

Commentary

Rethinking Canada's Employment Insurance Program in 2009 — The Year of the Global Financial Meltdown

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In light of the current economic slowdown, the failure of the federal government to revamp the Employment Insurance system to protect the income needs of laid-off workers and enhance their re-employment chances is unacceptable. The credit crisis in the U.S. has translated into lower wages and job shedding in Canada. These recent developments, in addition to the ongoing restructuring of standard into non-standard jobs, make up the reality of labour markets today. Employment Insurance in its present form and way of operating does not adequately respond to the precarious employment circumstances of the present.

Unfair eligibility requirements (such as the hours of continuous employment required to qualify) have resulted in individuals employed in non-standard jobs being ineligible for EI should they lose those jobs. In fact, only about 40% of Canadians currently qualify for benefits despite the fact that all employees and employers are required to pay into the EI fund. To encourage greater labour market attachment, the number of hours required to qualify for EI coverage have doubled or, in some cases, tripled. In Ontario this has meant that employees must now work anywhere from 600–700 hours in a year prior to making a claim; new entrants or re-entrants are expected to have accumulated 910 hours in order to claim benefits. For those working in precarious positions or individuals (often women) with family responsibilities these requirements are exceedingly difficult to meet.

In addition to these onerous eligibility requirements, workers deemed to have quit their jobs “without just cause” are denied benefits. This includes those who have left work to attend school or care for family members (Canadian Labour Congress, 2007). For those who still qualify for EI, benefit levels have been chopped to a low of 55% of average earnings with a ceiling of just over \$400 per week; the

duration of time for which they can receive benefits has been drastically reduced. Benefits often run out before laid-off workers have been able to secure suitable employment.

Moreover, some unemployed workers in Canada are worse-off than others, depending on where they live. This is due to the variable entrance requirement (VER) which is based on regional unemployment rates that differ across the country. In Ontario, where unemployment rates have been relatively low, only about a quarter of those unemployed qualify for benefits, compared to 80% in Atlantic Canada, where unemployment rates are considerably higher than in other parts of the country. The rationale for this disparity is that individuals in higher unemployment regions find it harder to obtain work, and hence should face less stringent eligibility requirements and receive benefits for longer periods of time.

However, this logic fails to consider the nature of work available in Ontario. While Atlantic Canada faces a scarcity of jobs in general, the decline of the manufacturing sector in Ontario has meant that the supply of well-paying jobs is shrinking in that province. Global neoliberal restructuring has dramatically affected the availability of good jobs. Well-paid, unionized manufacturing jobs with benefits are rapidly being replaced by their opposite: low-paying, part-time positions which offer little in the way of security or benefits. Canada's EI program has not kept step with these changes.

As increasing numbers of unemployed workers either no longer qualify or quickly exhaust their benefits, they are often left to choose one of two demoralizing options. They can either accept the first job they find (more often than not it is one in the low-wage sector with no benefits) or apply for social assistance. In fact, since the restructuring of EI, social assistance has become the main income support program in Ontario, despite its devastating cuts and the introduction of workfare in the mid-1990s (Battle, Mendelson, & Torjman, 2006).

Being forced onto social assistance throws recipients and their families into the depths of poverty. Materially they cannot fall much lower, while psychologically they have to live with the social stigma that comes with "being on welfare." People may see themselves and their family as impoverished when really they are just going through a rough spot caused by temporary unemployment. EI was supposed to soften this experience, but it may no longer be available to them. Social assistance undermines the very dignity of individuals who have no other option but to rely on its meagre payments to meet their consumption costs. This can hardly be conducive to enhancing their confidence in finding a job. Furthermore, having been denied access to EI also means losing out on valuable training or re-training opportunities. Not being able to upgrade their skills to make themselves more marketable in the labour market can only further entrap people in the cycle of precarious employment and impoverishment.

The current ineffectiveness of EI is a far cry from the original objective of the

program in the 1940s, when workers suffering from temporary unemployment spells were protected from income loss. However, at that time regular employment and re-employment opportunities were abundant. The opening up of Unemployment Insurance in the 1970s to workers in both high- and low-risk jobs provided coverage for more than 90% of the workforce. The evolution of the program since then is an object lesson in the use of a solid social policy instrument to politically promote corporate interests. Reforms by the Chrétien Government in 1996, thought necessary to reduce program costs and address the work disincentive effects of benefits, completely reversed the universal character of the program. Jobs in the precarious job market where the likelihood of lay-offs was high were no longer insurable in accordance with actuarially sound insurance principles. This new emphasis in program coverage was appropriately reflected in its name change from Unemployment Insurance to Employment Insurance.

The shortcomings of EI have prompted several institutions to come up with recommendations on how to restructure Canada's EI program. The Canadian Centre for Policy Alternatives (CCPA) and the Canadian Labour Congress (CLC) have made several recommendations; I would argue that these recommendations offer important changes to EI that would meet the realities of the present day labour market. These include but are not limited to changing eligibility requirements, increasing the amount of benefits paid, and extending the duration in which benefits are received. These steps are vital; eligibility requirements must be extended to include all working people, including those involved in non-standard types of employment, and in all regions of Canada. Benefits should be adequate enough to ensure that all individuals can maintain a decent standard of living while seeking employment, and the payment period should be extended to allow individuals sufficient time to find meaningful employment or receive valuable training.

