claimants to accumulate as much work as possible, a minimum divisor is applied. The minimum divisor is two weeks more than the minimum number of weeks of work⁴⁶ required to qualify for benefits, and ranges from 14 to 22 weeks, depending on the regional rate of unemployment. For instance, if a claimant lives in a region with an unemployment rate of 9.5%, earnings accumulated during the 26-week rate calculation period will be divided by the greater of 18 weeks or the number of weeks in which the claimant had earnings. The divisor encourages

longer workforce attachment, as claimants have a strong incentive to work additional weeks before claiming EI benefits to avoid a reduced weekly benefit.

In 2008/09, the divisor affected just 2.3% of regular claims in regions not included in the Best 14 Weeks pilot project.⁴⁷ This percentage has declined gradually from 2.5% in 2005/06. Among those in the non-pilot regions who were affected by the divisor, 55.2% were men and 44.8% were women, only 11.7% were under 25 years old, and over 42.8% were above 45 years of age. Administrative data indicate that the divisor would have affected 4.0% of regular claims in regions included in the pilot project, had the pilot project not been in place.

2. Pilot Projects

Four pilot projects were in effect during 2008/09. Pilot projects allow the government to assess the labour market impacts of new approaches that are designed to assist unemployed individuals, before considering a permanent change. EI pilot projects provide valuable information on the effects of program changes in labour markets where EI plays a particularly important role. Together, the pilot projects increase access to and the generosity of EI in regions of high unemployment,⁴⁸ while encouraging labour force participation. In 2008/09, 36.5% of all regular claims were established in regions that benefited from one or more of these pilots.

⁴⁴ The local unemployment rates presented are those of EI economic regions. These regional rates come from the LFS, with an adjustment made to include unemployment rates for status Indians living on Indian reserves, as per section 54(x) of the *Employment Insurance Act*.

⁴⁵ Data on claim duration relate to claims established in 2007/08 to ensure all claims were completed. Note that many of these claims were completed in 2008/09.

⁴⁶ Hours required by the VER are converted into weeks of 35 hours.

⁴⁷ The Best 14 Weeks pilot project is currently in effect in 25 of the 58 EI economic regions. The divisor applies in the remaining 33 EI economic regions.

⁴⁸ Pilot projects were initially implemented in regions that had an unemployment rate of 10% or higher before implementation. When they were renewed in 2008, they included regions with a rate of 8% or higher before the renewal.

The following pilot projects were in effect in regions of high unemployment in 2008/09:

- The *Extended EI Benefits* pilot project provided an additional five weeks of EI benefits to claimants in high unemployment regions to test a mechanism for helping seasonal workers who experience an annual income gap due to limited work alternatives in their regions. The pilot project ran from June 6, 2004, to February 28, 2009, and was replaced by a temporary legislative change extending the benefits to all EI regions from March 1, 2009, until September 11, 2010.
- The *Working While on Claim* pilot project tested whether an increased earnings threshold would provide a greater incentive for individuals to accept all available work while receiving EI benefits. The pilot project ran from December 11, 2005, to December 6, 2008, and was extended to all regions from December 7, 2008, to December 4, 2010.
- The *New Entrant/Re-Entrant* (NERE) pilot project tested whether enabling individuals who are new to the labour market—or returning after an extended absence—to gain access to EI benefits after 840 hours of work rather than 910 hours, and informing them of EI employment training programs, would improve their employability and help reduce their future reliance on EI benefits. The pilot project began on December 11, 2005, and was scheduled to run until December 2008. To better assess its effects, however, it was extended until December 2010.
- The *Best 14 Weeks* pilot project tests a method to make EI benefit levels more reflective of full-time work earnings for those with sporadic work patterns, and to encourage claimants to accept all available work by calculating EI benefits based on the “best 14 weeks” of earnings over the 52 weeks preceding a claim. The pilot project came into effect on October 30, 2005, and was scheduled to end on October 25, 2008, but was extended to October 23, 2010.

Even though the pilot projects cannot be fully evaluated before they are completed, recent studies evaluate the pilot projects’ performance based on preliminary data. For instance, an evaluation study of the NERE pilot project⁴⁹ finds that the pilot increased the proportion of NEREs who were eligible for EI income benefits. This increase was not only the direct result of a lower EI access requirement for NEREs, but it also reflected the fact that a higher proportion of NEREs accumulated between 840 and 910 hours of work as a result of the pilot project. This last result suggests that workers and employers in the regions where the NERE pilot project applied have some flexibility in adapting their work patterns to EI rules. Despite the fact that a larger proportion of NEREs had access to EI income benefits, there is no evidence that the pilot increased the participation of this group in training activities offered under EI Part II.

Another evaluation study⁵⁰ finds that the Best 14 Weeks pilot project led claimants to work additional weeks and to increase their number of insurable hours and insurable earnings. This study also estimates that during 2006 and 2007, 66% of claimants in the pilot project regions benefited from the Best 14 Weeks pilot project. For a summary of the Extended EI Benefits pilot project, see section I.B, Seasonal Claims.

A recent report⁵¹ detailing the profile of claimants in pilot regions indicates that some demographic groups are more likely to benefit from certain pilots than others. Preliminary results indicate that claimants who received higher weekly benefits due to the Best 14 Weeks pilot tended to be youth, women, part-time workers, low-skilled workers and workers in low-income families. Similarly, regular claimants benefiting from the NERE pilot were more likely to be youth, single individuals, members of low-income families and those whose last employment was in a temporary, non-seasonal job. The Working While on Claim pilot, however, was more neutral in relation to family income status and was more likely to affect part-time workers, those aged 35 to 44, women, and non-seasonal temporary workers.

⁴⁹ Carole Vincent, *The NERE Pilot Project Evaluation: Summary of Results for the 2009 Employment Insurance Monitoring and Assessment Report* (Ottawa: Social Research and Demonstration Corporation, 2009).

⁵⁰ HRSDC, *Summary of Results from Best 14 Weeks Pilot Project Evaluation* (Ottawa: HRSDC, Evaluation Directorate, 2009).

⁵¹ Constantine Kapsalis, *Technical Report on the Profile of Workers with Variable Work Hours, New Entrants and Re-entrants to the Workforce, and Workers Who Work While on Claim* (Ottawa: Data Probe Economic Consulting Inc., 2008).

3. Working While on Claim

The Working While on Claim provision⁵² is designed to encourage workforce attachment by allowing claimants to accept available work without being penalized. Under the provision, claimants may earn the greater of 25% of their weekly benefit level or \$50, without a reduction in their weekly benefit rate. Employment earnings above the allowable earnings threshold are deducted dollar for dollar from the claimant's weekly benefit. If a claimant's weekly benefit is reduced to zero, then that week of entitlement may be deferred for later use within the benefit period.

A pilot project was tested in 23 EI economic regions from December 11, 2005, to December 6, 2008. This project tested the effects of increasing the amount a beneficiary could earn while working part time and receiving EI benefits, by allowing an individual to earn the greater of \$75 or 40% of weekly benefits. As of December 7, 2008, the pilot project was extended to all regions of Canada until December 4, 2010.

EI administrative data show that over half of regular claimants use the provision. In 2007/08,⁵³ in regions not included in the Working While on Claim pilot project, 47.2% of regular claimants worked while on claim, a slightly smaller proportion than was the case in 2006/07 (48.3%) and 2005/06 (48.7%). The proportion of claimants who worked while on claim in regions included in the pilot project was 65.0% in 2006/07 and 2007/08, a marginal decline from 65.5% in 2005/06. This demonstrates that the likelihood of finding employment, even if for a short period, is high both in high unemployment regions participating in the pilot project and in non-pilot regions.

Consistent with the past few years, frequent claimants were more likely to work while on claim than other claimants. In 2007/08, frequent claimants from non-pilot regions made up 27.1% of regular claimants and 32.0% of those who worked while on claim. In pilot regions, they made up 52.4% of regular claimants and 56.3% of those who worked while on claim. These results reflect the fact that many frequent claimants have sporadic work spells throughout the year, which are interspersed with periods during which they draw EI benefits. This work pattern allows them to accumulate sufficient hours during their 52-week benefit period to subsequently qualify for another claim.

