

# EMPLOYMENT INSURANCE TASK FORCE

## CONSULTATION WORKBOOK



School of Public Policy & Governance  
UNIVERSITY OF TORONTO



The Mowat Centre for Policy Innovation is an independent, non-partisan public policy research centre located at the School of Public Policy and Governance at the University of Toronto.

The Mowat Centre undertakes collaborative applied policy research and engages in public dialogue on Canada’s most important national issues, and proposes innovative, research-driven public policy recommendations, informed by Ontario’s reality.

We believe a prosperous, equitable and dynamic Canada requires strong provinces, including a strong Ontario, and strong cities.

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# EMPLOYMENT INSURANCE TASK FORCE

## CONSULTATION WORKBOOK

The Mowat Centre has convened a research-driven Employment Insurance (EI) Task Force that is examining Canada’s support system for the unemployed. The objective is to develop an Ontario proposal for modernizing the EI system—conscious of the national context—that works for individuals and businesses.

The Mowat Centre’s EI Task Force is consulting social service, non-profit, business, labour, Aboriginal and government stakeholders as well as those with lived-experience with the EI system. The Task Force is also soliciting written submissions from these stakeholders. We are seeking input on some foundational questions: what should the EI program’s objectives be? Are these being achieved with the current design? How could support for the unemployed be improved in a manner that strengthens our economy?

Based on the input that we receive through consultation and the outcomes of a parallel research program, the Mowat Centre EI Task Force will make a series of recommendations for a new and improved system of support for the unemployed.

The workbook poses a series of principles-based questions designed to provoke discussion about what a program that works for Ontario and all Canadians would look like. There are a variety of viewpoints on unemployment support. We hope that the consultation process will help to produce a better understanding of the trade-offs confronting program designers and lead to recommendations that balance them.

The workbook is also a tool for having your say. It is a *fillable* pdf document with space to type in answers to questions about how the EI system should work. We encourage you to fill in the workbook, save it, and send it back to us at [eitaskforce@mowatcentre.ca](mailto:eitaskforce@mowatcentre.ca).

Please feel free to forward the workbook widely! You can also print the pdf, write your responses and send it to us by mail (our address can be found on the previous page).

For readers wanting some background on the basics of the current EI system, a description is available in Appendix 1.

We welcome your input.

# 1.

# OBJECTIVES OF THE PROGRAM

## QUESTION: WHAT SHOULD THE OBJECTIVES OF THE EI PROGRAM BE?

Here are a few potential objectives for EI:

- Provide adequate support in times of need.
- Encourage people to work by facilitating efficient labour market decision-making.
- Treat workers and employers fairly.
- Be integrated and coherent with other income support programs.
- Support the development of human capital.
- Contribute to Canadian prosperity.
- Be fiscally responsible.
- Be responsive to the business cycle and shifts in employment.

There are some built-in tensions among these objectives. For example, one person's view of "adequate support" may conflict with another person's understanding of "fiscal responsibility."

Good public policies have to be designed to balance a number of competing objectives, and EI is no different. Redesigning the EI program requires agreement on what the program should do.

### CONSIDERATIONS

Clarity on program objectives is necessary before reform can take place. Reforms will need a broad base of support and will need to reconcile the perspectives of a broad range of stakeholders and individuals.



# 2.

# REGIONAL DIFFERENTIATION

## QUESTION: SHOULD THE EI SYSTEM TREAT CANADIANS DIFFERENTLY BASED ON WHERE THEY LIVE? IF SO, HOW SHOULD THIS BE DONE?

EI currently divides Canada into 58 “economic regions.” The rules that determine the availability of EI benefits differ in each. These differences are based on how each region’s unemployment rate compares with the national unemployment rate. Individuals living in regions with higher unemployment rates can qualify for EI benefits faster and receive them for longer.

The system is intended to respond to need, meaning that those who face greater barriers to finding a new job should receive greater support. At present, regional unemployment rate is the only factor used to identify how hard it is for someone to get a job.

### CONSIDERATIONS

Regional differentiation only makes sense if it is possible to determine how difficult it is to find a job in one place compared to another. Many people believe that a high local unemployment rate means it will be more difficult to find a job.

Others think that local unemployment only tells you so much. The unemployment rate in your particular sector or profession might be a much better predictor of how hard it will be to find a job. There is also evidence that when the unemployment rate is going up it will be harder to find a job - regardless of whether the rate itself is “high” or “low.” Some experts think that regional unemployment does say a lot about how hard it is to find work, but that there are better ways to measure its impact.

Another view is that it is simply not possible to determine how difficult it is to find a job based on a statistic and the EI program should simply treat all workers equally.

Even if one concludes that it is important to differentiate between workers in different regions, the differences in benefits between regions could be made smaller.



# 3.

# TRAINING

## QUESTION: WHO SHOULD HAVE ACCESS TO TRAINING SUPPORT? SHOULD TRAINING BE AVAILABLE TO EVERYONE OR ONLY THOSE WHO QUALIFY FOR EI?

