A photograph of a person in silhouette, kneeling in a hallway. The hallway has a series of recessed ceiling lights that create a strong perspective. The person is in the lower right foreground, looking down. The background shows the hallway receding into the distance. The entire image is framed by a thick yellow border.

EI It should be there when you need it!

An Analysis of Employment Insurance in Alberta

Employment Insurance

– it should be there when you need it

As the current recession continues, Canadians across the country are discovering that their insurance system – Canada’s Employment Insurance (EI) system – isn’t delivering on its promise. Significant changes must be made to EI to make it into the insurance plan it should be – one that protects those workers who pay into it from suffering the temporary deprivations that come with layoffs.

The system’s flaws are being revealed by the recession and Albertans are being hit harder than other Canadians. The federal government’s complicated EI regulations mean that the number of hours required to qualify for EI benefits is determined by regional unemployment rates. So, because the spike in unemployment rates in Alberta is following a period of historically high employment, Albertans have to work more hours to qualify for EI benefits than other Canadians. As a result, a much smaller proportion of unemployed Albertans qualify for the benefits that they’ve paid for.

Unemployment has literally doubled in Alberta since the start of the recession last autumn. In October 2008 there were 78,300 officially unemployed people in the province (which translates into an unemployment rate of 3.7%). In August 2009, the number of unemployed in Alberta had jumped to 157,700 (which translates into an unemployment rate of 7.4%). Alberta was lucky to start the recession with a very low rate of unemployment. But no other province has seen its jobless figures jump as quickly or dramatically as Alberta.

Unemployment in Alberta

	Percentage	Number of people
October 2008	3.7%	78,300
August 2009	7.4%	157,700

Source: Statistics Canada Labour Force Information, 4 September 2009 and 5 December 2008



From full-time employment to precarious employment

Alberta has seen a net-job loss of 79,400 jobs since the start of the recession in October 2008. Most of the jobs lost have been full-time jobs, with many people being forced to take up part-time employment instead – if they can find it. This means that more than 79,400 people have lost their jobs and are now struggling to make ends meet. Between November 2008 and September 2009, the percentage of Albertans working part-time has grown to over 18% of working Albertans. Self-employment is also on the rise across the country. An increase in the level of self-employment is a common trend during recessions. When there are not enough stable, secure full-time jobs, people are forced into more insecure employment to make ends meet.

The proportion of Alberta workers in part-time jobs has increased since the beginning of the recession. This is the largest increase in Canada outside of Ontario.

Province	Number of people employed part-time August 2009	Percentage of part-time workers	Number of people employed part-time November 2008	Percentage of part-time workers	Percentage Change
Alberta	365,900	18.42%	337,300	16.58%	8.48%
Newfoundland	25,900	12.00%	32,700	14.95%	-20.80%
Quebec	730,900	19.08%	709,600	18.22%	3.00%
Ontario	1,308,500	20.09%	1,243,400	18.65%	5.23%
Manitoba	121,700	19.91%	119,600	19.62%	1.75%
British Columbia	480,800	21.31%	468,600	20.28%	2.60%

Source: Labour Force Characteristics by Province – Labour Force Survey: December 5, 2008 and September 4, 2009

The increase in part-time workers is lower in those provinces (Newfoundland and Quebec) where a higher proportion of unemployed workers are eligible to collect their EI benefits.

The Alberta Disadvantage - fewer Albertans qualify for EI compared to workers in other provinces

The longer qualifying hours required in Alberta are putting extra pressure on people who are now struggling to find work, to continue to make housing payments and to provide for their families. Fewer Albertans qualify for Employment Insurance benefits compared to workers losing their jobs in other provinces – Alberta has the lowest percentage of unemployed workers receiving EI benefits in Canada. Only 39% of unemployed Albertans receive EI benefits, whereas over 50% of unemployed people in Quebec collect the employment insurance they deserve.

Beneficiaries/Unemployed (B/U rate)

Province	Number of beneficiaries receiving EI June 2009	Number of people unemployed June 2009	Percentage of unemployed people receiving EI benefits
Alberta	61,140	153,900	39.73%
Ontario	283,000	665,100	42.55%
Quebec	209,910	379,200	55.36%
Manitoba	15,880	33,100	47.98%
Saskatchewan	14,230	25,900	54.94%
British Columbia	93,510	188,900	49.50%

Source: Statistics Canada Labour Force Statistics by province – Labour Force Survey August 7, 2009 and HRSDC Employment Insurance Information

Young workers are hit hardest in Alberta, because many of them do not meet the high qualifying criteria for new entrants. In Alberta 49,400 people under 25 years old were unemployed in July 2009, but only 7,690 of these (15.6%) qualified for EI benefits. According to the Employment Insurance Act a new entrant must have at least 910 hours (26 weeks at 35 hours per week) of insurable employment in their 52-week qualifying period.

