

## **Unemployment Insurance (UI/EI)**

### **Why UI is important**

Unemployment Insurance is Canada's most important income support program for workers. Last year, more than two million workers received some \$13 billion in benefits. Two-thirds of that amount were regular benefits for temporarily unemployed workers actively seeking work, while most of the remainder was for parental and maternity benefits which allow a new parent to take up to a year's supported leave from the workforce. Smaller amounts go to support sick leave, employment support measures, and compassionate leave.

While regular benefits go to workers across the income scale and help stabilize family incomes, two-thirds of the benefits go to the bottom third of the workforce in terms of earnings. The UI program helps reduce poverty and insecurity, and also stabilizes community economies, particularly in regions with high levels of seasonal employment.

The UI program facilitates economic adjustment by enabling unemployed workers to seek jobs which match their skills, including in other parts of the country, and by supporting training and labour adjustment programs.

### **Canada's shrinking UI/EI program**

The Unemployment/Employment Insurance program has been repeatedly cut since its highpoint in the mid-1970s, most recently by the Liberal government in the early 1990s. Today, only about four in every 10 unemployed workers collect UI benefits, down from 80% in 1990. Only one in three

unemployed women collect benefits, down from 70% in 1990. Only 20-25% of unemployed workers in most major urban centres, like the Greater Toronto Area (GTA) and the Lower Mainland in British Columbia, now receive benefits at any one time, since many do not qualify at all, and others quickly exhaust their benefits.

Unemployment insurance coverage has shrunk mainly because of changes to program rules which make it much harder for workers to qualify for both regular and maternity/parental benefits, and which also cut the length of time for which benefits can be collected. (Another factor has been the fact that a larger proportion of the unemployed are new entrants to the work force than was the case a decade ago.)

Under current rules, an unemployed worker must have worked between 420 hours (in communities with very high unemployment rates) and 700 hours to qualify for regular benefits, rising to 910 hours for new entrants and re-entrants to the workforce, such as young people, recent immigrants, and women returning to work. Six hundred hours are needed to qualify for maternity/parental benefits.

Workers who have enough hours to get into the system often qualify for only a short period of benefits, as low as 14 weeks for a person who just qualifies in a region with a low overall unemployment rate.

Not only is it much harder to qualify for UI, benefits have also been cut to 55% of insured earnings, for a maximum weekly benefit of just \$413 per week. Maximum insurable earnings have been frozen at just \$39,000. The maximum benefit is barely enough to provide a poverty-line income, and yet, the average weekly benefit is just \$312.

Maternity and parental benefits play an important role in enabling workers to balance work and family responsibilities. But, many new parents fail to qualify for benefits, and those who do often find that they can't afford to take a leave.

UI benefits were shrunk to generate a surplus of \$50 billion between 1993 and today, which has been used to reduce the federal deficit and debt. In the process, UI has become a program which simply fails to reflect the needs of most workers in a changing job market.

While the national unemployment rate is superficially fairly low at just under 7% today, many workers — especially young people, women, and workers of colour — can find only part-time, and temporary or contract jobs. Less than half of the part-timers would qualify for UI benefits if they lost their current job, and would not qualify even for a small maternity/parental benefit. Many contract workers do not qualify because their employers consider them to be self-employed, or because they do not get enough weeks or hours of work.

Moreover, despite all of the rhetoric on lifelong learning, UI-funded training and active labour adjustment programs for unemployed workers have been drastically cut and devolved to the provinces. The Liberals have also consistently refused to expand UI to provide training insurance for employed workers. (See fact sheet on Lifelong Learning and Workplace Training.)

### **What labour wants**

With support from many anti-poverty, women's and social justice organizations, the labour movement has been calling for a uniform UI entrance requirement of 360 hours across the country.

The case for a uniform entrance requirement is that an unemployed worker is an unemployed worker and needs temporary income support, regardless of the local unemployment rate. The fact that the overall unemployment rate is 7% does not mean that stable and secure jobs are easy to find, particularly for young people, recent immigrants, and women.

We have also called for benefits to be increased by basing them on at least 60% of earnings, and on the best 12 weeks of earnings. (Changes are also needed to increase the length of time for which benefits can be collected to a maximum of 50 weeks.)

### **The record of the last Parliament**

The case for real UI reform to make it fit today's job market was given a huge boost when the key points of labour's agenda — including a 360-hour uniform entrance requirement — were supported by all parties in the February 2005 Report of the House of Commons Standing Committee on Human Resources.

The position taken by the Committee reflected the impact of lobbying and political action efforts, which have already produced some very modest program improvements since 2000.

Unfortunately, the Liberal government rejected the key reforms proposed by the CLC and supported by the Committee, and have implemented a lower entrance requirement for new entrants only in areas with very high unemployment. Rather than improve benefits, they cut UI premiums.

They claim that a lower entrance requirement would reduce “work incentives.” The real purpose of a meagre and

inaccessible UI program seems to be to maintain a very low wage and insecure job market.

Affordability of UI reform should not be at issue. There is an accumulated UI program surplus of almost \$50 billion. And, testimony by a senior government official to the House of Commons Committee was that the annual cost of the three key reforms we support would be less than \$2 billion, about the amount of annual interest on the surplus.

## **Conclusion**

We need a modernized UI program which suits the needs of workers in today's job market. UI should provide adequate, temporary income support for unemployed workers, access to decent maternity and parental benefits, and training for all workers.

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