



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

**EXPLORING THE IMPACT OF RECENT CHANGES  
TO EMPLOYMENT INSURANCE AND WAYS TO  
IMPROVE ACCESS TO THE PROGRAM**

**Report of the Standing Committee on  
Human Resources, Skills and Social Development  
and the Status of Persons with Disabilities**

**Bryan May  
Chair**

**JUNE 2016**

**42<sup>nd</sup> PARLIAMENT, 1<sup>st</sup> SESSION**

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has the honour to present its

**THIRD REPORT**

Pursuant to its mandate under Standing Order 108(2), the Committee has studied Exploring the Impact of Recent Changes to Employment Insurance and Ways to Improve Access to the Program and has agreed to report the following:





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# EXPLORING THE IMPACT OF RECENT CHANGES TO EMPLOYMENT INSURANCE AND WAYS TO IMPROVE ACCESS TO THE PROGRAM

## INTRODUCTION

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Since 1940, employment insurance (EI) has been part of Canada's social safety net. The EI program (formerly known as Unemployment Insurance) is complex and has undergone significant changes over the years. Recent changes, as well as the relatively low proportion of unemployed people who qualify to receive EI benefits, have raised questions about the program's ability to adequately protect workers who lose their jobs.

On 24 February 2016, the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (the Committee) adopted the following motion:

That the Committee conduct, as its first priority, a study of the impact of recent reforms to the Employment Insurance Program and to Employment Insurance appeals; that the study include an examination of the current low rates of access to Employment Insurance and their causes; and that the Government provide an answer to the recommendations made by the Committee.<sup>1</sup>

The Committee held four meetings as part of this study between March and May 2016. During this period 21 witnesses appeared before the Committee, including representatives from Employment and Social Development Canada (ESDC) and Statistics Canada. In addition to these public hearings, 19 briefs were submitted to the Committee.

The various witnesses and briefs represented the views of workers, unemployed individuals, employers, and taxpayers on the Employment Insurance program. In particular, they made comments on the level of access to EI as well as on many of the program's parameters that can affect access. While many made observations regarding the changes to the EI program that were introduced in 2012-2013, some also commented on the 1990s EI reform, as well as the more recent commitments made by the federal government in Budget 2016, tabled after this study had begun.

Several witnesses said they were generally pleased with the measures announced in Budget 2016, including eliminating the stricter eligibility criteria for new entrants and re-entrants to the labour market, reducing the waiting period for EI benefits from two weeks to one week, and cancelling the stricter job search requirements introduced in 2012-2013. In addition to these measures, many highlighted the need for other actions to improve accessibility to the EI program and its overall management. On the other hand, other

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1 House of Commons, Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities [HUMA], [Minutes of Proceedings](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 February 2016.

witnesses cautioned the Committee about the implications that increasing access to EI could have on incentives to work and labour mobility.

Committee members would like to sincerely thank everyone who appeared before the Committee or submitted briefs; without them, this study would not have been possible.

In this report, the Committee provides an overview of what it heard and reports on its findings.

# CHAPTER 1: THE EMPLOYMENT INSURANCE PROGRAM: OVERVIEW, RECENT CHANGES AND RECENT TRENDS IN PROGRAM ACCESSIBILITY

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## A. Overview of the Employment Insurance Program

The employment insurance provides temporary income support to workers who have lost their job for reasons not in their control, while they look for new employment or upgrade their skills. The program also provides financial support for eligible self-employed fishers who are actively seeking employment. In addition, temporary financial assistance is made available to workers who are sick; pregnant; caring for a newborn, a newly adopted, or critically ill child; or caring for a family member who has a serious medical condition with a significant risk of death. It also includes measures to promote employment.

The program's parameters are outlined in *the Employment Insurance Act* and the *Employment Insurance Regulations*, the *Employment Insurance (Fishing) Regulations*, and the *Insurable Earnings and Collection of Premiums Regulations*.

The Canada Employment Insurance Commission (CEIC) is responsible for overseeing the *Employment Insurance Act* and its regulations, while EI program operations are overseen by ESDC and Service Canada on behalf of the CEIC.

## B. Key Program Changes Since 2012

In 2012, the federal government's Economic Action Plan included a number of targeted changes to EI "to make it a more efficient program that promotes job creation, removes disincentives to work, supports unemployed Canadians and quickly connects people to jobs."<sup>2</sup> These changes included the following measures:

- Implementing definitions of "reasonable and customary efforts" to obtain employment and "suitable employment";<sup>3</sup>
- Improving the system for connecting EI claimants with available jobs;<sup>4</sup>
- Changing the method of calculating benefits;<sup>5</sup>

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2 [Economic Action Plan 2012](#), 29 March 2012, p. 18.

3 Part of implementing these new definitions included creating three categories of claimants (based on how frequently they use EI) with different requirements for searching for suitable employment. For more information about this change, see: André Léonard, [Employment Insurance: Ten Changes in 2012–2013](#), Publication No. 2013-03-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 23 January 2013, p. 2-5.

4 *Ibid.*, p. 5-6.

5 *Ibid.*, p. 6-7.

- Changing the pilot project for earnings permitted while receiving benefits;<sup>6</sup> and
- Changing the process for dealing with complaints by creating the new Social Security Tribunal.<sup>7</sup>

Another change that drew a great deal of attention, according to Paul Thompson, Senior Assistant Deputy Minister of the Skills and Employment Branch at ESDC, was the expiry of a pilot project that extended EI benefits by an additional five weeks.<sup>8</sup> Changes were also made to special benefits, notably by creating a new special benefit for parents of critically ill children, and increasing access to sickness benefits for individuals receiving parental benefits.<sup>9</sup>

Other changes have also been made since then. In 2014, the EI economic regions of Prince Edward Island (PEI), Yukon, the Northwest Territories and Nunavut were each divided into two EI economic regions: one for the capital region and one for the region outside the capital. This brought the total number of EI economic regions in Canada from 58 to 62.

Access to sickness benefits for claimants of either the compassionate care benefit, or the parents of critically ill children benefit, was also enhanced in 2014. Further, in January 2016, the maximum duration of compassionate care benefits was increased from 6 weeks to 26 weeks.<sup>10</sup>

During the course of the Committee's study, the federal government tabled its budget. Budget 2016 proposes to improve EI, such as expanding access to EI for new entrants or re-entrants, reducing the waiting period for all from two weeks to one week, extending the Working While on Claim pilot project until August 2018, simplifying job search responsibilities for claimants, temporarily extending regular benefits in those regions the hardest hit by rising unemployment, extending the maximum duration of Work-Sharing agreements, and making service delivery more responsive.<sup>11</sup>

### **C. Recent Trends in Employment Insurance Accessibility**

For unemployed individuals, access to EI benefits depends on three conditions: they must have contributed to the EI program within the past 12 months, have a valid reason for job separation, and have worked a sufficient number of hours based on their regional unemployment rate.

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6 Ibid., p. 7-8.

7 Ibid., p. 8-9.

8 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1730 (Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch, Department of Employment and Social Development).

9 Ibid.

10 Government of Canada, Canada Employment Insurance Commission (CEIC), [Employment Insurance Monitoring and Assessment Report 2014/2015](#), Annex 7.1.

11 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 73 to 77.

According to the [Employment Insurance Coverage Survey, 2014](#), there were roughly 1.26 million unemployed Canadians in 2014. Of these, 768,000 had contributed to EI in the previous 12 months, 581,000 met the criteria for valid job separation. Of the latter, 483,000 (or 83.1%) had worked enough hours to be eligible to receive EI.

Since not all unemployed persons who are eligible for EI apply for benefits, the EI accessibility ratio (based on the number of unemployed persons receiving EI benefits) is different from the EI eligibility rate (based on the number of unemployed persons who would be eligible for EI, in theory).<sup>12</sup>

According to the *Employment Insurance Monitoring and Assessment Report* published by the CEIC, three different measures are used to calculate program accessibility:

- the R/S ratio (received/separators);
- the B/UC ratio (beneficiaries/unemployed contributors); and
- the B/U ratio (beneficiaries/unemployed).

The R/S ratio takes into account unemployed individuals who worked, contributed to EI, and had a valid job separation, while the two other ratios use much broader groups of unemployed individuals.<sup>13</sup>

In 2014, the R/S ratio was 56.7%, while the B/UC ratio was 63.4% and the B/U ratio was 38.6%.<sup>14</sup> As shown in Figure 1, trends in accessibility rates vary depending on the measure used.