To make matters worse, because Alberta had a low unemployment rate over the past several years, the sudden flood of EI applications has overwhelmed EI offices and Albertans are waiting much longer than other Canadians to collect the benefits they deserve. In June 2009, Albertans were waiting an average of 10 weeks – much longer than anywhere else in Canada – before they could begin collecting the EI benefits they deserved.

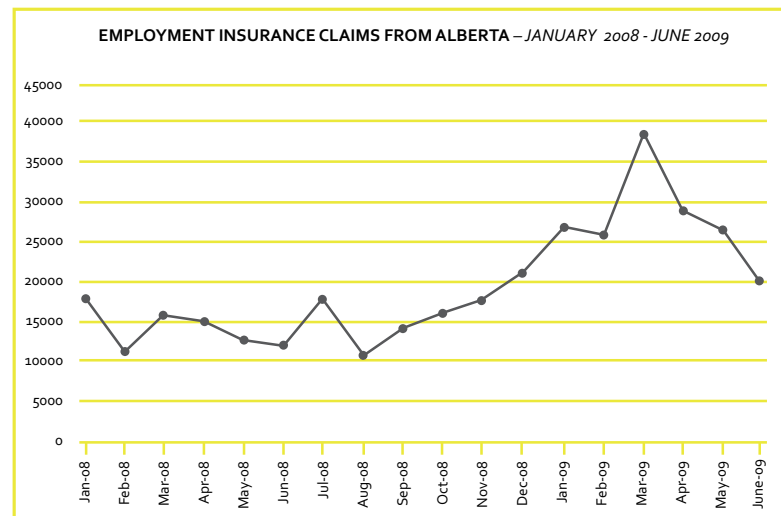
When losing your job isn't enough...

When it comes to qualifying for the EI benefits you've paid for, it shouldn't matter whether you lose your job in Calgary, Toronto, Winnipeg or Vancouver. But thanks to the current complex calculations in the EI system, it does. The federal government sets the number of hours required to qualify for employment insurance benefits based on regional unemployment rates. So, because Alberta's economy was stronger than other parts of the country and our unemployment rate was very low, Albertans face the toughest qualifying criteria in the country. Because the regional unemployment rate in Edmonton and Calgary is under 7% (7.0% and 6.9% respectively), Alberta workers in these cities must have worked 665 hours in the previous 52 weeks in order to qualify for EI benefits. Unemployed workers in other cities like Toronto and Montreal, however, have to work as little as 560 hours to qualify and it only takes 420 hours of work to be eligible in Windsor or rural Newfoundland. In this twisted system, workers who were laid off earlier in the recession had to work even longer than 665 hours, sometimes as many as 700 hours¹.

Qualifying hours are calculated over the previous 52 weeks of work. No allowances are made for periods without work or voluntary or involuntary reduction of hours. For example, a worker who volunteered to work fewer hours in order to avoid or postpone being laid-off has perhaps disqualified herself from EI because she didn't work the required number of hours. TD Bank economists point out that on average, twice as many people in western Canada fail to meet EI criteria because the qualifying hours are set so high².

The government's arbitrary rate setting did not take into account Alberta's resource-driven economy. Instead of recognizing that Alberta's economy would be the hardest hit by the recession, particularly in the oil and gas sector and in oil-sands-related construction and manufacturing, the government has passed the burden of the recession onto working people.

There has been a steady increase in the number of Albertans applying for EI benefits since the beginning of the recession, with a particularly strong spike early in 2009. However, a larger proportion of Alberta workers do not qualify for EI benefits. The numbers speak for themselves: in June 2009, 20,050 EI claims were received from Albertans, compared to only 11,890 in June of 2008.



Source: Employment Insurance Program, CANSIM table 276-0004

The complexities of the EI system also mean that many people are not eligible to collect EI for the maximum number of weeks. Albertans also face an unfair disadvantage here too: the maximum number of weeks of paid benefits is determined by the regional employment rate. So, Albertans have to work the longest hours to qualify for the shortest periods of coverage. The maximum number of weeks that Albertans can claim EI benefits is 43 weeks, compared to up to 50 weeks in other parts of the country.