First-time claimants continued to be underrepresented among those who worked while on claim. First-time claimants from regions not included in the pilot project accounted for 39.6% of regular claims and 33.7% of those who worked while on claim. In contrast, first-time claimants from pilot regions represented 20.3% of regular claims and 17.7% of those who worked while on claim.

EI administrative data show that for almost two thirds of weeks for which claimants declared earnings, they declared sufficient earnings to reduce their benefits to zero, allowing claimants to defer that week. In 2007/08, 65.1% of weeks worked while on claim in the non-pilot regions reduced the benefit payable for that week to zero and, thus, preserved that week of entitlement. This proportion was slightly lower for those in pilot regions, at 62.7%. Similar results were observed in 2006/07. Therefore, not only are people able to find work while on claim, but they also often find full weeks of work.

Use of the Working While on Claim provision varies according to claimants' past use of the program. For first-time claimants, only 51.0% of weeks worked in regions outside the pilot project resulted in the deferral of that week, compared with 46.9% in pilot regions. For frequent claimants, however, 77.0% of weeks worked in non-pilot regions did so, while 69.2% of weeks worked in pilot regions did so. For occasional claimants, the proportion fell somewhere between first-time and frequent claimants, with 65.1% in regions not included in the pilot project and 56.8% in pilot regions.

First-time claimants were more inclined than other claimants to accept work that partially reduced their benefits. In 2007/08, among claimants outside of pilot regions, 36.2% of the weeks worked by first-time claimants reduced their benefit payments, while only 16.6% of weeks worked by frequent claimants reduced their benefits. In the pilot regions, those proportions were slightly lower, at 30.0% for first-time claimants and 14.2% for frequent claimants.

Claimants who worked while on claim used, on average, 11.6 weeks of benefits, virtually unchanged from the previous year. The average duration of these claims in pilot regions was 14.4 weeks compared with 9.2 weeks in non-pilot regions.

⁵² The provision applies to regular, parental and compassionate care benefits.

⁵³ Data and analysis on the Working While on Claim provision relate to claims established in 2007/08 to ensure all claims were completed.

Frequent claimants worked more while on claim (13.3 weeks), on average, than first-time claimants (9.6 weeks). Notable differences were observed, however, between claimants participating in the pilot projects and those from non-pilot regions. Frequent claimants from pilot regions received an average of 15.2 weeks of benefits compared with 10.4 weeks for those from non-pilot regions. For first-time claimants, the average benefit duration was shorter, with 12.5 weeks of benefits, on average, in pilot regions and 8.3 weeks in non-pilot regions.

4. Small Weeks

As previously mentioned, EI benefits are calculated using earnings in the 26 weeks preceding the last day of employment. During that period, weeks with relatively lower earnings could reduce the amount of benefits claimants receive. The objective of the Small Weeks provision is to encourage individuals to accept all available work by excluding weeks of earnings below \$225 from the benefit rate calculation, provided that the number of weeks of earnings exceeds the minimum divisor.

Before becoming a permanent feature of EI in November 2001, the Small Weeks provision was tested through pilot projects, first from 1997 to 1998 and again from 1998 to 2001. An evaluation study on the later pilot project⁵⁴ reports that 9.0% of male claimants and 17.8% of female claimants received higher average weekly benefits as a result of the pilot project. These claimants significantly increased their total weeks of work in the 26 weeks before their job separations: 2.1 weeks for male claimants and 2.4 weeks for female claimants, respectively.

As of November 2005, the Small Weeks provision did not apply in the EI regions included in the Best 14 Weeks pilot project. Accordingly, the following analysis is based on the non-pilot⁵⁵ EI regions.

In 2008/09, 226,093 claims benefited from the Small Weeks provision, an increase of 22.6% from the previous year. Small Weeks claims as a proportion of all claims, however, remained virtually unchanged from the previous year, decreasing from 16.1% to 15.9%. Since the introduction of this provision in 2001, the number of claimants benefitting from it has fluctuated from year to year.

As noted in previous reports, the Small Weeks provision is most beneficial to youth, women and first-time claimants. In 2008/09, 24.0% of youth benefited from the Small Weeks provision, while only 16.8% of older workers benefited from it. The share of women who benefitted was almost twice that of men (21.2% vs. 11.5%). Among all first-time claimants, 16.7% received higher weekly benefits as a result of the Small Weeks provision. This compares with 11.7% of frequent claimants.

In 2008/09, claimants affected by the Small Weeks provision received, on average, approximately \$14 more per week than they would have without the provision. Had it not been for the provision, average weekly benefit rates of Small Weeks claims would have been \$251 instead of \$264.

Overall, the Small Weeks provision has been effective in increasing the attachment of unemployed workers to the labour force by encouraging them to accept part-time and temporary jobs. Not only were workers encouraged to take on more work, but they also received higher weekly benefits than they would have had the Small Weeks provision not been in place.

III. Evaluation of EBSMs

The objective of Part II Employment Benefits and Support Measures (EBSMs) is to assist individuals to prepare for, obtain and maintain employment. Evaluations of the Employment Benefits and Support Measures (EBSMs) are a requirement under the terms of the bilateral Labour Market Development Agreements (LMDAs). A two-phased approach calling for a formative and a summative evaluation is stipulated in all LMDAs. Formative evaluations examine issues of program design, delivery and implementation. Summative evaluations measure net impacts and determine the extent to which programs successfully achieve their goals, remain relevant to government priorities and are cost effective.

1. Status of the Evaluations

Formative evaluations were completed for all jurisdictions between 1999 and 2002. Summative evaluations have been completed with findings available for 12 jurisdictions:

⁵⁴ HRSDC, *An Evaluation of the EI Pilot Project on Small Weeks, 1998-2001* (Ottawa: HRSDC, Evaluation Directorate, 2001).

⁵⁵ The Best 14 Weeks pilot project applied to 23 EI economic regions from October 2005 until October 2008. The project has been extended from October 2008 until October 2010 in 25 EI economic regions.

British Columbia, Alberta, Ontario,⁵⁶ Quebec, Nunavut, Newfoundland and Labrador, New Brunswick, Saskatchewan, Nova Scotia, Prince Edward Island, the Northwest Territories and Yukon. Preliminary findings for Manitoba are expected in summer 2010.

2. Summative Evaluation Design

The core summative evaluation methodology compares the pre- and post-program experiences of participants to those of similar individuals who did not participate in the program, in order to measure incremental impacts (results attributable to the program).⁵⁷ In calculating net impacts, the evaluations focus on start and end dates of program participation,⁵⁸ and report program results based on the principal EBSM taken by clients.

3. Summary of Key Findings

Table 4 summarizes net impact findings from 11 of the 12 completed⁵⁹ summative evaluations: British Columbia, Alberta, Ontario, Quebec, Newfoundland and Labrador, New Brunswick, Saskatchewan, Nova Scotia, Prince Edward Island, the Northwest Territories and Yukon. Overall, these 11 evaluations cover 97% of the total Canadian labour force.⁶⁰

The table presents results for three outcome indicators (annual hours of employment, annual earnings and number of weeks per year in receipt of EI benefits), by type of EBSM, and for active and former EI claimants.⁶¹

As a context for understanding the results summarized and discussed below, these evaluations were undertaken during different years and client impacts were measured relative to different reference periods. The reference periods for all of the completed evaluations fall between 1998 and

2004.⁶² The EBSMs examined (Skills Development, Targeted Wage Subsidies, Self-Employment and Job Creation Partnerships), are designed and delivered by each jurisdiction in slightly different ways. See Annex 3.3 for definitions of the categories of interventions funded by LMDAs.

4. Findings, by Intervention Type

4.1 Skills Development (SD)

Active claimants who participated in SD increased their earnings in seven jurisdictions, representing 33% of the national labour force covered by the evaluations. The typical estimated gain in annual earnings was in the \$2,000 to \$5,000 range. In proportional terms, the earnings gains are large by international standards—about 10 to 20 percentage points.

The impact on employment was positive (an increase of 211 hours per year or about five weeks) for active claimants in one jurisdiction, representing 15% of the national labour force covered by these evaluations. Smaller increases were reported in the remaining jurisdictions reporting on this measure, representing 85% of the labour force covered. However, these results did not meet the level of statistical significance required for reporting.