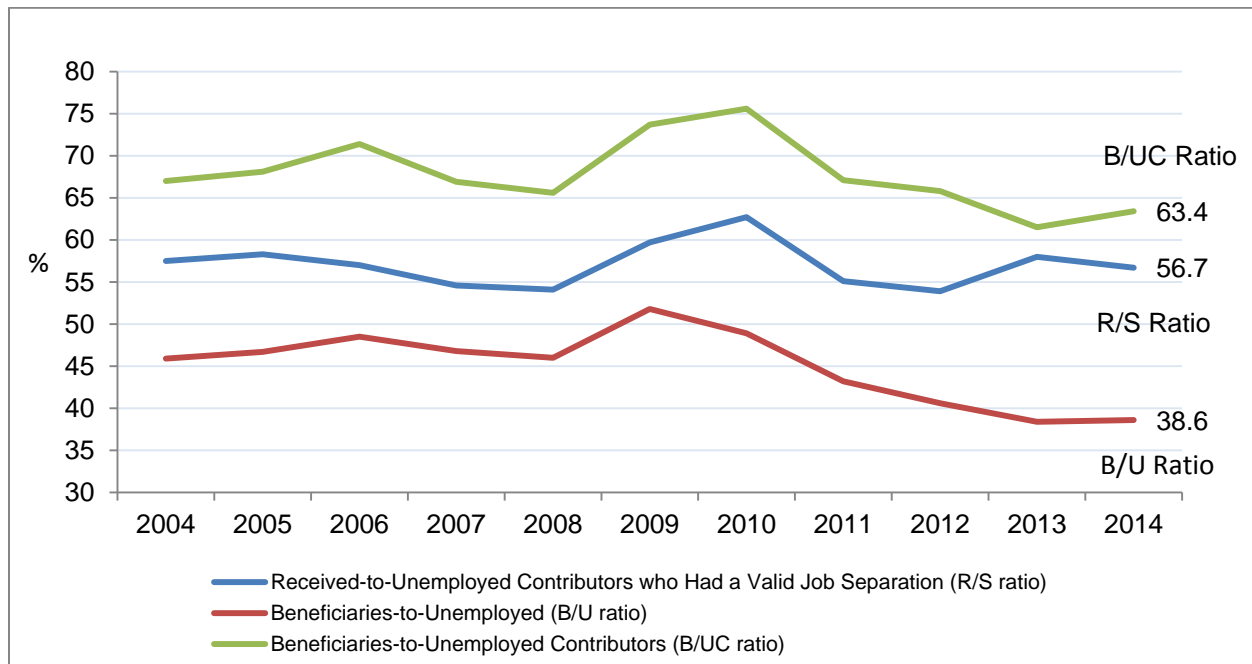
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12 For more information, see CEIC, [Employment Insurance Monitoring and Assessment Report 2014/2015](#), Chapter II-2, section 2.2.3.

13 CEIC, [Employment Insurance Monitoring and Assessment Report 2014/2015](#), Chapter II-2, section 2.2.3.1.

14 *Ibid.*, section 2.2.3.

**Figure 1 – Employment Insurance Accessibility Ratios, 2004 to 2014 (%)**



Source: Table prepared from CEIC data, [Employment Insurance Monitoring and Assessment Report 2014/2015](#), Chapter II-2, Chart 21.

According to Paul Thompson, various stakeholders have raised concerns that the B/U ratio was only 38.6% in 2014, which means that only 487,000 of the 1.3 million unemployed individuals in Canada received EI benefits that year.<sup>15</sup> Mr. Thompson told the Committee that this ratio “is widely used by some stakeholders as a measure of access to the EI program.”<sup>16</sup> However, he added that it is less well known that approximately 490,000 of the 1.3 million unemployed people (39%) had not worked in the last 12 months, and that only 98,000 unemployed individuals (8%) had insurable employment and valid job separation, but had not worked enough hours to qualify for regular EI benefits.<sup>17</sup>

Mr. Thompson also pointed out that the last Employment Insurance Coverage Survey showed that 83% of unemployed people covered by EI (that is, unemployed individuals who contributed to the EI program and who had a valid job separation) were eligible for regular EI benefits in 2014, which was on par with figures from before the 2008–2009 recession.<sup>18</sup> He also said that “we expect to see a slight increase in this

15 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1725 (Paul Thompson).

16 Ibid.

17 Ibid.

18 Ibid.



eligibility rate as a result of the recently announced measures to expand the eligibility of new entrants and re-entrants.”<sup>19</sup>

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19    *ibid.*



# CHAPTER 2: REGULAR EMPLOYMENT INSURANCE BENEFITS: ELIGIBILITY REQUIREMENTS, BENEFIT RATE AND BENEFIT PERIOD

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## A. Eligibility Requirements for Regular Benefits

As mentioned previously, to be eligible for regular benefits, unemployed individuals must be covered by the EI plan, which means they must have contributed to the EI program within the previous 12 months – in other words, they must have had insurable employment. They must also have a valid job separation (that is, they were not responsible for their job termination) and have accumulated enough insurable hours in the last year, or since their last benefits period.<sup>20</sup> Claimants must also be available for work, unless they are engaged in jury service or are sick or injured, and they must also make reasonable and customary efforts to obtain suitable employment.<sup>21</sup> All these eligibility requirements inevitably impact accessibility to EI for unemployed Canadians.

### 1. Insurable Employment

Employment is insurable when it is performed for one or more employers, including provincial, territorial and federal governments, and the Canadian Armed Forces. Some employment is not insurable, such as self-employed work, casual employment in agriculture or employment as a member of a religious order where the person has taken a vow of poverty. The requirements for insurable employment also apply to special benefits, as described later in this report. The only exception is that, since 2010, special benefits have been available to self-employed workers who register in the program.<sup>22</sup>

### 2. Valid Reason for Job Separation

Claimants are ineligible for regular EI benefits if their reasons for job separation are deemed invalid, including quitting the job without just cause (such as leaving a job to go to school, dissatisfaction with the job, or retirement) or dismissal with cause.<sup>23</sup>

Marie-Hélène Arruda was one of the few witnesses who addressed issues related to this eligibility requirement. She told the Committee that the Mouvement autonome et solidaire des sans-emploi du Québec believes a maximum disqualification period of six

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20 CEIC, [Employment Insurance Monitoring and Assessment Report 2014/2015](#), Chapter II-2, section 2.

21 André Léonard, [The Employment Insurance Program in Canada: How It Works](#), Publication No. 2010-52-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 18 October 2010, updated 14 August 2014, p. 4.

22 Ibid., p. 2.

23 Statistics Canada, The Daily, [Employment Insurance Coverage Survey, 2014](#), 23 November 2015.

weeks would be a better way to penalize non-compliant conduct, such as refusing suitable employment, voluntary departure, or misconduct.<sup>24</sup>

Hans Marotte, a lawyer working with Mouvement Action-Chômage de Montréal and a representative of the Inter-Provincial EI Working Group, suggested that “the legislation currently deters those who know and penalizes those who try.”<sup>25</sup> He raised an issue that arises when someone loses their job and then, while they are receiving EI benefits, finds another job. If the individual quits that job, even for valid reasons, they are no longer eligible for benefits due to the valid job separation requirement. According to Mr. Marotte, people who are familiar with the EI program may be aware of the disincentives to try new jobs while they are receiving benefits, while those who are not familiar with the EI system may try out alternate employment and be penalized afterward, should it not work out.<sup>26</sup>

The Committee believes that EI claimants must be encouraged to try new jobs during their benefits period, and should not be discouraged from doing so by eligibility rules that are too restrictive. For that reason, the Committee provides the following recommendation:

## **RECOMMENDATION 1**

**The Committee recommends that the federal government review the eligibility requirement for “valid job separation” to allow employment insurance claimants who find a new job during the benefits period to retain their EI benefits should the employment not be suitable.**

### **3. Required Number of Hours of Insurable Employment**

#### **a. Persons Other than Those who are New Entrants or Re-Entrants**

With the exception of people who are new entrants or re-entrants to the labour market, the number of hours of insurable employment required to be eligible for regular benefits varies by region, ranging from 420 hours to 700 hours<sup>27</sup> during the qualifying period,<sup>28</sup> depending on the regional unemployment rate. Areas with higher unemployment rates require fewer hours to be eligible for benefits, as it is more difficult to find work and accumulate a good number of work hours in those circumstances. For example, unemployed individuals must have accumulated 700 hours when the regional

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24 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1650 (Marie-Hélène Arruda, Coordinator, Mouvement autonome et solidaire des sans-emploi (réseau québécois)).

25 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 2 May 2016, 1800 (Hans Marotte, Inter-Provincial EI Working Group).

26 Ibid.

27 [The number of insurable hours required is increased for those who have received a notice of violation](#), regarding previous EI benefit periods.

28 For regular and special benefits, the qualifying period is either the last 52 weeks, or the time since the start of the individual's last claim.

unemployment rate is 6% and under, or 420 hours when the rate is more than 13%.<sup>29</sup> This EI eligibility requirement is commonly known as the “variable entrance requirement”.

Throughout the study, several witnesses, many of whom were labour stakeholders, called for a single EI eligibility standard. A document submitted by the CEIC’s Commissioner for Workers mentioned that, “for many years now, Labour stakeholders have supported the elimination of the [...] variable entrance requirement.”<sup>30</sup>

According to David Gray, a professor of economics at the University of Ottawa, “most economists are opposed to regionally based benefits, because they discourage regional geographic labour mobility and undermine the efficiency of the labour market.”<sup>31</sup> He added that “we’re just about the only country on this planet that has these variable entry requirements and extended benefits on a regional basis.”<sup>32</sup>

Many of the witnesses who support a single EI entrance requirement were also in favour of reducing the number of hours required to qualify for benefits so as to increase access for the most vulnerable workers, such as part-time workers. For example, according to Mr. Marotte, the Mouvement Action-Chômage de Montréal recommends establishing a single entrance requirement of 350 hours of work,<sup>33</sup> while the International Alliance of Theatrical Stage Employees,<sup>34</sup> the Fédération des travailleurs et travailleuses du Québec<sup>35</sup> and Unifor were all in favour of a 360-hour threshold.<sup>36</sup> The CEIC’s Commissioner for Workers, Mary-Lou Donnelly,<sup>37</sup> also said that many of the stakeholders she represents support the 360-hour threshold.

Colin Busby, from the C.D. Howe Institute, was also in favour of a single entrance requirement, but advised that it would be difficult to determine the optimal number of hours at which to establish this threshold and to reach a consensus in this respect.

I think there’s probably some broad consensus on a harmonized rate, but you can do all the econometrics studies you want and I don’t think you’ll ever come to a reasonably good conclusion as to what it should be, because there’s always going to be some kind of worker who will be affected in a negative way as a consequence of it. What’s nice about the 360-hour proposal is that it refers to part-time workers. It would be a nice thing to capture part-time workers, but if we go that low, then the problem is that you

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29 [EI Fishing benefits - Eligibility](#) is based on income, not on the number of hours of insurable employment, as is the case for regular benefits.