EI training benefits are intended to help EI beneficiaries gain the skills they need to get a new job. To qualify for training benefits, one first has to qualify for EI. Funds for training are taken from employers and employees' contributions to the EI program.

Governments offer some funding for training to unemployed people outside of EI. However, in general there are fewer training opportunities available for non-EI recipients.

### CONSIDERATIONS

Training benefits could be helpful to unemployed people in many situations:

- A self-employed person that sees clients dry-up may be able to benefit from training by gaining the skills that his/her clients need.
- A person who doesn't have enough hours to qualify for EI might be able to benefit the most from training.

However, such people are currently ineligible for the bulk of training benefits.

From both an economic development and equity perspective it may make more sense to expand eligibility for training benefits to wider pools of unemployed Canadians. This may require funding these programs by other means than through EI contributions.

Training benefits could be taken out of the EI program and made available to more people. This could result in lower EI premiums, but higher taxes.

Because of the way EI is structured, middle-and lower-income workers contribute a greater percentage of their income to support training than do higher-income workers. For most government programs the opposite is true – people with higher incomes pay more because they pay higher taxes. Funding training outside of the EI program would probably mean that those with higher incomes would contribute more towards training.



# NOTES

**QUESTION: WHO SHOULD HAVE ACCESS TO TRAINING SUPPORT? SHOULD TRAINING BE AVAILABLE TO EVERYONE OR ONLY THOSE WHO QUALIFY FOR EI?**

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# 4.

## THE 910-HOUR RULE

### QUESTION: SHOULD FIRST TIME WORKERS BE REQUIRED TO WORK LONGER IN ORDER TO ACCESS EI?

New entrants to the labour market (individuals who have never worked in Canada or have not worked in the past two years) must work 910 hours (23 weeks full time) prior to losing a job to qualify for EI. This is well above the maximum 700 hours required of other workers.

The 910-hour rule is designed so that those who have not spent a significant amount of time contributing to EI in recent years are required to pay more into the system before they can collect benefits.

The 910-hour rule does decrease the cost of operating the EI program and some see it as a fair incentive for new workers to become attached to the labour market.

The 910-hour rule most frequently affects immigrants and younger workers. Immigrants tend to live in large urban areas. This could be one reason why some cities end up with large populations without access to EI, putting stress on local communities and provincial governments.

# NOTES

**QUESTION: SHOULD FIRST TIME WORKERS BE REQUIRED TO WORK LONGER IN ORDER TO ACCESS EI?**

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# 5.

## SPECIAL BENEFITS

### QUESTION: SHOULD SPECIAL BENEFITS BE FUNDED THROUGH EI AND AVAILABLE ONLY TO EI-QUALIFYING WORKERS?

At present, there are a number of “special benefits” within the EI program in addition to income assistance for unemployed workers and training support. These include:

- *Maternity and Parental Benefits*, which provide support to individuals who are pregnant, have recently given birth, are adopting a child, or are caring for a newborn.
- *Sickness Benefits*, which are for individuals who are unable to work because of sickness, injury, or quarantine.
- *Compassionate Care Benefits*, which are available for people who have to be away from work temporarily to provide care or support to a family member who is gravely ill with a significant risk of death.

At present, to qualify for maternity/parental, sickness, or compassionate care benefits, one must have worked for 600 hours (about 15 weeks full time) prior to accessing benefits. Only those who meet these requirements have access to these special benefits.

#### CONSIDERATIONS

EI special benefits are a core feature of Canada’s social safety net.

Because of the way EI is structured, middle-and lower-income workers contribute a greater percentage of their income to support special benefits than do higher-income workers. For most government programs the opposite is true – people with higher incomes pay more because they pay higher taxes. Funding special benefits outside of the EI program would probably mean that those with higher incomes would contribute more towards special benefits.

Those who do not qualify for EI do not have access to special benefits. For example, new mothers only have access to maternity benefits if they previously held a steady job. EI does not provide support for all new mothers or all parents with sick children. This may or may not be an appropriate policy design.

Special benefits could be taken out of the EI program and made available to more people. This could result in lower EI premiums, but higher taxes.

# NOTES

**QUESTION: SHOULD SPECIAL BENEFITS BE FUNDED THROUGH EI AND AVAILABLE ONLY TO EI-QUALIFYING WORKERS?**

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# 6.

## EI AND SOCIAL ASSISTANCE

### QUESTION: ARE EI AND SOCIAL ASSISTANCE FUNCTIONING PROPERLY TOGETHER AS SUPPORTS FOR THE UNEMPLOYED?

Federal EI and provincial social assistance (welfare) are the two main public support systems available to unemployed Canadians. EI and social assistance are run by two different levels of government and there is little coordination between them.

EI is like an insurance system because it provides support to contributors who lose their jobs. By contrast, social assistance is a last resort social safety net supported by all tax payers.