Both positive and negative net impacts were found for EI use among active claimants. Predominantly positive findings were found for EI use in six jurisdictions (decreases of between 1.2 to 3.15 weeks in EI use per year), representing 57% of the national labour force covered. Negative results (increases of 1.8 weeks in EI use per year) were found in two jurisdictions, representing 17% of the national labour force covered by these evaluations.

⁵⁶ Ontario signed a transfer LMDA to deliver EBSMs that took effect on January 1, 2007. The Ontario summative evaluation results presented in this summary pertain to EBSMs that were delivered federally.

⁵⁷ A reference group was used in some jurisdictions when it was not possible to find an adequate comparison group.

⁵⁸ Based on administrative data, a unit of analysis, termed an Action Plan Equivalent (APE), is derived and used in the summative evaluations. It is defined as either a single intervention, or a series of interventions that are no more than six months apart. The APE used in the summative evaluation conducted by the Province of Quebec was defined as either a single intervention, or a series of interventions that are no more than four months apart.

⁵⁹ This discussion focuses on evaluations that assessed the net impacts of EBSMs. In Nunavut, the formative and summative evaluations were combined; however, net impacts could not be measured due to methodological constraints.

⁶⁰ The coverage of the Canadian labour force varies by type of outcome and EBSM. For example, the coverage varies from 87% to 97% for Skills Development (SD), Targeted Wage Subsidies (TWS) and Self-Employment (SE). For Job Creation Partnerships (JCPs), the coverage varies from 65% to 68%. Because all of the jurisdictions are not delivering programs under JCPs, a lower proportion of the Canadian labour force is represented by the evaluations of these interventions. The population of EBSM participants is not entirely representative of the Canadian labour force. In particular, many employed workers may never take an EBSM during their lifetime, and some former claimants may be out of the labour force.

⁶¹ In labour market terms, active claimants are those with strong labour market attachment (in other words, a person with an active claim at the time of the intervention) and former claimants are those with weaker labour market attachment (that is, a person who closed an EI claim in the three years preceding the intervention or began a parental or maternity claim in the preceding five years).

⁶² The reference period for each evaluation needed to be early enough that sufficient data were available for post-program analysis. Generally, this meant an interval of three years after the end of the reference period. Some evaluations focused on one-year reference periods, while others had reference periods of two or more years to account for smaller numbers of participants.

Mixed results were found for former claimants in relation to employment (ranging from decreases of 235 hours or about 6 weeks per year to increases of 342 hours or about 9 weeks per year), earnings (ranging from decreases of \$3,900 per year to increases of \$5,300 per year) and EI use (ranging from decreases of 2.5 weeks per year to increases of 4.3 weeks per year).

The relatively positive results for active claimants may be explained in part by the focus of many of these interventions on obtaining credentials. A majority of SD participants reported that they received some sort of credential after completing the program, and there is empirical evidence that such credentials may signal productivity to prospective employers.⁶³

4.2 Targeted Wage Subsidies (TWS)

Significant employment and earnings gains were reported for former claimants who participated in TWS. Four jurisdictions, representing 87% of the national labour force covered, reported increases in employment between 194 to 419 hours (about 5 to 10 weeks) per year. Similarly, former claimants who participated in TWS recorded increases in annual earnings ranging from \$2,600 to \$4,400 in four jurisdictions, representing 85% of the national labour force covered by the evaluations. Post-program gains of 15% to 20% in employment and earnings are roughly in line with findings in the United States.⁶⁴

Significant post-program earnings gains were found for active claimants who participated in TWS in two jurisdictions, representing 15% of the national labour force covered. The typical estimated gain in annual earnings was in the \$4,200 to \$4,800 range. A positive net impact on employment (an increase of 296 hours or about 7 weeks per year) was also found in one jurisdiction, representing 15% of the national labour force covered.

The impact on EI use was mixed for active claimants, ranging between a decrease of 1.8 weeks per year and an increase of 2.7 weeks per year. For former claimants, the impact was negative, with increases in EI use of between 0.2 and 8.5 weeks per year in four jurisdictions, representing

84% of the labour force covered. The negative impact on EI use may, in part, reflect eligibility effects. Employment under a TWS program is insurable under EI, so eligibility is more or less automatic for most participants. Even if there are employment gains after the intervention, it is still possible that some of those who lose their subsidized jobs will collect EI.

The more consistent positive impacts on employment and earnings among former claimants are not surprising. Many former claimants have been out of the labour force for substantial periods of time, and a temporary subsidy reduces employers' costs of getting them "up to speed" in their jobs. On the other hand, active claimants have recent employment experiences, so their potential gains from TWS are not as great.

4.3 Self-Employment (SE)

SE showed positive net impacts on employment for both active and former claimants. The jurisdictions with positive employment outcomes represented 98% of the national labour force covered by the evaluations for active claimants and 87% of the national labour force covered for former claimants. Increases of 20% to 30% in annualized hours worked were reported, with much larger gains being reported in some provinces (increases ranging from 170 to 1,800 hours or about 4 to 45 weeks per year). These strong gains suggest that many SE participants remain self-employed after the formal intervention ends⁶⁵ and that they generally report working full time on such jobs.

Increases in the annual number of hours SE participants worked were often not accompanied by increases in earnings. In some cases, the evaluations reported significant declines in earnings (up to \$2,600 per year). In contrast, however, some increases in earnings (up to \$4,700 per year) were found for former claimants in one jurisdiction, representing 26% of the national labour force covered.

Both types of claimants experienced significant decreases in EI use in the post-program period. Specifically, reductions in EI use of up to 16 weeks per year for active claimants were found in seven jurisdictions, representing 86% of the

⁶³ John P. Martin and David Grubb, *What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies* (Paris: Organisation for Economic Co-operation and Development, 2001).

⁶⁴ Howard Bloom, et al., "The Benefits and Costs of JTPA Title II-A Programs Key Findings for the National Job Training Partnership Act Study," *The Journal of Human Resources* 32, 3 (1997), pp. 549–576. Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Manpower Demonstration Research Corp., 1991). Manpower Demonstration Research Corporation, Board of Directors, *Summary and findings of the national supported work demonstration* (New York: Russell Sage Foundation, 1991).

⁶⁵ The evaluations that do report continued self-employment generally find that between 50% and 70% of participants in SE continue to be self-employed at the time of the survey (18 to 24 months after the program).

national labour force. Similarly, reductions in EI use of up to 4 weeks per year for former claimants were found in three jurisdictions, representing 87% of the national labour force covered by the evaluations. Because weeks in self-employment are not insurable under EI, it is likely that these outcomes largely reflect eligibility effects rather than a decline in EI collection among eligible workers. When this decline is accompanied by declining earnings, workers pursuing self-employment may experience serious income declines, especially in the short run. Although this sort of impact was not found in all of the evaluations, the possibility that self-employed people may experience large short-run declines in income suggests that further research is required to examine the long-term impacts of SE programs.

4.4 Job Creation Partnerships (JCP)

The net impact estimates for JCP were generally quite varied. For active claimants, a positive net impact was found on hours worked in one jurisdiction (an increase of 285 hours or about 7 weeks per year), representing 20% of the national labour force of the jurisdictions in which this outcome was assessed. Mixed results were found for impacts on earnings. Increases of \$3,600 per year were found in one jurisdiction, representing 17% of the national labour force, while in another jurisdiction, representing 58% of the national labour force, decreases of \$2,500 per year were reported. No significant results were reported for EI weeks for these claimants.

Employment results for former claimants who participated in JCP were mixed (ranging from a decrease of 259 hours or about 6 weeks worked per year to an increase of 85 hours or about 2 weeks worked per year). JCP had negative impacts on earnings for former claimants (decreases ranging from \$2,100 to \$3,800 per year) in three jurisdictions, representing 40% of the national labour force. A negative impact was found for EI weeks

in one jurisdiction (an average increase of 1.5 weeks), representing 60% of the national labour force covered by the evaluations.