30 Reference document submitted by Mary-Lou Donnelly, Commissioner for Workers, CEIC, p.1.

31 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1725 (David Gray, Professor of Economics, University of Ottawa, as an individual).

32 Ibid., 1650.

33 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 2 May 2016, 1815 (Hans Marotte).

34 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1740 (John Lewis, Vice-President, Director, Canadian Affairs, International Alliance of Theatrical Stage Employees).

35 Brief submitted by the Fédération des travailleurs et travailleuses du Québec (FTQ), March 2016, p. 9.

36 Brief submitted by Unifor, May 2016, p. 3.

37 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1620 (Mary-Lou Donnelly, Commissioner for Workers, CEIC).

get an extreme risk of creating a large level of dependency and encouragement of seasonal work.<sup>38</sup>

On the other hand, Daniel Kelly, President and Chief Executive Officer, Canadian Federation of Independent Business (CFIB), expressed concerns with reducing the number of hours required to be eligible for EI benefits. He stated that “any thought to go in that direction, making it easier to get on or stay on EI, is at odds with the employer’s interest. Many small firms feel they are competing for workers against the employment insurance system, and that’s something that shouldn’t be allowed.”<sup>39</sup>

According to the data collected by the CFIB and shared with the Committee by Mr. Kelly, many small and medium-sized enterprises (SMEs) have had employees ask them to be laid off so they could receive EI benefits. While employers are in favour of a good, well-funded EI system available to those who lose a job through no fault of their own, the CFIB said more needs to be done to ensure that EI “doesn’t encourage people to go and sit on the sidelines of the labour market as opposed to being actively employed.”<sup>40</sup>

Echoing this concern, Judith Andrew, CEIC’s Commissioner for Employers, observed that employers generally do not support reducing the number of hours to 360 hours, or even 420 hours. Rather, they believe employees must have a strong attachment to the labour market.<sup>41</sup>

## **b. New Entrants or Re-Entrants to the Labour Market**

Currently, in order to be eligible for EI regular benefits, new entrants and re-entrants to the labour market must accumulate at least 910 hours of insurable employment. Budget 2016 would eliminate the higher eligibility requirement of 910 hours for new entrants or re-entrants to the labour market by July 2016, thus providing the same eligibility requirements as other claimants in the region.<sup>42</sup>

The measure to expand access to EI benefits to new entrants and re-entrants was widely supported by witnesses appearing before the Committee. In their written submission, for example, the CEIC’s Commissioner for Workers stated that, “for many years now, Labour stakeholders have supported the elimination of the 910 hour eligibility requirement.”<sup>43</sup> Similarly, John Lewis of the Alliance of Theatrical Stage Employees stated that:

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38 Ibid., 1730 (Colin Busby, Associate Director, Research, C.D. Howe Institute).

39 Ibid., 1710 (Daniel Kelly, President and Chief Executive Officer, Canadian Federation of Independent Business).

40 Ibid., 1700.

41 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1715 (Judith Andrew, Commissioner for Employers, CEIC).

42 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 73.

43 Reference document submitted by Mary-Lou Donnelly, p.1.

We are generally pleased with the changes to the EI program that were announced in the federal 2016 budget, in particular the reduction from 920 hours [*sic*: 910 hours] for new entrants and re-entrants. As well, we are pleased with the reduction of the waiting period to one week and the elimination of requirements for claimants to accept lower pay and longer commuting times in finding suitable employment. We think that these are all important steps towards re-establishing the integrity of the system. [...] the broader labour community is seeking quick implementation of these changes announced in the budget.<sup>44</sup>

David Gray told the Committee that he, too, had “long been in favour of abolishing the NERE [new entrants and re-entrants] requirement.”<sup>45</sup> However, he added that he would like to see “safeguards so that we don’t take new entrants into the Canadian labour force and have these new entrants or re-entrants develop dependency patterns on the EI regime.”<sup>46</sup>

Having considered the testimony placed before it, the Committee agrees that eliminating the distinct eligibility requirement for new entrants and re-entrants, as announced in Budget 2016, is a positive step toward improving access to EI. Therefore, the Committee puts forward the following recommendation:

## **RECOMMENDATION 2**

**The Committee recommends that the federal government take immediate action to eliminate the eligibility requirement of 910 hours of insurable employment for new entrants and re-entrants to the labour market.**

### **4. “Reasonable and Customary Efforts” to Obtain Employment and “Suitable Employment**

In 2012, as part of the federal government’s “Connecting Canadians with Available Jobs” initiative, the terms “reasonable and customary efforts” to obtain employment and “suitable employment” were redefined. “Since 6 January 2013, reasonable and customary efforts have been defined by regulation and include attending interviews, networking and preparing a resumé.”<sup>47</sup>

A new definition for suitable employment was also introduced creating three categories of claimants based on the number of times the claimant had used EI in the past, and establishing stricter job search requirements, especially for frequent claimants. The government anticipated that, as a result of this measure, regular claimants would increase their job search efforts and return to work more quickly in regions where suitable

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44 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1740 (John Lewis).

45 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1645 (David Gray).

46 Ibid., 1650.

47 André Léonard, [The Employment Insurance Program in Canada](#), Publication No. 2010-52-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 18 October 2010, revised 14 August 2014, p. 4.

employment opportunities were available.<sup>48</sup> Budget 2016 proposes repealing these new definitions.<sup>49</sup>

The CFIB advised the Committee that of the SMEs consulted, most were in favour of the 2012 changes implemented, including SMEs from the Atlantic Provinces and Quebec. While witnesses acknowledge that, in practice, few individuals lost their EI benefits due to these new definitions, many nevertheless supported reversing these changes.

A number of reasons were given in favour of reversing the definitional changes, in particular because they were seen as:

- punitive for workers;<sup>50</sup>
- a contributing factor to some staffing shortages;<sup>51</sup>
- a violation of “fundamental rights, including the right to freedom of choice of employment, the right to unemployment protection, and the right to social security;”<sup>52</sup> and
- making the administration of the system much more complex and cumbersome.<sup>53</sup>

John Lewis of the Alliance of Theatrical Stage Employees advised the Committee that, while he was in favour of amending these definitions, he was uncertain of the effect this would have on the rules governing union hiring halls.<sup>54</sup> As these union hiring halls are used to train, recruit and provide benefits to workers in the theatre industry, Mr. Lewis

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48 André Léonard, [Employment Insurance: Ten Changes in 2012–2013](#), Publication No. 2013-03-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 23 January 2013, p. 5.

49 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 74.

50 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1635 (Mary-Lou Donnelly).

51 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1625 (Ian MacPherson, Executive Director, Prince Edward Island Fishermen’s Association).

52 Ibid., 1645 (Marie-Hélène Arruda).

53 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1655 (Colin Busby).

54 According to the Government of Canada website [Connecting Canadians with Available Jobs](#), the rules for union hiring halls introduced in 2012–2013 were as follows:

Being a member of a union hiring hall will be considered part of your reasonable job search effort. You can restrict your job search efforts to union hiring halls only during the weeks when you are required to seek suitable employment opportunities within your same occupation.

- If you are a **long tenured-worker** you may restrict your job search efforts to your membership in a union hiring hall for the first 18 weeks of your claim.
- If you are an **occasional claimant** you may restrict your job search efforts to your membership in a union hiring hall for the first six weeks of your claim.
- If you are a **frequent claimant** you cannot restrict your job search efforts to your membership in a union hiring hall at any time during your claim.



recommended that the rules governing union hiring halls also be returned to what they were prior to 2012.<sup>55</sup>

A number of submissions to the Committee noted that it was unclear whether the government's recent commitment to repeal the new definitions of "reasonable and customary efforts" and "suitable employment" actually meant "reversing the regulation that divides workers into three new classes on the basis of past claims"<sup>56</sup> and recommended that it be done immediately.<sup>57</sup>

Judith Andrew, CEIC's Commissioner for Employers cautioned that should the new definitions be reversed and if the new EI system was more generous, it would be important "to take care not to send claimants the wrong message about the need to look for work while unemployed on EI."<sup>58</sup> She added that "it is important for the department to continue holding meetings with new claimants to highlight their responsibilities in the system as well as conduct continuing eligibility interviews where warranted."<sup>59</sup>

The Committee believes in the necessity of having an accountability framework in place for EI claimants so that they have an incentive to return to the labour market as soon as possible. However, the evidence placed before the Committee suggests that the definitions for "reasonable and customary efforts" and "suitable employment" introduced in 2012 were not effective in achieving this objective. Accordingly, the Committee makes the following recommendations:

### **RECOMMENDATION 3**

**The Committee recommends that the federal government take immediate steps to reinstate the job search responsibilities requirements and the obligation to accept suitable employment that were in effect prior to 2013.**

### **RECOMMENDATION 4**

**The Committee recommends that Employment and Social Development Canada increase its efforts to promote the responsibilities claimants have to look for a job and to accept suitable employment, as appropriate.**

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55 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1740 (John Lewis).

56 Brief submitted by the PEI Coalition for Fair EI, 13 May 2016, p. 2.

57 Brief submitted by the Canadian Union of Public Employees (CUPE), May 2016, p. 5

58 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1635 (Judith Andrew).