Minimum and maximum weeks that EI benefits can be collected

Region	Minimum number of weeks payable for regular benefits	Maximum number of weeks payable for regular benefits
Calgary	20	43
Edmonton	20	43
Northern Alberta	26	50
Southern Alberta	22	45
St. John's (Nfld)	37	50
Trois Rivieres (Que)	23	47
Montreal (Que)	25	49
Toronto (Ont)	25	49
Windsor (Ont)	33	50
Winnipeg (Man)	19	41
Vancouver (B.C.)	20	43

Source: Employment Insurance Program Characteristics for the period of July 12, 2009 to August 8, 2009

The system really fails workers in times like these – where the whole economy is suffering. Even before the recession, more than 25% of people collecting the EI benefits they deserve were exhausting their access to benefits before they found new jobs. Because Alberta's economy has not yet started to rebound significantly, many Albertans face the prospect of exhausting their EI benefits and having to turn to welfare to support their families.

According to the Alberta government, Alberta's welfare roll hit its highest point in more than a decade in June, with nearly 35,000 people collecting monthly assistance. People who have lost their jobs are simply not able to find new ones and are forced to seek welfare payments, perhaps even to supplement income from part-time jobs. The average monthly benefit for Albertans who do qualify for EI benefits is \$1,591.00, and very few people are eligible to collect their benefits for the maximum 43 weeks. The Alberta government's spokesperson also says that the long waiting period and the difficult qualifying criteria for EI have forced Albertans to turn to the provincial welfare system for help³.

The crux of the problem is that Canada's EI system does not provide enough financial support to unemployed workers to allow them to pay their bills.

Canada's EI system ranks last among OECD nations in income replacement, both over the short term and over longer periods. Our rate is less than half the OECD average and less than a quarter of the most supportive nations (Denmark and Belgium)⁴.

Average monthly benefit in Alberta and in other provinces

Average EI benefits – June 2009	Weekly	Monthly
Canada	\$350.43	\$1,401.72
Newfoundland and Labrador	\$338.15	\$1,352.60
Quebec	\$327.22	\$1,308.88
Ontario	\$357.13	\$1,428.52
Manitoba	\$338.21	\$1,352.84
Saskatchewan	\$372.94	\$1,491.76
Alberta	\$397.88	\$1,591.52
British Columbia	\$356.10	\$1,424.40

Source: Statistics Canada. Table 276-0016 - Employment Insurance Program (E.I.), average weekly payments by province and type of benefit, monthly (dollars) (table), CANSIM (database)

The Disappearance of Training

Canada falls behind most other industrial nations in support for active labour market policies and worker training. In 2008 only 17% of EI funds were spent on active training⁵, a proportion that has certainly decreased since the onset of the recession. Only a small fraction of EI recipients receive training assistance during their benefit eligibility.

Complicating the matter is that most training is delivered by the provinces through Labour Market Development Agreements, which means the federal government has no capacity to shape training policy or content, creating a patchwork of training regimes dependent upon the priorities of the provincial government. As a result workers in Quebec are far more likely to receive active training support than those in western Canada.

Given the tumultuous changes in the economy, training is a cornerstone to ensuring workers are able to move to new, stable employment quickly. Canada's EI program fails in this regard.

Expand Employment Benefits

Voices from across the political spectrum are calling for dramatic changes to the EI system. Earlier this year, an NDP-sponsored bill passed second reading in the House of Commons, calling for a single national EI eligibility rule of 360 hours of work. Analysis shows that by reducing the number of qualifying hours to 360 across the country, an estimated 70% to 80% of unemployed workers could collect benefits and we would see levels of coverage similar to 20 years ago. Canada's Employment Insurance system has been broken for a while, and this recession has quickly revealed its serious shortcomings. An Employment Insurance system should be there to provide replacement income for Canadians facing hard times and to support them until they can find work. Employment insurance benefits are also a proven stimulus for the economy – the Chief Economist for Moody's, Mark Zandi, has pointed out that employment insurance benefits are "a measure that performs well, and what is more, it is an efficient stimulus. It flows directly to those in need and to the communities most affected by job losses."⁶

Economists from a variety of sources believe a stronger Employment Insurance system that protects workers and their families is vital and will act as a stimulus to the slowing economy. Zandi was quoted in the *Globe and Mail* last fall: "Enriching employment insurance, by making it more accessible or extending the term of eligibility, could be effective." Even Alberta's premier, Ed Stelmach, has joined the call to make EI a fair system for Albertans. In a statement with the other western Premiers in June, he said that "An unemployed family, whether they live in Nova Scotia, Quebec or Alberta, are equally unemployed."⁷

Improvements to EI can be financed using the \$57 billion surplus that has built up in the EI Fund over the past 10 years – a surplus built due to the restrictive eligibility criteria imposed on unemployed workers. Accessing these funds to support working Canadians makes more sense than the premium freeze for employers announced recently by the Harper government which will drain more than \$10 billion from the EI fund in the next two years.