Typically, social assistance is only available after one has been left with no ability to support one's self, having no income and having sold-off most assets (exceptions include primary homes and vehicles).

Currently, EI targets individuals who have just lost stable jobs, and social assistance targets individuals who have lost all means of supporting themselves.

#### CONSIDERATIONS

There may be people in need of assistance that do not qualify for either program.

Individuals working sporadically usually cannot qualify for social assistance unless they leave employment completely. They also cannot receive EI because they are working. Another group is those who have exhausted EI benefits, who must lose nearly everything before qualifying for social assistance.

There may be reasons for government to fill this gap between EI and social assistance, through changes to the existing system or by creating a new mechanism between EI and social assistance.

Having two income support programs run by different governments, with different rules, but no coordination between them may create unintended gaps and a lack of coherence. It may also cost more because of two separate administrations.

Some argue that new income security mechanisms could reduce incentives to work or be too costly. Reforms to the interaction between EI and social assistance may require balancing these concerns about cost and economic efficiency with the desire to plug gaps in coverage in the current income security system.

# NOTES

**QUESTION: ARE EI AND SOCIAL ASSISTANCE FUNCTIONING PROPERLY TOGETHER AS SUPPORTS FOR THE UNEMPLOYED?**

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# 7.

## PEOPLE NOT COVERED BY THE EI SYSTEM

### QUESTION: SHOULD ANY OF THE PEOPLE CURRENTLY NOT INCLUDED IN THE EI PROGRAM BE COVERED?

Self-employed workers were recently granted the right to opt-in to maternity, parental leave and compassionate care benefits. However, self-employed individuals are not eligible for regular benefits (that is, support after losing a job involuntarily).

On the other hand, many temporary foreign workers have no access to regular EI benefits, but face fewer barriers in accessing special EI benefits (maternity, parental, compassionate care).

#### CONSIDERATIONS

The EI program is intended to provide protection against unplanned unemployment. Some argue that self-employed workers should not be eligible to receive regular benefits because it is difficult to determine if they are actually involuntarily unemployed.

Some say that self-employed workers' lack of eligibility for regular benefits under EI is part of the risks of self-employment.

Temporary foreign workers who pay into EI are typically not eligible for regular EI benefits. However, unlike self-employed workers - who also can't access regular EI benefits - temporary foreign workers do pay into the program. This presents a basic problem of fairness. These workers contribute for benefits they can't access.





# APPENDIX 1

## HOW EI WORKS

This appendix outlines the basics of the EI program, beginning with a description of available benefits.

*The following is taken directly from the website of Human Resources and Skills Development Canada (HRSDC), the federal department that manages EI.*

Employment Insurance (EI) provides temporary financial assistance to unemployed Canadians who have lost their jobs through no fault of their own, while they look for work or upgrade their skills.

Canadians who are sick, pregnant, or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death, may also be assisted by Employment Insurance.

### TYPES OF EMPLOYMENT INSURANCE BENEFITS:

There are several types of benefits available to Canadians, depending on their situation.

- Employment Insurance Regular Benefits are available to individuals who lose their jobs through no fault of their own (for example, due to shortage of work, seasonal layoffs, or mass layoffs) and who are available for and able to work, but can't find a job.
- Employment Insurance Maternity and Parental Benefits provide support to individuals who are pregnant, have recently given birth, are adopting a child, or are caring for a newborn.
- Employment Insurance Sickness Benefits are for individuals who are unable to work because of sickness, injury, or quarantine.
- Employment Insurance Compassionate Care Benefits are available to people who have to be away from work temporarily to provide care or support to a family member who is gravely ill with a significant risk of death.
- Employment Insurance Fishing Benefits provide support to qualifying, self-employed fishers who are actively seeking work.

## TRAINING

People on EI can also qualify for training support. Typically, these programs, though funded through the federal EI program, are delivered by the provinces.

## HOW IS EI FUNDED?

EI is funded by the mandatory contributions of employees and employers. The EI rate, or premium, is the percentage of income that employees contribute to EI. The premium is set yearly by government. Employees currently contribute 1.73% of the first \$42,300 of their yearly earned income, amounting to a yearly maximum of \$731.79. The employer contribution to EI is set at 1.4 times the employee percentage. Employers currently contribute 2.42% of each employee's income to EI for the first \$42,300 earned. The yearly maximum employer contribution amounts to \$1,024.51 for each employee (2.42% of \$42,300).

## HOW MUCH DO I GET?

Individuals on EI receive 55% of their earned income, although the maximum insurable earned income is \$42,300 per year. The maximum benefit one can receive is thus \$447 per week, pre-tax. EI benefits are taxable income. The "Family Supplement" offers a greater percentage of income replacement (up to 90%) for low income families. Following job loss, there is always a two week waiting period for EI. EI lasts for between 19 and 50 weeks depending on region and length of work prior to job loss.

**THANK YOU**  
*for participating in our consultation.*

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