4.5 Employment Assistance Service (EAS)

EAS programs are generally short and relatively low cost, and are often provided in combination with another employment benefit program. Post-program impacts of EAS were not measured for clients taking only EAS. EAS participants reported strong levels of program satisfaction, job readiness and interest in further training.

5. Overall Conclusions

Based on the net impact estimates available to date, EBSMs appeared to yield some modest positive impacts for participants, though such findings were not consistent across all the jurisdictions. In general, two trends emerged from these evaluations:

- SD was the most effective intervention in increasing earnings for active claimants; and
- TWS was the most effective intervention in increasing employment and earnings for former claimants.

5.1 Other Results

The 12 completed summative evaluations reported high levels of client satisfaction and increased skill levels as a result of EBSM participation, which generated interest in further skills development. Some evaluations noted the need to better address labour market requirements, including those of employers and those of participants in remote and rural areas. Evaluations have also underscored the issue of access. Given that EBSM eligibility is based on EI entitlement, access is limited for some, particularly those with weak labour market attachment. Some evaluations also highlighted low participation rates in EBSMs among the less skilled and individuals with barriers to labour market participation.

Table 4
Summary of Outcome Measures from the EBSM Evaluations

Outcome or Intervention	Skills Development (SD)	Targeted Wage Subsidies (TWS)	Self-Employment (SE)	Job Creation Partnerships (JCP)
ACTIVE CLAIMANTS⁶⁶				
Employment (hrs/yr)	Increased employment representing 15% of labour force	Increased employment representing 15% of labour force	Increased employment representing 98% of labour force	Increased employment representing 20% of labour force
	Non-significant impacts representing 85% of labour force	Non-significant impacts representing 85% of labour force	Non-significant impacts representing 2% of labour force	Non-significant impacts representing 80% of labour force
Earnings (\$/yr)	Increased earnings representing 33% of labour force	Increased earnings representing 15% of labour force	Increased earnings representing 3% of labour force	Increased earnings representing 17% of labour force
	Non-significant impacts representing 67% of labour force	Non-significant impacts representing 85% of labour force	Decreased earnings representing 17% of labour force	Decreased earnings representing 58% of labour force
			Non-significant impacts representing 80% of labour force	Non-significant impacts representing 25% of labour force
EI (wks/yr)	Decrease in EI use representing 57% of labour force	Decrease in EI use representing 43% of labour force	Decrease in EI use representing 86% of labour force	Non-significant impacts representing 100% of labour force
	Increase in EI use representing 17% of labour force	Increase in EI use representing 38% of labour force		
	Non-significant impacts representing 26% of labour force	Non-significant impacts representing 19% of labour force	Non-significant impacts representing 14% of labour force	
FORMER CLAIMANTS				
Employment (hrs/yr)	Increased employment representing 38% of labour force	Increased employment representing 87% of labour force	Increased employment representing 87% of labour force	Increased employment representing 20% of labour force
	Decreased employment representing 15% of labour force			Decreased employment representing 2% of labour force
	Non-significant impacts representing 47% of labour force	Non-significant impacts representing 13% of labour force	Non-significant impacts representing 13% of labour force	Non-significant impacts representing 78% of labour force
Earnings (\$/yr)	Increased earnings representing 25% of labour force	Increased earnings representing 85% of labour force	Increased earnings representing 26% of labour force	Decreased earnings representing 40% of labour force
	Decreased earnings representing 15% of labour force		Decreased earnings representing 15% of labour force	
	Non-significant impacts representing 60% of labour force	Non-significant impacts representing 15% of labour force	Non-significant impacts representing 59% of labour force	Non-significant impacts representing 60% of labour force

⁶⁶ Outcome estimates were not reported separately for active and former claimants in Nova Scotia and Prince Edward Island. In the summary table, the net impact results are reported under active claimants, as they represent the majority of participants in these two jurisdictions.

Table 4 (continued)
Summary of Outcome Measures from the EBSM Evaluations

Outcome or Intervention	Skills Development (SD)	Targeted Wage Subsidies (TWS)	Self-Employment (SE)	Job Creation Partnerships (JCP)
EI (wks/yr)	Decrease in EI use representing 25% of labour force	Increase in EI use representing 84% of labour force	Decrease in EI use representing 87% of labour force	Increase in EI use representing 60% of labour force
	Increase in EI use representing 5% of labour force	Non-significant impacts representing 16% of labour force	Non-significant impacts representing 13% of labour force	Non-significant impacts representing 40% of labour force
	Non-significant impacts representing 70% of labour force			

Source: Final summative evaluation reports from the 11 jurisdictions.

Note: Each box in the table indicates the proportion of the national labour force represented by jurisdictions where the impact was estimated (for instance, for SD, there was a significant impact on employment in jurisdictions representing 15% of the labour force covered by the evaluations).

IV. EI and the Workplace

1. Work Sharing

The Work Sharing provision is intended to prevent layoffs by redistributing work among employees of a firm. It does so by spreading the work reductions across all of the employees in the work unit rather than laying off a portion of the unit. For example, a firm considering laying off 20 of its 100 workers could instead decrease the hours of work for all 100 employees by 20%. All of the employees would face one day per week of unemployment, rather than 20 laid-off employees shouldering the entire burden of the work reduction. In this way, Work Sharing provides income support to workers eligible for EI benefits who are willing to work a temporarily reduced work week when there is a reduction in the normal level of business activity that is beyond the control of the employer. Reduced levels of business activity that result from seasonal slowdowns are not eligible for Work Sharing agreements.

The Economic Action Plan (EAP) eased the criteria for employers applying for the program, streamlined the application process and extended the length of agreements. Up until February 1, 2009, a Work Sharing agreement could be signed for a minimum of 6 weeks to a maximum of 26 weeks, with the possible extension to a total of 38 weeks. The EAP allowed a maximum of 52 weeks for applications received between February 1, 2009, and April 3, 2010.

In 2008/09, the federal government signed 2,305 Work Sharing agreements. More specifically, in just the first two months of 2009, as a result of the economic downturn, the number of Work Sharing agreements increased significantly. Large Work Sharing agreements (each valued at more than \$600,000) have risen from only one in 2006 to four in 2007, nine in 2008 and 24 in the first quarter of 2009 (that is, from January 1 to March 5, 2009⁶⁷). The number of smaller agreements (each valued at under \$600,000) also rose; there were 318 in 2006, 376 in 2007, 847 in 2008 and 945 in the first quarter of 2009 (January 1 to March 5, 2009). The number of employees covered by these agreements also increased, from 14,044 in 2007 to 32,749 in 2008 and 37,444 in the first quarter of 2009 (January 1 to March 5, 2009).

Of the 2,305 agreements signed in 2008/09, 44.9% were in the manufacturing industry. By comparison, the second-highest percentage of agreements was in the forestry industry, at 12.2%.

Ontario, British Columbia and Quebec had the highest numbers of Work Sharing agreements signed (1,036; 698; and 427, respectively). The majority of Work Sharing agreements signed in each of these provinces originated in manufacturing (56.7% of all Ontario agreements, 55.5% of all Quebec agreements and 23.8% of all British Columbia agreements). Given the concentration of manufacturing in Ontario and Quebec, the high usage of Work Sharing in these provinces was to be expected.

⁶⁷ Although announced at the end of January 2009, the EAP changes were not fully implemented until the beginning of March 2009. As such, these data do not fully reflect the impact of the EAP changes.