The Alberta Federation of Labour is calling for dramatic changes to the Employment Insurance system to make it fair for Albertans.

Dramatic changes needed to make EI fair

The federal government must immediately implement changes to the *Employment Insurance Act* that ensure equal treatment for Canadians regardless of where they live by:

- Ensuring access to regular EI benefits on the basis of 360 hours of work, no matter where workers live and work in Canada because too many Albertans are excluded from the EI benefits they have paid for;
- Raising benefits immediately to 60% of earnings calculated on a worker's best 12 weeks. The current benefits are not enough for families to survive. This change would also alleviate the extra burden on people working part-time, contract workers and young workers, as well as those who have voluntarily reduced their hours;
- Increasing the period for which benefits can be collected to a maximum of two years because in the current economy people need more time to find new jobs;
- Eliminating the two-week waiting period before EI benefits begin because many families have little or no savings and these weeks without income can be extremely difficult ; and
- Increasing funds for active training support for unemployed workers so they can build the skills they need to obtain new, stable jobs quickly.



Support for EI reform:

Group:

Colin Busby and Alexandre Laurin, C.D. Howe Institute

Quote:

Ottawa also needs to introduce reforms that insulate the EI fund's management from political interference – and protect that fund from governments that would dip into EI surpluses for general spending. One model is the Canada Pension Plan Investment Board.

16 June 2009 – *Getting Off the Rollercoaster: A Stable Funding Framework for the EI Program*
http://www.cdhowe.org/pdf/ebrief_81.pdf



Group:

Edmonton Journal Editorial Board

Quote:

If workers in Hinton pay faithfully into EI, they deserve exactly the same benefits as their counterparts in Surrey, Levis or Cape Breton. It may well be that chronically depressed areas of the nation deserve government programs tailored especially to their needs. But when national programs are based on the folly that it is automatically easier to find work in regions of historic high employment, those programs must change.

14 April 2009 – "EI should not discriminate", *Edmonton Journal*, Editorial, 16 June 2006
<http://www.canada.com/Business/should+discriminate/1494040/story.html?id=1494040>



Group:

TD Bank

Quote:

The truth of the matter is that during an economic downturn, it is no easier to find a job in a region with lower prevailing unemployment than in one with a higher unemployment rate. But while such a case is less compelling during periods of expansion, we still believe that such a sizeable discrepancy in the prevailing entrance requirements could be struck down based on the fairness argument.

30 April 2009 – Grant Bishop & Derek Burleton, "Is Canada's Employment Insurance Program Adequate," *TD Bank*, April 2009 -
http://www.td.com/economics/special/gbo409_EI.pdf

Footnotes:

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¹Source: *Statistics Canada Labour Force Information, 10 July 2009; Employment Insurance Program Characteristics for 12 July to 8 August 2009*

²Grant Bishop & Derek Burleton, "Is Canada's Employment Insurance Program Adequate," *TD Bank, April 2009*

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³*Soaring Alberta welfare numbers no surprise to agencies, by Kim Guttormson And Michelle Lang, with files from Colette Derworiz, Calgary Herald; July 27, 2009*

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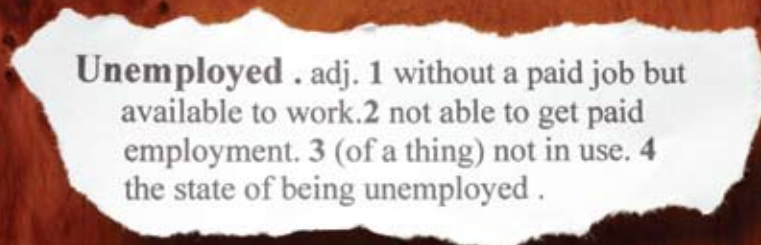
⁴Osberg, L. (2009), *Canada's Declining Social Safety Net: The Case for EI Reform, CCPA*

⁵*EI Monitoring and Assessment Report 2008, Human Resources and Skills Development Canada*

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⁶As cited by Carol Hughes, MP, in the House of Commons, 7 May 2009

⁷*Western premiers work on joint EI reform proposal, by Dirk Meissner, The Canadian Press, 18 June 2009*



Unemployed . adj. 1 without a paid job but available to work. 2 not able to get paid employment. 3 (of a thing) not in use. 4 the state of being unemployed .



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