59 Ibid.

### **a. Improving the System that Connects Employment Insurance Claimants with Available Jobs**

The “Connecting Canadians to Available Jobs” initiative also included provisions to provide job seekers with enhanced information about available jobs and the labour market through tools and services such as Job Alerts. The initiative also included provisions to ensure qualified Canadians are considered before temporary foreign workers to fill job vacancies, where possible.<sup>60</sup>

Those witnesses who spoke of the Job Alerts system, or the fact that the government had announced in 2012 that EI claimants would have access to an improved job alerts system that would send daily alerts with new job postings, were generally in favour of these measures.

According to the written presentation shared by the CFIB, more than 90% of the SMEs it surveyed were in favour of the change introduced in 2012, which consisted of “pushing more job info to EI claimants by better using information from employers about open positions.”<sup>61</sup> More than 80% of its members were in favour of encouraging employers to hire local people rather than temporary foreign workers.

Colin Busby from the C.D. Howe Institute said that the reforms introduced in 2012, “which intend to improve labour market information and job matching with employers, and ensure that temporary foreign workers are not replacing Canadian workers, are reasonably admirable aspects of the policy, and I think they have reasonably broad support.”<sup>62</sup>

However, Judith Andrew, CEIC’s Commissioner for Employers, was more critical of the Job Alerts system, stating that:

Employers remain puzzled as to why it is optional for claimants to register their search parameters with the job bank so that job seekers have the benefit of electronic notification of possibly interesting job matches with the positions on offer.

To employers who are facing shortages of qualified labour now, as well as worsening challenges owing to demographic trends, it’s inexplicable that the use of the EI ratepayer-funded national employment service—a.k.a. job bank—is not boosted in this way.<sup>63</sup>

Despite some of these concerns, the Committee finds that the benefits of the Job Alerts job search system are widely recognized and supported, and therefore makes the following recommendation:

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60 Government of Canada, CEIC, [Employment Insurance Monitoring and Assessment Report 2014/2015](#), Annex 7.1.

61 Written presentation, Canadian Federation of Independent Business (CFIB), *Small Business Reaction to 2012 Changes*, 9 March 2016, p. 8.

62 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1655 (Colin Busby).

63 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1635 (Judith Andrew).

## RECOMMENDATION 5

**The Committee recommends that Employment and Social Development Canada strongly encourage EI claimants to sign up for the Job Alerts of Job Bank; and that the department explore the possibility of making the sign up automatic for EI claimants.**

### B. Benefit Rate

During this study, some witnesses spoke about the EI benefit rate and the manner in which it is calculated. Currently, the EI benefit rate is set at 55% of the claimant's average weekly insurable earnings. In 2016, the maximum annual insurable amount is \$50,800, which means a claimant could receive up to \$537 a week.<sup>64</sup>

Prior to 2013, the weekly benefit rate was calculated by dividing total insurable earnings during the 26-week period preceding the establishment of the claim by the greater of the number of weeks of work in this period or by the "minimum divisor," which varied between 14 and 22, depending on the regional unemployment rate.<sup>65</sup> In October 2005, a pilot project referred to as the "best 14 weeks" was launched in 25 of the 58 EI economic regions to test "whether making EI benefits more reflective of full-time work earnings for people with sporadic work patterns encourages claimants to accept all available work."<sup>66</sup> In April 2013, the measure was extended to all of Canada and was modified slightly so that benefits were calculated not on the "14 best weeks," as tested during the pilot project, but on the "14 to 22 best weeks," based on the regional unemployment rate. This new approach means that areas with higher rates of unemployment use a calculation with fewer weeks, and vice versa. The calculation method is the same for both regular and special EI benefits.

Alison Hale from Statistics Canada shared a graph with the Committee that showed average EI benefits have been on the rise since the implementation of this new calculation method.<sup>67</sup> Similarly, Paul Thompson from ESDC, added that his department has observed a convergence in the levels of benefits.<sup>68</sup>

However, organizations such as the Income Security Advocacy Centre stated that, in their view, "EI regular benefit rates are too low, and are calculated in a manner that perpetuates disadvantage for women and the precariously employed."<sup>69</sup>

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64 Government of Canada, [EI Regular Benefits - How much you could receive](#).

65 Government of Canada, CEIC, [EI Monitoring and Assessment Report 2011](#), p. 10.

66 André Léonard, [Employment Insurance: Ten Changes in 2012–2013](#), Publication No. 2013-03-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 23 January 2013, p. 6.

67 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1720 (Alison Hale, Director, Labour Statistics Division, Statistics Canada).

68 *Ibid.*, 1630 (Paul Thompson).

69 Brief submitted by the Income Security Advocacy Centre, p. 4.

Others, including the Mouvement autonome et solidaire des sans-emploi,<sup>70</sup> the Fédération des travailleurs et travailleuses du Québec<sup>71</sup> and the Waterloo Regional Labour Council,<sup>72</sup> indicated to the Committee that they recommended the calculation be standardized by region and based on the worker's best 12 or 13 weeks of earnings. These same organizations also recommended increasing benefits to 60% of insurable earnings.

The Committee recognizes that establishing the rate of the benefit at a higher percentage of the claimant's insurable earnings, such as 60% or 70%, and basing the calculation on a standardized and lower number of working weeks, such as 12 or 13 weeks, could give EI claimants better income protection. However, the Committee believes that the costs associated with these types of measures could be very high, and outweigh their positive effects.

## **C. Regular Benefits Period**

### **1. Number of Weeks during which Benefits Are Paid Out**

The maximum number of weeks in which a claimant can receive benefits varies based on the regional unemployment rate and the number of hours of insurable employment. The number of weeks ranges from 14 weeks to 45 weeks. The 14 to 45 weeks of benefits are paid out during the benefit period, which generally lasts for 52 weeks beginning on the Sunday of the week in which the claim for benefits is made. Appendix A shows, for each of the 62 EI economic regions, the minimum number of hours of insurable employment currently required to be eligible for EI benefits, the number of weeks the benefits calculation is based on, and the minimum and maximum numbers of weeks of regular benefits payable.

According to David Gray, the federal government should not only establish a single entrance requirement for the entire country, but also a uniform benefits period, with an exception made during recessionary times, such as in 2008 and 2009.

We should make it easily accessible for everyone across the country. Under normal conditions the benefit period should be the same for everyone as well, with the exception of what they do in the United States. [...] Even the United States, generally very stingy when it comes to unemployment insurance, greatly extended the benefits when there was a terrible, negative shock to the entire labour market. I think we can have extended benefits in those situations.<sup>73</sup>

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70 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1650 (Marie-Hélène Arruda).

71 Brief submitted by the FTQ, March 2016, p. 10.

72 Brief submitted by the Waterloo Regional Labour Council, p. 2.

73 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1650 (David Gray).

Marie-Hélène Arruda<sup>74</sup> and Hans Marotte advised the Committee that the organizations they represent propose a minimum of 35 weeks of benefits for everyone.<sup>75</sup> According to Mr. Marotte:

That way, people would have enough to make it through the year. Whether a person loses their job in Edmonton, Saskatoon, Montreal, or Halifax, they still have to pay their rent, their electric bill and all their other monthly expenses. We no longer think the regional EI system is the right approach. It's not something that should remain in the legislation.<sup>76</sup>

While the Fédération des travailleurs et travailleuses du Québec is also in favour of a single, universal eligibility criterion, it supports having the duration of benefits tied to the regional unemployment rate.<sup>77</sup>

In addition to the testimony concerning the eligibility requirements, the benefits rate and duration, which all vary depending on the regional unemployment rate, some witnesses suggested it was also necessary to review the EI economic regions across the country. The CEIC's Commissioner for Workers, Mary-Lou Donnelly, explained that people have had a very hard time with the changes made to the economic regions in 2014, specifically in northern Canada and in Prince Edward Island.<sup>78</sup>

Ms. Donnelly provided the Committee with a concrete example of the consequence this type of change can have for workers. She explained that because Prince Edward Island was split into two economic regions two people working at the same plant could have different levels of access to EI and have a different benefits period, simply because one employee lives in Charlottetown, in an urban area, and the other person lives outside of the city, in the rural area.<sup>79</sup>

Echoing these concerns, Laurell Ritchie from the Inter-Provincial EI Working Group indicated that creating new economic regions in Prince Edward Island and northern Canada left workers at a disadvantage.<sup>80</sup>

The PEI Coalition for Fair EI views the reversal of the two PEI economic zones as its top priority. In its brief, the Coalition said that "the establishment of two zones has the capacity to create negative divisions among communities and pit Islander against Islander."<sup>81</sup>

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74 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1650 (Marie-Hélène Arruda).

75 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 2 May 2016, 1815 (Hans Marotte).

76 Ibid.

77 Brief submitted by the FTQ, p.10-11.

78 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1620 (Mary-Lou Donnelly).

79 Ibid., 1635.

80 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 2 May 2016, 1755 (Laurell Ritchie, Co-Chair, Inter-Provincial EI Working Group).

81 Brief submitted by the PEI Coalition for Fair EI, 13 May 2016, p. 4.

The Committee recognizes that the recent division of Prince Edward Island and each of the territories into two distinct EI economic regions has had negative consequences on the well-being of these communities, and for that reason, the Committee makes the following recommendation:

## **RECOMMENDATION 6**

**The Committee recommends that the federal government reconsider the new employment insurance economic regions created in 2014, and that previous boundaries be restored.**

### **2. Waiting Period**

There is a two-week waiting period at the beginning of a benefit period. This waiting period does not affect the total of 14 to 45 weeks of benefits, but rather the date on which they start to be paid.<sup>82</sup>

Budget 2016 “proposes to make legislative changes to reduce the EI waiting period from two weeks to one week, effective 1 January 2017.”<sup>83</sup>

Many witnesses spoke in favour of the one-week reduction in the waiting period. However, the CEIC’s commissioners for Workers and for Employers cautioned that the proposed reduction could have an impact on both employers and claimants:

However, one caution would be for the change in waiting period not to negatively affect claimants who are receiving a company top-up during the waiting period, as well as take away one week of time on claim. Specifically, I am thinking of claimants of Special Benefits.<sup>84</sup>

Among the measures that may cause employers extra payroll and administrative challenges are the waiting period reduction, meaning having to rejig top-ups, and the employee flexibilities that are signalled around special benefits.<sup>85</sup>

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82 André Léonard, [The Employment Insurance Program in Canada: How It Works](#), Publication No. 2010-52-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 18 October 2010, Revised 14 August 2014, p. 7.