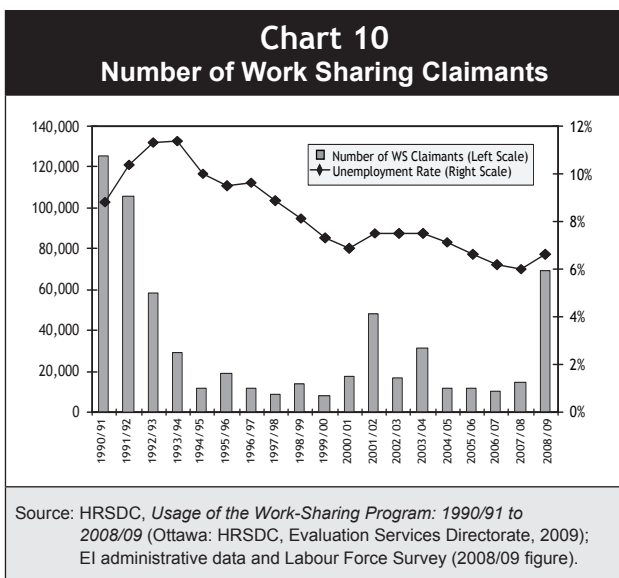
Small and medium-sized enterprises sign the majority of Work Sharing agreements. In 2008/09, over half (51.1%) of these agreements were with firms of fewer than 50 employees. A further 29.4% of agreements were with firms of 51 to 499 employees. Only 7.1% of agreements were with large firms employing 500 or more people.⁶⁸

The number of claims established does not always reflect the number of participants listed in a Work Sharing agreement. Firms estimate the number of employees they anticipate that their Work Sharing agreement will affect. The situation may, however, change by the time the Work Sharing period is reached. For example, employees may find other work or an unexpected contract may come in, reducing the number of employees who need to reduce their hours of work. As a result, fewer employees would establish claims than was stated in the agreement.

It is clear that Work Sharing claims peak during periods of rising unemployment and that the program is used less during times of economic recovery. Chart 10 illustrates this trend. While the 69,380 Work Sharing claims established in 2008/09 did not reach the historical high of 1990/91 (125,262 new claims⁶⁹), these data represent a significant increase over recent years (13,450 new claims in 2007/08 and 10,130 in 2006/07).

Work Sharing claims have also been associated historically with the manufacturing industry's production levels, as this industry accounts for the majority of these claims. This industry has accounted for as much as 83.9% of total Work Sharing claims (in 2007/08) and never less than 57.0% (in 1992/93).⁷⁰ The trend continued in 2008/09, when 81.3% of Work Sharing claims were attributed to this sector. This is down slightly from the previous year, because the economic downturn has provided an impetus for other industries to use the Work Sharing program to a greater degree.

As mentioned in Chapter 2, Quebec and Ontario continued to account for a large portion of Work Sharing claims in 2008/09 (76.5% combined, up slightly from 75.2% the previous year). British Columbia's share, which had increased substantially to 18.5% in 2007/08 from 2.7% in 2006/07, declined to 14.4% in 2008/09. Of the 63,100 Work Sharing claims originating in Ontario, Quebec and British Columbia, 21.4% were made in the



third quarter and 63.3% were made in the last quarter of 2008/09. Within Ontario, 86.8% of Work Sharing claims originated in the manufacturing industry; 76.4% of Quebec claims and 63.2% of British Columbia claims also originated in that industry.

Consistent with the demographics of the manufacturing industry, each year about two thirds of Work Sharing participants are male and about 80% of participants are aged between 25 and 54. In 2008/09, men made 73.0% of Work Sharing claims and people aged 25 to 54 made 79.9% of Work Sharing claims.

2. Apprentices

Apprenticeship is a key component of Canada's training system and an important contributor to our national competitive advantage and the long-term well-being of Canadian men and women. It is a structured system of supervised on-the-job training supported by periods of intensive in-class technical instruction through which apprentices develop new skills and gain experiential learning, both of which they can use immediately in the workplace. An apprenticeship leads to a certification in a skilled trade. Apprenticeship training takes from two to five years, depending on the trade. As of 2007, there were 298,190 registered apprentices in Canada. The EI program facilitates apprenticeship by providing income benefits to apprentices in approved courses during periods of classroom training.

⁶⁸ Firms do not have to complete the "total employees" field in the Work Sharing agreement form; therefore, the remainder of firms (12.5%) fell into the "unknown" category.

⁶⁹ HRSDC, *Usage of the Work-Sharing Program: 1990/91 to 2008/09* (Ottawa: HRSDC, Evaluation Services Directorate, 2009).

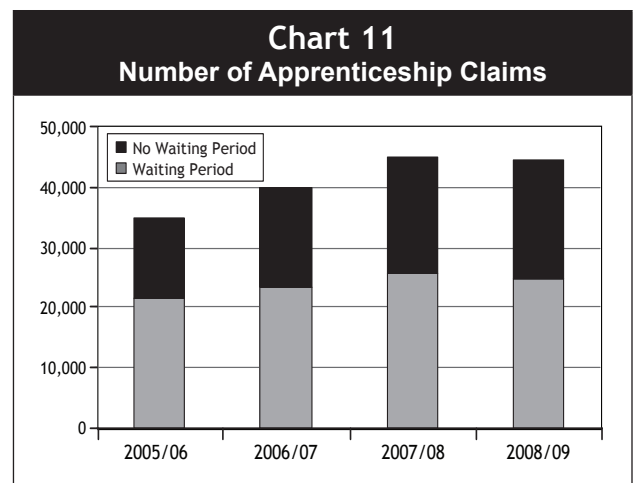
⁷⁰ HRSDC, *Usage of the Work-Sharing Program: 1990/91 to 2008/09* (Ottawa: HRSDC, Evaluation Services Directorate, 2009).

In 2008/09, individuals established 44,620 claims for apprenticeship, a slight decrease of 1.2% over the previous year. This is the first year since 2000/01 that apprenticeship claims have decreased. Total benefits paid to apprenticeship claimants increased to \$165.1 million in 2008/09, an increase of over 17% from the previous year. Even though the number of claims decreased, the average duration per claim increased from 8.9 to 10.6 weeks (+19.3%) so that the increase in average duration more than offset the decrease in the number of claims. Apprentices received higher average weekly benefits than the average claimant (\$403 versus \$361).

Apprentices who are collecting EI while away from work on training are required to serve only one two-week waiting period per apprenticeship, even if the apprenticeship program includes multiple separate training segments. Of all 2008/09 apprenticeship claims, 19,750 (or 44.3%) were not subject to a waiting period, a slight increase from the previous year (see Chart 11). The proportion of apprentices who are not subject to a waiting period has been rising consistently since 2002, when the waiting period rule was changed for apprentices. Almost all apprenticeship claimants were younger than 45, and just over half were under 25 (50.8%). Claims made by men accounted for over 95% of all apprenticeship claims in 2008/09 (42,720).

For the second consecutive year, Newfoundland and Labrador experienced the largest growth in apprenticeship claims, with an increase of 144%; however, claims in this province account for only 3.4% of all apprenticeship claims. Since 2000, Ontario, Alberta and British Columbia have accounted for approximately 80% of all claims by apprentices. Consistent with previous years, over half of all apprenticeship claims (24,260) came from the construction industry, while manufacturing, wholesale and retail trade combined accounted for just under a quarter (10,610).

According to a report by the Canadian Apprenticeship Forum,⁷¹ 30% of employers without apprentices indicated they would be interested in hiring apprentices, if they had better access to them. Further, employers have indicated that although the economy is experiencing a downturn, they wanted to keep their apprentices, as they would need skilled workers in the future.



3. Premium Reduction Program

The Premium Reduction Program (PRP) reduces EI premiums for employers if their employees are covered by a short-term disability plan that meets or exceeds certain requirements set by the EI Commission. To be eligible, employers must show how they return the employee share of the premium reduction to workers. Premiums are reduced on about 60% of all insurable earnings in Canada.

In 2008, approximately 6 million employees were covered by an employer-sponsored short-term disability plan. The number of participating employers⁷² in the program, however, declined over the same period, from 39,800 in 1995 to 32,500 in 2008. The main reason for this decline is that the Canada Revenue Agency introduced new remittance methods that made it easier for companies to amalgamate their payrolls, leading to a decline in the number of employer units enrolled, but not necessarily the number of employers. A recent study states that from 2000 to 2006 the share of employers enrolled in PRP declined from 3.4% to 2.9% while the share of all employees covered varied between 41% and 43%.⁷³

According to the same study, in 2006, almost 45% of large enterprises (those with 500 employees or more) received EI premium reductions through the PRP. In contrast, only 1.4% of firms with fewer than 25 employees received premium reductions. This is significant because small enterprises represent 88.1% of all firms, while large enterprises represent 0.5%.