The CCPA (2007) is particularly concerned with the discrimination of the current EI program against women who often work fewer hours than men due to familial responsibilities. The most important changes for the CCPA would be a redefinition of the measurement of "labour force attachment" and in the amount of hours required during the twelve month qualifying period. The CCPA wants eligibility to be based on a uniform requirement of 360 hours worked for regular, parental, sickness, or training benefits over either the twelve month period before unemployment strikes, or an average of 360 hours worked for three years over a five year time period. Thus, those who have demonstrated a reasonable attachment to the labour force but have suffered employment interruptions in the past three years would be able to receive benefits.

Similar to the CCPA, the Canadian Labour Congress (2007) supports a uniform eligibility requirement of 360 hours for all types of benefits, but with the important addition that this requirement should be the same for all regions in Canada. This is based on the premise that all unemployed workers need temporary

support regardless of the regional unemployment rate. The CLC also insists that benefit levels should be increased to a minimum of 60% of previous earnings, and be based on the best twelve weeks of earnings and not average earnings for the whole year, as is the present case. Furthermore, the duration for which benefits can be received should be extended to at least fifty weeks (one change that was accomplished in Budget 2009), and the two-week waiting period should be eliminated.

Several advocacy and governmental groups have developed proposals similar to those outlined by the CLC. The Standing Committee on Human Resources in the House of Commons responded to these proposals with Bill C-269. This bill incorporates the aforementioned recommendations as well as several others (CCPA, 2008). This bill has gone through two readings in the House, but has yet to receive third reading. Unfortunately, the Harper federal government has blatantly rejected any ideas for reform until the release of Budget 2009 when meagre changes were introduced (including extending the maximum duration of benefits to fifty weeks and increasing funding for training for the next two years). Unfortunately, such changes did nothing to extend eligibility requirements and have only been offered for the next two years. The federal government's attitude is immensely short-sighted as EI benefits are a more cost-efficient solution than social assistance payments. Some evidence is already beginning to surface demonstrating that, at least in Ontario, social assistance caseloads have risen dramatically during the economic crisis (Talaga, 2009). This is perhaps a direct result of the increasing number of unemployed workers who find themselves being denied access to EI benefits or who quickly exhaust their benefits without having secured meaningful employment.

Transforming EI is about more than ensuring that workers are secure in an insecure labour market. It is, in fact, an essential part of an overall poverty reduction strategy. The current EI program effectively discriminates against individuals who are forced to work in non-standard, precarious jobs whose low earnings condemn them to live on the edges of poverty. If unemployment strikes, these individuals are pushed over the edge with little chance of improving their circumstances. This is not a situation in which many workers expected to find themselves, but it has become increasingly commonplace during the current economic downturn.

By extending eligibility to cover those working in non-standard employment and in all regions of Canada, individuals would be given genuine opportunities to find suitable employment or receive training. In fact, ensuring that more unemployed workers receive training is an important step in helping workers move toward meaningful employment. Demands in the labour market for new skills require workers to keep up with these demands. This would shift the nature of EI from a between-job income maintenance program (in which recipients are seen as "passively" collecting benefits) to a program that provides an income during periods of upgrading or re-training.

The name change from Unemployment Insurance to Employment Insurance signified a shift towards more active employment policies. It is not unreasonable to have expected this to lead towards active measures that ensure more unemployed workers receive meaningful training and become gainfully employed. This is particularly true for high-demand fields that face shortages of skilled workers. Yet this has not happened. Instead, the government has abided to the philosophy of "any job is a good job" (Snyder, 2006) and has used the massive surpluses generated from program cuts to tend to federal debts and deficits, despite the fact that this is not what workers have paid for. Now that our country is facing an economic crisis, the \$54 billion surplus would have provided an excellent buffer for the increasing numbers of workers who are finding themselves unemployed through no fault of their own.

Transforming EI to reflect the realities of today's labour market may mean that claimants receive benefits for longer periods of time, but it also means that we, as a society, make a social investment in the skills and mental health of workers. There is every reason to believe that, in the long run, an investment in human capital will increase labour market productivity. Workers require time to find employment that matches their abilities, or to retrain and upgrade their skills, particularly during economically difficult times when the number of available jobs is being reduced dramatically. Giving workers the chance to develop their personal/vocational/professional capacities may mean that they find more meaningful work and stay employed for longer periods of time. In this way, repeat claims for EI or use of social assistance would be greatly reduced.

Income support benefits, whether from social insurance or social assistance, are no longer enough to protect workers from income loss due to permanent changes in the demand for labour. When considering capital projects and investment initiatives that are designed to stimulate our faltering economy and restore fiscal confidence, our federal government must take into account the current deficiencies of our EI program. These include its inability to provide meaningful retraining opportunities to unemployed workers, and its inability to protect individuals and their families from falling into the depths of poverty while there is no work available to them. If the leaders of our country refuse to restructure our labour market so that there are more secure jobs with meaningful wages, the least they can do is provide all workers with the insurance to which they are rightfully entitled.

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