83 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 74.

84 Reference document submitted by Mary-Lou Donnelly, p. 4.

85 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1640 (Judith Andrew).

## CHAPTER 3: EMPLOYMENT INSURANCE SPECIAL BENEFITS

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There are five types of special benefits: sickness, maternity, parental, and compassionate care benefits, and, since 2013, new benefits for parents of critically ill children. What follows is a brief description of these special benefits and the maximum number of weeks that each type may be paid:

- **Sickness benefits** are offered to individuals who are unable to work because of sickness, injury, or quarantine. They may be paid for a maximum of 15 weeks.<sup>86</sup>
- **Maternity benefits** are offered to women who are expecting a child or have recently given birth and are paid during the period surrounding the birth of the child. A maximum of 15 weeks of maternity benefits are available.
- **Parental benefits** are available to parents who are caring for a newborn or newly adopted child. They may be paid to one parent or shared by both parents. A maximum of 35 weeks of parental benefits may be paid.<sup>87</sup>
- **Compassionate care benefits** are available to individuals who have to stop working temporarily to provide care or support to a family member who is gravely ill and has a significant risk of death. A maximum of 26 weeks of compassionate care benefits may be paid. These 26 weeks of benefits can be shared among those family members who submit an application and are eligible for benefits.<sup>88</sup>
- **Benefits for parents of critically ill children** are offered to parents who have to be away from work to provide care or support for their critically ill or injured child. These benefits may be paid to one parent or shared by both parents. They may be paid for a maximum of 35 weeks.<sup>89</sup>

To be eligible for special benefits, a person must have accumulated at least 600 hours of insurable employment during the qualifying period. The person's normal weekly earnings must also have been reduced by more than 40%. Since 2010, self-

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86 Government of Canada, [EI Sickness Benefit – Overview](#).

87 Government of Canada, [Employment Insurance Maternity and Parental Benefits](#).

88 Government of Canada, [EI Compassionate Care Benefit – Overview](#).

89 Government of Canada, [EI Benefits for Parents of Critically Ill Children – Overview](#).

employed workers have also been able to receive special benefits if they voluntarily register for the EI program.<sup>90</sup>

In Budget 2016, the federal government announced that, over the course of its mandate, it plans to make compassionate care benefits “easier to access, more flexible and more inclusive for those who provide care for seriously ill family members.” The government also stated that it wants to provide “more flexibility in parental leave benefits to better accommodate unique family and work situations.”<sup>91</sup>

A number of witnesses commented on these recent announcements, and more generally on special benefits. For example, with regard to the compassionate benefits, the reference document submitted by the CEIC’s Commissioner for Workers states that:

... the proposal ... for changing the requirement of “at significant risk of death”, aka critical illness, to serious illness would certainly encompass more people and be welcomed by those affected. One observation is caution to an overlap of Parents of Critically Children (PCIC), wherein children need to be deemed seriously ill by a physician.<sup>92</sup>

As for more flexible parental leave, that same reference document notes that labour stakeholders are curious about where this idea came from, as they believe the current 35 weeks are working well for most parents:

Several concerns have been raised as to the effect it would have on women in the workforce. Concerns have also been raised by Labour employers, who feel it would present multiple challenges for smaller businesses. Particular attention must be given to provincial and territorial labour codes, as they would not necessarily be in sync with such a program; that is, claimants, especially women, would not be guaranteed their job after an 18-month leave.<sup>93</sup>

On the other hand, the Canadian Union of Public Employees (CUPE) welcomed the government’s announced parental leave changes. CUPE recommended that the government move quickly to offer parental leave that provides higher levels of income replacement over a longer period since, according to its sources, more generous parental leave is associated with better child development outcomes and greater gender equity.<sup>94</sup>

The brief submitted by the Public Service Alliance of Canada (PSAC) highlights concerns with parental benefits, arguing that they are insufficient for women who earn minimum wage, and result in women being forced to return to work sooner. One of PSAC’s recommendations is that the federal government review the system to increase

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90 André Léonard, [The Employment Insurance Program in Canada: How It Works](#), Publication No. 2010-52-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 18 October 2010, Revised 14 August 2014, p. 9.

91 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 78.

92 Reference document submitted by Mary-Lou Donnelly, p. 3.

93 Ibid., p. 4.

94 Brief submitted by CUPE, May 2016, p. 6.



the maximum insurable income for those women and use Quebec's parental leave system as a model for improving EI.<sup>95</sup>

Regarding special benefits, the Committee was also informed by the CEIC's Commissioner for Workers that some groups, including the Canadian Cancer Society and the Multiple Sclerosis Society of Canada, believe that 15 weeks of sickness benefits are not enough when people are facing serious health problems, particularly in cases of long-term illnesses or episodic illnesses. Specifically, Ms. Donnelly remarked that, "with the provision of the 26 weeks of the compassionate care benefit as of January of this year – which is a wonderful change – a caregiver can now have 11 weeks more of EI benefits than the person for whom they are providing the care. I think this is one of the things that absolutely needs to be looked at."<sup>96</sup>

In its brief to the Committee, the Multiple Sclerosis Society of Canada recommended increasing the maximum number of weeks of EI sickness benefits from 15 to 26 weeks to match the duration of compassionate care benefits.<sup>97</sup>

In light of the testimony heard, the Committee acknowledges that it might be more appropriate for workers with serious health problems to have access to more weeks of sick leave. Accordingly, the Committee makes the following recommendation:

#### **RECOMMENDATION 7**

**The Committee recommends that the federal government explore increasing the maximum number of weeks of employment insurance sickness benefits.**

The Commissioner for Employers also sought to draw the Committee's attention to the financing of special benefits and the particularly heavy responsibility of employers in this regard:

... special benefits covering life events as opposed to workplace events ... are now approaching a third, or 31% right now, of benefit costs in a tripartite system wherein employers pay 7/12 of the cost, employees pay 5/12, and government contributes zero.<sup>98</sup>

In addition, David Gray told the Committee that many experts believe that some special benefits should not be part of the EI program:

... economists have long thought that parental benefits and maternity, paternity, and adoption benefits should be totally removed from the EI system. They're only there for administrative convenience. There's a totally different story going on. I think they should be placed in a separate funding envelope in a different system.<sup>99</sup>

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95 Brief submitted by the Public Service Alliance of Canada (PSAC), May 2016, p. 5.

96 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1615 (Mary-Lou Donnelly).

97 Brief submitted by the Multiple Sclerosis Society of Canada, 22 March 2016, p. 3.

98 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1640 (Judith Andrew).

99 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1645 (David Gray).

Recognizing the concerns raised by witnesses with respect to whether special benefits should be a component of the EI system, the Committee makes the following recommendation:

**RECOMMENDATION 8**

**The Committee recommends that Employment and Social Development Canada hold consultations with relevant stakeholders to determine whether all special benefits should remain part of the Employment Insurance program or be administered separately.**

## CHAPTER 4: WORK-SHARING BENEFITS

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Work-Sharing is a program designed to help employers and employees avoid lay-offs following a temporary drop in the normal level of business activity that is beyond the employer's control. Work-Sharing provides income support in the form of EI regular benefits to eligible employees who agree to temporarily work a shorter work week while their employer recovers. This enables employers to retain their skilled workers and employees to keep their jobs.

Work-Sharing agreements are signed for a period of between 6 and 26 consecutive weeks, with a possible extension of up to 12 additional weeks, for a total of 38 weeks.<sup>100</sup> To mitigate the impact of the recession of 2008 and 2009, the federal government temporarily extended the maximum period of Work-Sharing agreements.

Budget 2016 proposes to extend the maximum length of Work-Sharing agreements from 38 to 76 weeks across Canada.<sup>101</sup>

In its brief to the Committee, the Canadian Labour Congress reported that it was heartened by the lengthening of the Work-Sharing program and added that it "encourage[s] the government to work with employers and worker groups to increase awareness of this program, as it can be very effective, but take up is low."<sup>102</sup> UNIFOR also made this recommendation in its brief.<sup>103</sup>

The Committee agrees with witnesses who spoke to this issue that the Work-Sharing program is a good tool to prevent lay-offs during challenging economic times. Members also share the view that additional measures to promote the program and increase participation in it would be beneficial, and therefore make the following recommendation:

### RECOMMENDATION 9

**The Committee recommends that Employment and Social Development Canada implement measures to raise awareness of the Work-Sharing program in order to increase the program participation.**

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100 Government of Canada, CEIC, [Employment Insurance Monitoring and Assessment Report 2014-2015](#), Chapter II-5.

101 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 77.