⁷¹ R.A. Malatest & Associates Ltd., *It Pays to Hire an Apprentice: Calculating the Return on Training Investment for Skilled Trades Employers in Canada* (Ottawa: Canadian Apprenticeship Forum, June 2009).

⁷² This refers to the business numbers of employers that the Canada Revenue Agency uses to administer reduced premiums. An employer may have more than one business number.

⁷³ HRSDC, *Summary Evaluation of the EI Premium Reduction Program* (Ottawa: HRSDC, Evaluation Directorate, 2009).

The majority of employers (63.3%) participating in the EI premium reduction program in 2006 were in the public administration industry, with a participation rate of 23.7%, followed by the utilities industry, at 21.0%, and the education industry and manufacturing industry, at 9.3% each.

From 2000 to 2006, the percentage of employers participating in the EI premium reduction program declined in every province and territory except Prince Edward Island. In 2006, Saskatchewan (6.0%) had the greatest participation rate, followed by Manitoba (5.1%), Quebec (4.1%) and the Northwest Territories (3.1%). Ontario ranked seventh with a 2.4% participation rate. The data show also that employer take-up was lowest in Atlantic Canada.

Finally, in 2008, employers received \$788 million in premium reductions, \$83 million more than they received in 2007.⁷⁴

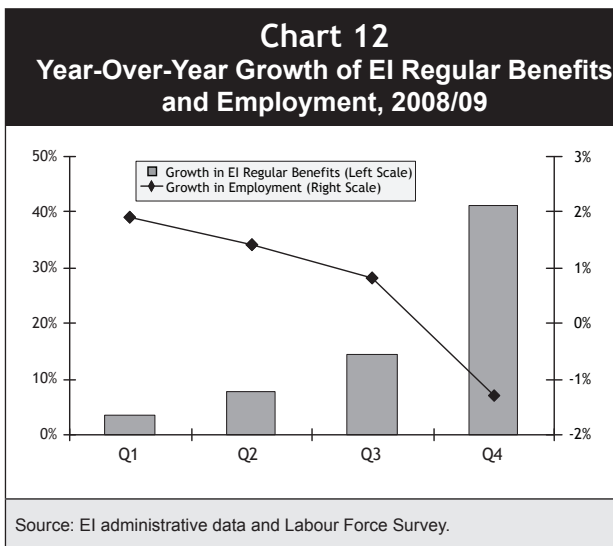
V. EI and the Economy

1. Responsiveness to the Economic Downturn

The EI program has played an important role in steadying the economy during the economic downturn, as shown by the increase in claims established and benefits paid, especially in the last quarter of 2008/09. Its effectiveness as a stabilizing force in the economy is further demonstrated by its responsiveness, nationally and regionally, to fluctuations in unemployment rates across the country. The built-in flexibility of the Variable Entrance Requirement (VER), which is specifically designed to respond to changes in local labour markets, allowed for timely adjustments to entrance requirements and benefit entitlements during the economic downturn. This, in turn, gave claimants in the provinces and regions most affected by the downturn easier access to the program and longer benefit durations.

As reported in Chapter 2, EI claim volume for regular benefits increased by 26.9% in 2008/09, compared with the previous year, in response to the decline in employment in the fourth quarter of the fiscal year. In particular, there was a 68.5% year-over-year increase in regular claims in the fourth quarter of 2008/09, which witnessed the largest quarterly employment decline in over 30 years.

In addition, regular EI benefits paid increased by \$1.5 billion or 19.2% in 2008/09, while the year-over-year increase in payments became apparent in the third quarter of the fiscal year and surged during the fourth quarter (refer to Chart 12). The considerable increases in regular benefits paid occurred during periods of employment decline and contributed to economic stability.



As noted above, the EI program responds automatically to changes in local labour markets as unemployment rates fluctuate. The VER decreases and lengths of benefit entitlement increase as unemployment rates rise across the 58 EI regions. From October 2008 to March 2009, 26 of these regions experienced a significant increase in their unemployment rate and witnessed a corresponding decrease in entrance requirements and increase in lengths of benefit entitlement.

The increases in the length of entitlement due to the changes in regional unemployment rates are in addition to the five additional weeks for all economic regions provided through Canada's Economic Action Plan (see Table 1 in Chapter 2). Also, the maximum duration of benefits available in areas of high unemployment rose from 45 to 50 weeks. For example, when the unemployment rate⁷⁵ in Toronto increased from 6.9% in October 2008 to 8.3% in March 2009, the entrance requirement declined from 665 to 595 hours to reflect the increased difficulty of finding work in the region. The maximum duration of

⁷⁴ HRSDC, *Report of the Chief Actuary to the Employment Insurance Commission on the Employment Insurance Break-Even Premium Rate and Maximum Insurable Earnings* (Ottawa: HRSDC, Actuary's Office, 2010).

⁷⁵ The local unemployment rates presented in this chapter are those of EI economic regions. These regional rates come from the Labour Force Survey, with an adjustment made to include unemployment rates for status Indians living on Indian reserves, as per section 54(x) of the *Employment Insurance Act*. The monthly unemployment rate is calculated taking a three-month moving average of seasonally adjusted unemployment rates.

benefits increased from 38 to 47 weeks, as a result of the automatic adjustment of the VER and the five additional weeks of benefits. More detailed information on the regional unemployment rates and the VER discussed can be found in Annex 4.

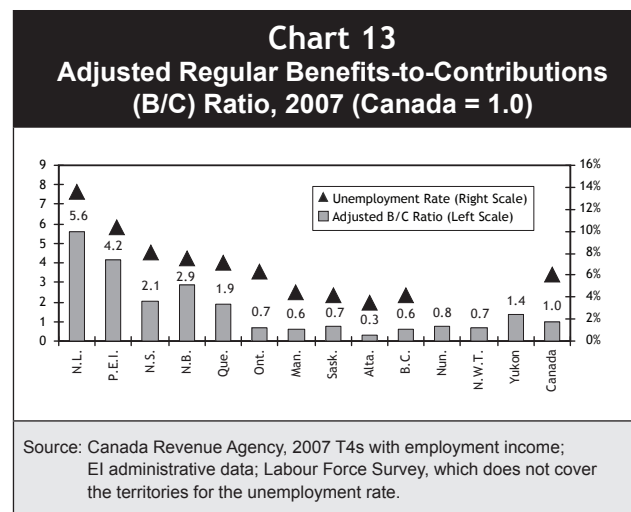
2. Income Distribution

As reported in previous *Monitoring and Assessment Reports*, the EI program redistributes some income from high earners to low earners and from provinces of low unemployment to provinces of high unemployment.

To measure redistribution, each province's share of total premiums collected is compared with that province's share of total regular benefits paid, with the overall adjusted result equal with 1.0.⁷⁶ This resulting ratio indicates whether a given province receives more in benefits than it contributes to the program or, conversely, pays more in premiums than it receives. A province or territory with an adjusted ratio greater than 1.0 receives relatively more in benefits than it pays in premiums, making that province or territory a net beneficiary of the program. A province with an adjusted ratio below 1.0 demonstrates little reliance on EI and is a net contributor to the program. Based on the latest tax data available, the Atlantic provinces and Quebec continued to be net beneficiaries of the program in 2007, while Ontario and the western provinces remained net contributors (refer to Chart 13).

In 2007, industries with a high degree of seasonality, such as agriculture, forestry, fishing and hunting, as well as construction and arts and recreation, continued to be net beneficiaries of the program. Manufacturing, which does not demonstrate the same degree of seasonality as the industries previously mentioned, also remained a net beneficiary. Annex 2.17 provides a detailed account of premiums and benefits across different groups.

Men and older workers also continued to be net beneficiaries, according to the adjusted benefits-to-contributions ratios for regular benefits. In 2005, youth were net beneficiaries of regular benefits, but they became net contributors with an adjusted ratio of 0.98 in 2006 and 0.94 in 2007.



An HRSDC study⁷⁷ states that older workers (aged 55 and older) are net beneficiaries of EI. Those aged 65 and older contribute more to the program than they receive in benefits; however, their premiums amount to about 8% of what older workers in total contribute. Workers between the ages of 55 and 64, who represent the vast majority of older workers, more than offset this trend.