102 Brief submitted by the Canadian Labour Congress, 13 May 2016, p. 1.

103 Brief submitted by Unifor, May 2016, p. 2.



## CHAPTER 5: EMPLOYMENT INSURANCE PILOT PROJECTS

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The CEIC may initiate pilot projects in order to assess the impact of changes to the EI program. These projects are often time-limited (often not exceeding three years), restricted in area of implementation (generally limited to a few specific regions) and usually involve regular benefits.<sup>104</sup>

### A. Amendments to the “Working While on Claim” Pilot Project

A pilot project called “Working While on Claim” is currently underway. The goal of this pilot project is to encourage EI claimants to obtain employment and remain connected to the labour market. The pilot project, which increased the amount EI claimants can earn before this income is deducted from their weekly benefits, was first implemented in certain regions between 2005 and 2008. The pilot was then extended until 2012, and expanded across Canada. In August 2012, the pilot was extended again to August 2015, and the method for calculating the earnings allowed during the benefit period was changed. Because some claimants reported that the previous calculation method was better for some, the government allowed eligible claimants to choose between the former and current methods. In August 2015, the latest version of the pilot project was extended until 6 August 2016.<sup>105</sup> Budget 2016 proposes to extend the initiative to August 2018 in order to allow the government sufficient time to assess whether the program is meeting its objectives. The budget also proposes that claimants would be able to have the rules of the previous pilot applied to their claims, if they so wish.<sup>106</sup>

Paul Thompson, Senior Assistant Deputy Minister at ESDC, explained that the former rules allowed claimants to keep 100% of their earnings for a single day of work, but 0% thereafter. The more recent rules allow claimants to keep 50% of all their earnings. According to ESDC analyses, fewer claimants are working under the new rules (51%, compared with 55% under the old rules). However, those who work tend to work more days per week. He also noted that “low-income earners were overrepresented in the group that stopped working while on claim.”<sup>107</sup>

Ian MacPherson, President of the PEI Fishermen’s Association, observed that, under the new rules, the amounts clawed back from EI benefits because of employment income have increased. He stated that while his organization wants to encourage people

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104 André Léonard, [The Employment Insurance Program in Canada: How It Works](#), Publication No. 2010-52-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 18 October 2010, Revised 14 August 2014, p. 13.

105 Government of Canada, [Regulations Amending the Employment Insurance Regulations](#), SOR/2015-151, 17 June 2015, in the *Canada Gazette, Part II: Official Regulations*, Vol. 149, No. 13, 1 July 2015.

106 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 74.

107 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1730 (Paul Thompson).

to take advantage of opportunities to earn more income, the new pilot may result in more costs than benefits for fishers on PEI.<sup>108</sup>

In this regard, the PEI Coalition for Fair EI argued that “[t]he 2012 introduction of the Working While on Claim Pilot Project was devastating to many seasonal workers who are able to find only a few hours of work per week in their off-seasons. While these changes did benefit a small number of workers – those who have close to full-time work while they are on EI – they hurt the most vulnerable EI claimants.”<sup>109</sup>

The Coalition also noted that: “Although the latest budget changes have indicated that claimants will have the option of reverting back to the old rules for earnings while on claim, there are specific eligibility requirement[s] that must be met which greatly limit the number of claimants who can take advantage of the older pilot.”<sup>110</sup> For this organization, “there is no indication these eligibility criteria have been removed.”<sup>111</sup>

Despite some of these challenges, witnesses such as UNIFOR, indicated that the extension of the pilot project to 2018, including the option of using the rules under the previous pilot, is a step in the right direction. However, in its brief, UNIFOR added that “[t]he system must ensure that claimant elections are to the pilot that best serves their needs.”<sup>112</sup>

According to Public Service Alliance of Canada, the changes made to the pilot project in 2012 should be reversed. The union argues that the previous version of the pilot better helped low-income workers and recommends enhancing this version to enable workers to earn \$100 per week or keep 50% of their weekly EI benefits with no clawback, instead of \$75 or 40%.<sup>113</sup>

In testimony to the Committee regarding the “Working While on Claim” pilot project, the majority of witnesses suggested that the former rules were more favourable. The Committee appreciates the concerns raised and recommends as follows:

## **RECOMMENDATION 10**

**The Committee recommends that Employment and Social Development Canada take immediate steps to ensure that:**

- **during the extension period announced in Budget 2016, the choice between the current and previous versions of the “Working While on Claim” pilot project is completely free and not governed by specific eligibility criteria;**

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108 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1625 (Ian MacPherson).

109 Brief submitted by the PEI Coalition for Fair EI, 13 May 2016, p. 3.

110 *Ibid.*, p. 2.

111 *Ibid.*

112 Brief submitted by UNIFOR, p. 3.

113 Brief submitted by PSAC, May 2016, p. 6.

- the Government of Canada website and Service Canada agents provide the necessary information claimants need to choose the better of the two versions of the pilot project for their situation; and
- at the end of the extension period for the current pilot project in August 2018, a complete assessment of the pilot project be undertaken, the results shared with the Committee by February 2019, and made public.

## B. End of the “Extended Employment Insurance Benefits” Pilot Project

In 2004, the federal government launched a pilot project that extended the maximum duration of benefits by five weeks in 24 regions of Canada with high unemployment rates (10% or higher) for a two-year period. The pilot was subsequently reintroduced with certain changes every two to three years until 2012.<sup>114</sup> The original goal of the pilot was to test whether additional weeks of benefits reduced the number of seasonal claimants who experienced an income gap – a period in which they receive neither EI benefits nor employment income.<sup>115</sup> The pilot was also implemented at the national level to boost the Canadian labour market to counteract the effects of the 2008–2009 recession.<sup>116</sup>

Budget 2016 announced a five-week extension of EI benefits for all eligible claimants in the 12 EI economic regions that have experienced the largest increases in unemployment owing to the recent economic shock caused by the decline in the price of oil.<sup>117</sup> On 13 May 2016, Prime Minister Justin Trudeau announced that three additional EI economic regions would qualify for the benefits extension: Edmonton, Southern Interior British Columbia and Southern Saskatchewan.<sup>118</sup>

With regard to the impact on seasonal workers of extending EI benefits by five weeks under the pilot project, the Committee was advised by ESDC officials that departmental analyses showed the pilot was poorly targeted. Specifically, Paul Thompson commented that while many of the additional weeks were used, “only a small share of the extra weeks ... went to this targeted population. About 5% of the benefits paid went to these so-called seasonal gappers, which suggests that the measure as designed was not ideally targeted to the issue in hand.”<sup>119</sup>

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114 Government of Canada, CEIC, [Employment Insurance Monitoring and Assessment Report 2014–2015](#), Annex 7.

115 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1730 (Paul Thompson).

116 Government of Canada, CEIC, [Employment Insurance Monitoring and Assessment Report 2014–2015](#), Annex 7.

117 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 75.

118 News release from the Prime Minister of Canada, Justin Trudeau, [Prime Minister Announces Changes to Employment Insurance for Three Additional EI Economic Regions](#), 13 May 2016.

119 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1730 (Paul Thompson).

Nonetheless, some witnesses underscored the negative impact that the termination of this pilot project has had on certain economically disadvantaged regions that are home to many seasonal workers. For example, Ian MacPherson of the PEI Fishermen’s Association told the Committee that, “from the fishing community standpoint ... it was extremely beneficial in tiding people over to the start of the next season when they could go back to their seasonal job.”<sup>120</sup> In addition, Marie-Hélène Arruda stated that, in several regions of eastern Quebec – such as the Gaspé Peninsula and the Magdalen Islands – as well as in Atlantic Canada, people have absolutely no income between the end of their benefits and the next work season, a period some call the “black hole,” and these five weeks were virtually essential for them.<sup>121</sup>

A number of submissions to the Committee, such as the one from the Alberta Federation of Labour, recommend that the five-week extension of benefits announced in Budget 2016 not be limited to the regions most affected by the oil price collapse or those with chronically weak economies, but rather that this extension also be offered throughout the country. A number of labour representatives argued that “there is no justification for the EI Economic Regions approach, as an unemployed worker is an unemployed worker no matter where they happen to live.”<sup>122</sup>

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120 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1625 (Ian MacPherson).

121 Ibid., 1715 (Marie-Hélène Arruda).

122 Brief submitted by the Alberta Federation of Labour, p. 2.



# CHAPTER 6: EMPLOYMENT INSURANCE SERVICE STANDARDS

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## A. Processing Claims

Service Canada is responsible for processing EI claims. To apply for EI benefits an online application must be completed. Once the application has been submitted and accepted, the first payment should be made within 28 days of the date that the application and required documents were received.<sup>123</sup>

However, a number of witnesses who work to support individuals who have lost their jobs told the Committee that, in practice, many unemployed people often have trouble reaching Service Canada staff to discuss their claims, particularly by telephone. Moreover, many wait much longer than 28 days after they apply to receive their benefits.

In their reference document, the CEIC's Commissioner for Workers states that "one of the most common complaints my stakeholders and I hear on a daily basis is the frustration workers encounter when trying to get in touch with a Service Canada agent."<sup>124</sup> In addition, statistics provided by PSAC in their brief indicate that, between April and December 2015, the average wait time for 297,586 EI applicants was 39 days.<sup>125</sup>

Sandra Guevara-Holguin, Advocate at the Community Unemployment Help Centre, made the following statement to the Committee regarding claim processing times:

I have at least 70 active files right now, and all of them are delayed: four months—to hear from them, to seek a decision—for all of them.<sup>126</sup>

The CEIC's Commissioner for Workers also notes that the loss of regional EI liaison agents, who, only a few years ago, were available to union representatives and advocates who assist claimants with their EI applications, is a top complaint and frustration for those who represent claimants.<sup>127</sup>

While a number of witnesses expressed their appreciation for the measures to improve EI service delivery announced in Budget 2016, many question whether these will be enough to achieve the desired results, suggesting that additional resources must be allocated to this purpose.<sup>128</sup>

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123 Government of Canada, [EI Regular Benefits – After You've Applied](#).

124 Brief submitted by Mary-Lou Donnelly, p. 2.

125 Brief submitted by PSAC, May 2016, p. 3.

126 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 2 May 2016, 1750 (Sandra Guevara-Holguin, Advocate, Community Unemployed Help Centre).

127 Reference document submitted by Mary-Lou Donnelly, p. 2.

128 Brief submitted by the Community Unemployed Help Centre, p. 4; Summary of the brief submitted by the Saskatchewan Federation of Labour, p. 3; Brief submitted by Toronto East Employment Law Services, p. 4.

Among the recommendations made by witnesses who called for better EI service delivery was to find ways to improve service standards, including by increasing the number of trained Service Canada agents and making it easier to contact them, thereby decreasing the time it takes to process claims, as well as by reinstating regional EI liaison agents.

The Committee recognizes that it is very important for EI claimants to promptly receive the assistance they need to complete their applications. It is also critical that their claims be processed in a reasonable time frame so that those eligible for benefits are paid as quickly as possible, and those ineligible are informed as soon as possible so that they can plan appropriately. Accordingly, the Committee makes the following recommendations:

#### **RECOMMENDATION 11**

**The Committee recommends that the federal government provide Service Canada with the resources required so that:**

- **they can handle the vast majority of calls and in-person visits quickly;**
- **they endeavour to make the first payment in the 28 days following the date the application was completed, in order to meet the established service standards.**

#### **RECOMMENDATION 12**

**The Committee recommends that the federal government reinstate the system of regional employment insurance liaison agents to improve support for unemployed individuals who wish to apply or have applied for benefits.**

### **B. Complaint Handling**

Individuals whose claims have been denied are informed by Service Canada, by mail or by telephone, of the reasons they are ineligible to receive EI benefits. Those who disagree with the decision rendered may request a reconsideration of their claim. This process is required prior to filing any appeal to the Social Security Tribunal General Division. In addition to a refusal of EI benefits, the other situations that allow for a request for a reconsideration are as follows:

- a request to repay benefits;
- receipt of a warning letter; and
- imposition of a penalty.<sup>129</sup>

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129 Government of Canada, [EI Reconsideration](#).

## 1. Creation of the Social Security Tribunal

On 1 April 2013, the Social Security Tribunal (SST) was created to handle appeals of decisions relating to the EI program, as well as those pertaining to the Canada Pension Plan (CPP) and Old Age Security (OAS). The SST consists of a General Division and an Appeal Division. The General Division has two sections: one deals with the CPP and OAS, while the other handles complaints regarding EI decisions.<sup>130</sup> In the past, contested EI decisions were first reviewed by the Board of Referees and then, in the case of appeals of the Board's decision, heard by an umpire.<sup>131</sup>

Paul Thompson of ESDC explained to the Committee that the primary change in the EI appeal process was the introduction of a reconsideration of applications process before clients can file an official appeal with the Tribunal. Benoît Long added that as a result of this reconsideration process, the number of appeals has declined by 85%:

That means there are fewer appeals simply because we're calling claimants directly before we deny a claim, to make sure they understand, and in case there are changes in their cases. That's helped tremendously at that front end.<sup>132</sup>

In her testimony, Marie-Hélène Arruda of the Mouvement autonome et solidaire des sans-emploi offered a different interpretation of the 85% decrease in the number of appeals:

We have also noted that the number of appeals has declined by 85% and that only 15% of unemployed workers who receive a negative decision following an administrative review end up taking their case to the Social Security Tribunal. MASSE believes that this mechanism discriminates against unemployed workers and discourages them from asserting their right to benefits. The mechanism, then, is clearly problematic.<sup>133</sup>

In fact, most of the witnesses appearing before the Committee raised issues regarding the SST's handling of appeals. Concerns expressed related to:

- 1) the far lower number of appeals heard under the new system compared with the previous system;
- 2) the time it takes claimants to have their appeal heard because of the lack of SST staff and the lack of a time limit on the amount of time taken to issue decisions;
- 3) the use of videoconferences or telephone hearings instead of in-person hearings, which causes problems for some claimants; and

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130 Social Security Tribunal, [About the Social Security Tribunal](#).

131 André Léonard, [Employment Insurance: Ten Changes in 2012–2013](#), Publication No. 2013-03-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 23 January 2013, p. 9.

132 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 4 May 2016, 1800 (Benoît Long, Senior Assistant Deputy Minister, Processing and Payment Services Branch, Service Canada, Department of Employment and Social Development).

133 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1650 (Marie-Hélène Arruda).

- 4) the seemingly reduced transparency of the new system, which no longer makes all of its decisions public and accessible.

Witnesses, such as the Canadian Union of Public Employees, strongly recommended restoring the previous system and its Board of Referees, which, they indicated, was able to develop local expertise and as a result, functioned much better.<sup>134</sup> However, other witnesses said that this solution could be too drastic and costly, and recommended improvements to the SST instead.

For example, the reference document submitted by the CEIC's Commissioner for Workers states that "stakeholders generally understand that to revert to the [Board of Referees] would bear very high costs in time, money and administration."<sup>135</sup> Yet, these stakeholders still believe that "significant improvements must be made to the SST system and process."<sup>136</sup>

For the Saskatchewan Federation of Labour, "the only way that confidence will be restored in the EI appeal system is to return to the Board of Referees model."<sup>137</sup> However, "if the SST model is to be retained then there should be consideration given to returning to provincially based 'in person' appeals with three person tribunals composed of stakeholders who are representative of the community, employees, and employers."<sup>138</sup>

According to the Income Security Advocacy Centre, "[t]he Social Security Tribunal should be given the resources it requires to hear and decide EI cases more quickly and fairly"<sup>139</sup>, whereas the Public Service Alliance of Canada argued that "If the previous Board of Referees' appeal process is not to be restored, then the Social Security Tribunal at the very least needs fundamental reforms including:

- more transparency;
- more information and data about its activities;
- an increase in staff to reduce and eliminate delays and provide more face-to-face hearings;
- restoration of the business-labour role that was lost with the previous referee appeal system."<sup>140</sup>

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134 Brief submitted by CUPE, p. 8.

135 Reference document submitted by Mary-Lou Donnelly, p. 2.

136 Ibid.

137 Summary of the brief submitted by the Saskatchewan Federation of Labour, p. 4

138 Ibid.

139 Brief submitted by the Income Security Advocacy Centre, 13 May 2016, p. 9.

140 Brief submitted by PSAC, May 2016, p. 5.

In her appearance before the Committee, Judith Andrew remarked that the SST replaced a well-established system that ran smoothly, noting that appeals were typically heard within a few days. Decisions were then expeditiously rendered, which, she suggests, is not the case with the SST:

No doubt the thinking was that this reorganization of the appeals systems would be more effective from a cost perspective and otherwise, not unlike when diverse services to Canadians or procurements across departments were placed under one authority. It does seem to me that rather than taking the so-called benefits of such moves on blind faith, governments need to conduct careful before-and-after analysis to drive toward the intended improvements.<sup>141</sup>

Ian MacPherson, of the PEI Fishermen's Association, also told the Committee that, since the SST has now been in place for a few years, it may be a good time to assess its performance.<sup>142</sup>

The Committee believes that an effective EI appeal process is vital to ensuring that the system's clients can exercise their rights in the fairest and most appropriate way possible. Unfortunately, the testimony heard during this study raised doubts about the new Social Security Tribunal's effectiveness in handling complaints compared with the process that existed before 2013. As a result, the Committee makes the following recommendation:

### **RECOMMENDATION 13**

**The Committee recommends that Employment and Social Development Canada undertake a review of the new Social Security Tribunal (SST) to determine:**

- **how it compares with the previous system in terms of costs, efficiency, and client satisfaction;**
- **how the SST can improve transparency, by providing claimants with all the evidence on which its decisions are based, and making all of its decisions public;**
- **how the SST could improve efficiency with more resources;**
- **the impacts of facilitating hearings in-person, or via videoconference, at both the first and second appeal stages;**
- **the impacts of setting a limit on the amount of time the SST takes to issue decisions.**

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141 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1640 (Judith Andrew).

142 Ibid., 1625 (Ian MacPherson).



## CHAPTER 7: EMPLOYMENT INSURANCE FINANCING

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The *Employment Insurance Act* sets out the EI program's financing rules. Regular and special benefits, as well as employment supports and the program's administrative costs, are funded primarily by employee and employer premiums. Employees finance 5/12 of the program's costs by paying premiums on their insurable earnings. Employers cover the remaining 7/12 of the costs.<sup>143</sup>

The federal government financially contributes only in its role as an employer. It may occasionally decide to contribute further, as when it introduced temporary measures to enhance the program to counter the impact of the 2008–2009 recession.

### A. Premium Rates

In 2016, the EI premium rate for employees was set at \$1.88 per \$100 of insurable earnings. This premium rate, combined with a maximum of \$50,800 in insurable earnings, means that insured employees will pay, at most, \$955.04 in EI premiums in 2016.

Self-employed workers who choose to contribute to the program pay the same rate as salaried employees, and are eligible to special benefits (described above) though not EI regular benefits.

The premium rate for workers in Quebec is lower than in the rest of Canada because Quebec administers its own maternity, parental and paternity benefits and has collected premiums from employees in the province since January 2006. In 2016, the premium rate for employees in Quebec was set at \$1.52.<sup>144</sup>

Many witnesses provided their views on EI premium rates, but no consensus emerged from their testimony on whether they should be reduced, increased, or remain the same.