EI premiums are collected to pay for all types of EI benefits, not just regular benefits. When special benefits are also included, the redistributive impacts of EI change. The analysis shows that women received more in regular and special benefits relative to what they paid in EI premiums in 2007 than did men. Similarly, workers aged 25 to 44 received relatively more in regular and special benefits than they contributed to EI compared with the other age groups. The 25 to 44 age group accounted for close to 60% of special benefits claims, as they received the vast majority of maternity and parental benefits. Conversely, when special benefits are also considered, older workers are net contributors to the program. While the benefit-to-contribution ratios of the Atlantic provinces remained high when special benefits were included, each was lower than it was when only regular benefits were considered. The opposite applied to Ontario, British Columbia and the Prairie provinces, which displayed higher adjusted benefit-to-contribution ratios once special benefits were taken into account.

⁷⁶ In the absence of this adjustment, the ratio for Canada would be lower than 1.0, mostly because the numerator represents regular benefits only and does not include other EI payments. Province and territory are determined by the location of the employer for premiums and of the claimant for benefits.

⁷⁷ HRSDC, *EI Payments and the GIS System* (Ottawa: HRSDC, Evaluation Directorate, 2008).

3. EI and Industries

In the context of the global economy and structural changes occurring in key Canadian industries, it is interesting to examine how usage of the EI program varied across industries, and how the parameters of the EI program interacted with the changes occurring within these industries. Construction, manufacturing and educational services combined accounted for almost 46% of all regular EI claims in 2008/09. Manufacturing and construction claimants tended to use a similar proportion of their entitlement weeks⁷⁸—58.9% and 57.5%, respectively—whereas claimants from the educational services industry used 39.1% of their entitlement. In 2008/09, average weekly benefits for claimants from these industries were all higher than the national average of \$364, with \$407 in construction, \$372 in education and \$378 in manufacturing.

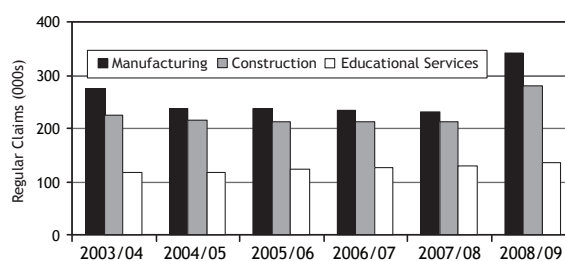
Since 2003/04, regular claims in the manufacturing and construction industries have declined at an average rate of 4.0% and 1.4%, respectively. This trend was reversed in 2008/09, however, as regular claims increased sharply by 47.4% in manufacturing and 32.0% in construction (see Chart 14). The educational services industry has followed a different path since 2003/04, with regular claims increasing at a relatively stable 3.1% average growth rate.

The recession that started in October 2008 did not affect all industries equally. For instance, during the first quarter of 2009, three industries—mining, oil and gas extraction; professional, scientific and technical services; and management of companies and enterprises—experienced increases in new regular claims of over 120% when compared with the same quarter a year before. In contrast, during the same period, agriculture, forestry and hunting, educational services, and public administration experienced increases of below 13%, the lowest among all industries. A more complete analysis of the way the recession affected different industries will be included in upcoming *Monitoring and Assessment Reports*.

Overall, employment in the Canadian auto sector dropped by 2.4% in 2008, after growing by 27.6% (+107,000) between 1992 and 2004, and remaining stable at 495,000 between 2005 and 2007. Auto manufacturing activities in Canada, which have been experiencing a long-term decline, account for 30% of the auto sector's employment and represent about 13.9% of total North American auto

manufacturing employment. The recession both worsened the outlook for manufacturing and slowed growth in the rest of the industries within the auto sector. Administrative data show that all auto industries registered a steep increase (over 50%) in EI regular claims in the last quarter of 2008/09 when compared with the same period a year before. In the auto manufacturing industry however, the steep increase in regular claims happened mainly in the second and third quarters of 2008/09, with regular claims increasing by 143.6% in the former and 97.6% in the latter when compared with the same periods a year before. In sum, even though the recession hit all industries in the auto sector, the auto manufacturing industry was hit earlier and harder than the rest.

Chart 14
Regular Claims, by Industry



A recent HRSDC study⁷⁹ explores the differences between claimants across industries in terms of eligibility, proportion of entitlement used and weeks of unemployment covered by EI. The study finds that claimants in some industries differ markedly from the rest in terms of EI outcomes. For instance, during the period the survey took place,⁸⁰ claims in agriculture were characterized by high eligibility, high benefit exhaustion and a large number of weeks of benefits being used. Claims from education workers were characterized by high eligibility, but low exhaustion rates, fewer EI entitlement weeks and fewer benefit weeks being used. These findings are consistent with the length of the seasonal component in the education and agriculture industries. Lastly, claims in retail trade were characterized by low eligibility, high benefit exhaustion and fewer EI entitlement weeks. These outcomes were partially due to the temporary and part-time nature of retail sector jobs.

⁷⁸ Proportion of entitlement weeks used relates to all completed claims initiated in 2007/08. Many of these claims were completed in 2008/09.

⁷⁹ HRSDC, *Use of Employment Insurance by Industrial Sector* (Ottawa: HRSDC, Evaluation Directorate, 2008).

⁸⁰ The COEP survey covered the second and third quarters of 2001, 2002, 2005 and 2006.

In some communities, workers face a restricted form of employment tied to the strength of a single dominant industry and sometimes even a single employer. The capacity of the dominant industry or employer to absorb workers determines the employment and unemployment patterns in these towns. A study about displaced workers in 10 dominant-industry communities⁸¹ finds that these workers have access, entitlement and usage of EI benefits similar to those of workers in other communities. This finding suggests that there is no inherent bias in the EI system that either favours or works against claimants in dominant-industry communities.

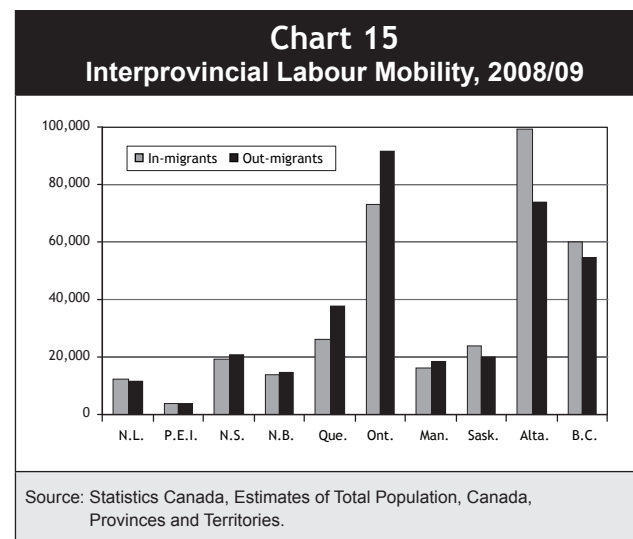
4. Labour Mobility

As described in Chapter 1, the unemployment rate rose in 2008/09 to reach 6.6%. Although the national average unemployment rate increased, regional variations still existed, which suggests that some amount of rigidity exists in the Canadian labour market. Despite job availability in some regions of the country, workers are not necessarily willing or able to move, and this contributes to pockets of higher unemployment.

The movement of labour that does take place, however, typically occurs from regions of high unemployment and lower wages to regions of low unemployment and higher wages.

Preliminary demographic estimates from Statistics Canada indicate that labour mobility in 2008/09 continued to follow the same trends as in the previous year. Ontario and Quebec continued to have negative migration outcomes (-18,200 and -11,600, respectively). Alberta (+25,500), British Columbia (+5,700), Saskatchewan (+3,900) and Newfoundland and Labrador (+700) received a greater number of migrants than they lost⁸² (see Chart 15).

There are two current trends in labour mobility in Canada: a clear movement from the east to the west, and movement among the provinces in the west. Most workers leaving the Atlantic provinces relocate to Ontario and, to a slightly lesser extent, Alberta. The majority of those leaving Quebec move to Ontario while, for the most part, those leaving Ontario move to Alberta and British Columbia. The majority of those leaving British Columbia move to Alberta and vice versa.



A number of studies in the past decade have looked at the determinants of labour mobility and whether EI played a role in the decision to migrate for employment. Results of these studies indicate that factors such as personal and labour market characteristics, and moving costs, play a key role in mobility decisions. It appears that EI is not a barrier to mobility, as eliminating regional EI extended benefits and regional EI differences in qualifying requirements would increase the volume of migration by less than 1%.

On January 16, 2009, the Government of Canada, provincial governments and territorial leaders agreed to full labour mobility across Canada by endorsing two key amendments to the Agreement on Internal Trade (AIT). Each amendment will mark significant progress toward eliminating internal trade barriers and enhancing labour mobility in Canada.⁸³ The revised labour mobility chapter of the AIT provides that any worker certified for an occupation by a regulatory authority of one province or territory is to be recognized as qualified for that occupation by all other provinces and territories. The agreement on full labour mobility came into effect on April 1, 2009.

Ongoing monitoring may show the impact of the agreement on labour mobility and the extent to which it may help reduce regional labour market performance disparities.

⁸¹ HRSDC, *Employment Insurance and Displaced Workers in Dominant Industry Communities* (Ottawa: HRSDC, Evaluation Directorate, 2009).

⁸² Labour migration occurs within Canada, with workers moving from provinces with negative rates to provinces with positive rates.

⁸³ For more details on the changes to the AIT, see <http://www.pm.gc.ca/eng/media.asp?id=2385>.

VI. EI Finances

1. Trends in Contributions and Expenditures

The EI program is financed entirely by contributions from employees and employers, via premiums paid on insured earnings up to the maximum insurable earnings (MIE). Employers pay a 1.4 multiple of the employee premium rate. Basic employee premiums per \$100 of insured earnings have declined every year for over a decade, from \$3.07 in 1994 to \$1.73 in 2008, and are being kept at that level in 2009 and 2010 in order to ensure that premium rates for workers and employers remain low during the downturn. Over the same period, employer premiums have declined from \$4.30 to \$2.42. The effect of declining premiums on revenues has been partially offset by a general increase in the participation rate and, in recent years, by increases in the MIE. The MIE increased to \$42,300 for 2009 and to \$43,200 for 2010. It had increased previously from \$39,000 in 2006 to \$40,000 in 2007 and to \$41,100 in 2008.

Despite the rises in wages and the MIE, EI expenditures began gradually declining in 2003, due to the combined effect of the declining unemployment rate and the implementation of the Quebec Parental Insurance Plan (QPIP) in 2006.⁸⁴ This declining trend was reversed in 2007/08 and more notably in 2008/09 when expenditures grew by 12.9%. This recent reversal in EI expenditures reflects the increase in EI regular benefit payments, due to the recession that started in October 2008.

On the premium side, a declining premium rate and an increase in the number of contributors have kept the overall level of contributions to the EI Account relatively stable since 2005/06. The combination of stable contributions and rising expenditures has brought the EI Account into an operational deficit for 2008/09.

Employers and provinces that offer insurance plans resulting in both reduced claims and reduced benefits under the EI program are entitled to premium reductions. As discussed earlier in this chapter, the PRP represented \$788 million in reduced premiums for participating employers in 2008.⁸⁵ In addition, the premium reductions in Quebec related to the QPIP represented \$878 million in 2008.⁸⁶

⁸⁴ Maternity and parental benefits payable under the QPIP replaced maternity and parental benefits payable under EI in Quebec.

⁸⁵ HRSDC, *Report of the Chief Actuary to the Employment Insurance Commission on the Employment Insurance Break-Even Premium Rate and Maximum Insurable Earnings* (Ottawa: HRSDC, Actuary's Office, 2010).

⁸⁶ HRSDC, *Report of the Chief Actuary to the Employment Insurance Commission on the Employment Insurance Break-Even Premium Rate and Maximum Insurable Earnings* (Ottawa: HRSDC, Actuary's Office, 2010).

2. The EI Account

The EI Account is not an account containing cash; rather, it is an accounting mechanism that keeps track of total premiums collected and total benefits paid out. Since 1986, the EI Account has been consolidated in the Summary Financial Statements of Canada. Revenues under the *Employment Insurance Act* are credited to the EI Account and deposited in the government's Consolidated Revenue Fund (CRF). Similarly, program costs are charged to the Account and paid out of the CRF. As a result, any annual EI surplus or deficit affects the government's fiscal balance and is included in statements of the government's overall budget surplus or deficit.

In Budget 2008, the government announced it would improve the management and governance of the EI Account by creating the Canada Employment Insurance Financing Board (CEIFB), an independent Crown corporation that will manage a separate bank account and implement an improved EI premium rate-setting mechanism.

The new rate-setting process will ensure EI revenues and expenditures break even over time by taking into account surpluses and deficits that occurred after December 31, 2008, as well as investment income. The process will also contribute to the relative stability of premium rates by limiting changes in the EI premium rate to 15 cents annually.

In Budget 2009, the Government of Canada committed to freezing the premium rate for 2010 at \$1.73 to ensure it remains low during the recession. In addition, it was announced that for 2011 and beyond, the CEIFB would begin setting premium rates on a break-even basis. To ensure that premium rate increases are gradual enough to support a strong economic recovery, the CEIFB will not recover the portion of the EI deficit attributable to the two-year estimated \$2.9 billion of enhanced EI benefits announced in Budget 2009.

Each year, the HRSDC *Departmental Performance Report* (DPR) provides information on the status of the EI Account. The 2008/09, DPR indicated that EI expenditures (\$18.137 billion) exceeded total EI premiums and penalties (\$17.258 billion) by \$879 million for that fiscal year. Including notional interest of \$1.0 billion and \$0.1 billion in additional funding for measures introduced

in Budget 2009, the notional cumulative surplus in the EI Account was reported to be \$57.2 billion as of March 31, 2009.⁸⁷

Table 5 presents the summary results of EI expenditures and revenues for 2008/09.

Table 5 Employment Insurance Expenditures and Revenues for 2008/09 (\$ Millions)			
EI Expenditures⁸⁸			
Income Benefits (Part I)			14,212.3
Regular		9,488.7	
Fishing		246.2	
Special		3,944.7	
Sickness	1,008.8		
Maternity	876.2		
Parental	2,049.5		
Compassionate Care	9.9		
Work Sharing		56.4	
Apprentices		165.1	
Part II Clients		311.3	
EBSMs (Part II) and Pan-Canadian Activities			2,112.0
Employment Benefits		1,227.8	
Targeted Wage Subsidies	87.4		
Self-Employment	135.6		
Job Creation Partnerships	49.3		
Skills Development	955.6		
Support Measures		711.9	
Employment Assistance Services	563.0		
Supplément de retour au travail ⁸⁹	3.3		
Labour Market Partnerships	143.0		
Research and Innovation	2.6		
Pan-Canadian Activities⁹⁰		162.1	
Adjustment⁹¹		10.2	
Total Benefits and Support Measures			16,324.3
Administration Costs ⁹²			1,801.2
Adjustment Factors ⁹³			11.0
Total Employment Insurance Expenditures			18,136.5
EI Revenues			
Total Premium Revenues⁹⁴			17,258.0

Note: Totals may not add up due to rounding.

⁸⁷ HRSDC, 2008-2009 Estimates, Departmental Performance Report (Ottawa: HRSDC, November 2009), <http://www.tbs-sct.gc.ca/dpr-rmr/2008-2009/inst/csd/csd00-eng.asp>.

⁸⁸ Due to a different methodology, the results for individual expenditure components do not match those reported in the financial statements of the Employment Insurance Account.

⁸⁹ Applies to Quebec only.

⁹⁰ Pan-Canadian Activities include the Aboriginal Human Resources Development Strategy, Labour Market Partnerships, and Research and Innovation.

⁹¹ This adjustment reflects over contributions, overpayments, refunds of previous years' expenditures and other accounting adjustments.

⁹² These costs include administration costs incurred by provinces and territories.

⁹³ These factors include bad debt and other accounting adjustments.

⁹⁴ These revenues include benefit overpayment and penalties, and are net of reduced premiums for employers participating in the Premium Reduction Program.