According to the CEIC's Commissioner for Workers, "labour stakeholders have not advocated for a reduction [i]n EI premiums; in fact, labour stakeholders would rather see EI programs improved upon so that rate payers are better served by the system."<sup>145</sup>

The Alberta Federation of Labour also recommended shifting the focus away from premium rate reductions, commenting that lowering premiums does not necessarily contribute to supporting unemployed workers:

Lowering EI premiums will only reduce the program's ability to act as an economic stabilizer during recessions and disasters. Premiums have been reduced significantly

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143 André Léonard, [Employment Insurance Financing](#), Publication No. 2014-89-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 31 January 2014, p. 1.

144 Government of Canada, [Employment Insurance – Important Notice About Maximum Insurable Earnings for 2016](#).

145 Reference document submitted by Mary-Lou Donnelly, CEIC, p. 3.

since the 1990s and should be restored. Lowering premiums does nothing to ensure that unemployed workers have the supports in place precisely when they need them.<sup>146</sup>

Likewise, the Canadian Union of Public Employees believes that “premiums should not be cut in order to support current and future changes.”<sup>147</sup> Similarly, the Inter-Provincial EI Working Group maintains that the federal government should hold off on reducing EI premiums until it knows what improvements need to be made to the system.<sup>148</sup>

On the other hand, David Gray suggested that EI premium rates for businesses should be low, “because they impinge upon the demand for workers.”<sup>149</sup> However, he argued that the reduction should not apply only to small employers. He believes that “we really shouldn’t, particularly for payroll taxes, differentiate according to the size of employers.”<sup>150</sup>

The CFIB, advised the Committee that “the tax burden remains the number one concern of small and medium-sized firms across the country”, and that about 46% of its members say EI premiums are a constraint.<sup>151</sup> The CFIB made a number of specific recommendations regarding EI premiums, including the following:

- 1) establish a permanent, lower EI rate for small business;
- 2) implement a 50/50 split in EI premiums between employers and employees; and
- 3) allow employers to receive refunds for their over-contributions, as employees do.<sup>152</sup>

Judith Andrew added that “employers are concerned about the level of the premiums that they have to pay”:

It seems to be disproportionate to the other parts of the tripartite arrangement. It actually is counter-productive in some cases, because if smaller employers are paying these payroll taxes and CPP and workers’ compensation and all those, it adds up to quite a tab on creating a job. It actually can work against job creation.<sup>153</sup>

The Committee acknowledges that the EI program is financed largely through the premiums paid by employers and employees alike. For this reason, the Committee feels it

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146 Brief submitted by the Alberta Federation of Labour, 13 May 2016, p. 3.

147 Brief submitted by CUPE, 13 May 2016, p. 9.

148 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 2 May 2016, 1755 (Laurell Ritchie).

149 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1645 (David Gray).

150 Ibid.

151 Ibid., 1700 (Daniel Kelly).

152 Written presentation, CFIB, *Small Business Views on Employment Insurance*, 9 March 2016, p. 15.

153 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 May 2016, 1715 (Judith Andrew).



is important that they be given a voice in establishing the premium rate. The Committee consequently makes the following recommendation:

#### **RECOMMENDATION 14**

**The Committee recommends that Employment and Social Development Canada establish a process whereby workers and employers can give input to the decision-making process that leads to the setting of the premium rate.**

### **B. Employment Insurance Premium Management**

EI premiums are paid into the Consolidated Revenue Fund, which includes general government revenues such as taxes. The EI Operating Account was established on 1 January 2009. Each year, all EI program expenditures are debited from this account and revenues credited to it. The revenues and expenditures for this account are published in the *Public Accounts of Canada*, and its net results (deficit or surplus) are included in the government's financial statements.<sup>154</sup>

Every year, ESDC and Finance Canada send data to the actuary engaged by the CEIC so that he or she is able to provide an official report on the estimated break-even premium rates for the years to come. These break-even rates are calculated to ensure that, in the long run, EI premiums are used for program expenditures only.

According to the CEIC actuary's report for 2014, the break-even premium rate was 2.08%. However, the federal government chose to freeze the premium rate at the 2013 rate of \$1.88 for 2014, 2015 and 2016. In addition, in September 2014 the federal government announced the Small Business Job Credit for 2015 and 2016. This credit lowers EI premiums for small businesses from \$1.88 to \$1.60 per \$100 of insurable earnings in each of those years. According to the government's estimates, the credit will save small businesses over \$630 million.<sup>155</sup> These measures were put in place to help provide certainty and flexibility for employers, especially small businesses.<sup>156</sup>

Beginning in 2017, the CEIC is expected to set the annual EI premium rate according to the seven-year break-even rate-setting mechanism. This new mechanism will ensure that premiums are no higher than needed to cover the costs of the EI program over time and that any cumulative surplus in the EI Operating Account is returned to employers and employees through lower EI premium rates. In Budget 2015, the federal government forecast that this measure would reduce the premium rate from \$1.88 in 2016 to \$1.49 in 2017.<sup>157</sup>

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154 André Léonard, [Employment Insurance Financing](#), Publication No. 2014-89-E, Ottawa, Parliamentary Information and Research Service, Library of Parliament, 31 January 2014, p. 2.

155 Government of Canada, [2016 Employment Insurance Premium Rate](#).

156 Government of Canada, Budget 2014, [The Road to Balance: Creating Jobs and Opportunities](#), 11 February 2014, p. 85.

157 Government of Canada, Budget 2015, [Strong Leadership: A Balanced-Budget, Low-Tax Plan for Jobs, Growth and Security](#), 12 April 2015, p. 119.

According to Budget 2016, the break-even EI premium rate will instead be \$1.61 in 2017,<sup>158</sup> as a result of the new proposed EI measures.<sup>159</sup>

The Committee heard evidence from several witnesses that it was important the EI Operating Account be separated from the government's general accounts and that EI premiums be used only to finance the EI program. For example, the CEIC's Commissioner for Workers emphasized the importance of "keeping EI funds for EI programs, ensuring contributions are used for the purpose they were originally intended."<sup>160</sup> In its submission to the Committee, the Fédération des travailleurs et travailleuses du Québec also urged the government to stop "using the EI fund for purposes other than for what it was intended."<sup>161</sup>

A reference document submitted by Judith Andrew, the CEIC's Commissioner for Employers, also notes that ensuring EI revenues are spent on the EI program and EI benefits is very important to employers.<sup>162</sup>

The effective management of the EI "fund" was a concern of many witnesses. In order to ensure that EI premiums are used exclusively to fund the EI programs, the Committee recommends as follows:

#### **RECOMMENDATION 15**

**The Committee recommends that the federal government explore mechanisms to see that funds collected for the purpose of employment insurance serve the needs of the Employment Insurance program.**

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158 Government of Canada, Budget 2016, [Growing the Middle Class](#), 22 March 2016, p. 237.

159 Normally, the maximum change in the employee premium rate is 0.05%. However, the ministers of ESDC and Finance Canada agreed that the limit would not apply to the decrease in the rate for 2017.

160 HUMA, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 9 March 2016, 1615 (Mary-Lou Donnelly).

161 Brief submitted by the FTQ, p. 12.

162 Reference document submitted by Judith Andrew, Commissioner for Employers, CEIC, p. 4.

## CONCLUSION

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Employment insurance is a complex program that has been part of Canadians' income safety net for decades. It has undergone many changes over the years. The changes implemented in recent years and the decreasing percentage of unemployed Canadians who receive EI benefits have raised concerns about the system's ability to meet its primary goal: providing income support to workers who lose their jobs. Throughout this study, witnesses offered their perspective on the various changes to EI made since 2012, including the modifications to the process for appealing EI-related decisions. Witnesses also commented on access to EI and the aspects of the system that can affect that access.

In general, the employee representatives believe that access to EI is currently too restrictive. While they support the proposed changes to EI announced in Budget 2016, they maintain that many other improvements are needed to adequately protect workers from the risk of unemployment. The key proposals from labour stakeholders include eliminating the variable entrance requirement for EI, improving access for vulnerable workers, such as part-time workers, establishing higher quality service standards for both new applications and complaints, and protecting the integrity of the EI Operating Account.

The employer and taxpayer representatives do not contest the necessity of helping unemployed Canadians through a good EI system. They are also generally in favour of improving the program's service standards and preserving the integrity of the EI fund. However, they believe that an overly generous EI system can discourage workers from seeking or taking jobs, which, in the context of an aging population and labour shortages in some regions and occupations, could prove harmful to businesses and the economy in general.

In this report, the Committee makes a number of recommendations to improve access to EI and the system as a whole. In particular, a number of the Committee's recommendations relate to the EI changes made in 2012-2013, and the relatively low percentage of unemployed Canadians who receive EI benefits. The Committee is aware that none of the proposed solutions is a panacea. Given Canada's geographic size and the diverging interests of the various stakeholders, a one-size-fits-all solution is unlikely to be found. The Committee nonetheless hopes that the recommendations in this report will foster an appropriate balance between an EI system that adequately protects Canadian workers from the risk of unemployment and one that encourages labour market attachment and labour mobility.



# LIST OF RECOMMENDATIONS

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## RECOMMENDATION 1

The Committee recommends that the federal government review the eligibility requirement for “valid job separation” to allow employment insurance claimants who find a new job during the benefits period to retain their EI benefits should the employment not be suitable..... 10

## RECOMMENDATION 2

The Committee recommends that the federal government take immediate action to eliminate the eligibility requirement of 910 hours of insurable employment for new entrants and re-entrants to the labour market..... 13

## RECOMMENDATION 3

The Committee recommends that the federal government take immediate steps to reinstate the job search responsibilities requirements and the obligation to accept suitable employment that were in effect prior to 2013. .... 15

## RECOMMENDATION 4

The Committee recommends that Employment and Social Development Canada increase its efforts to promote the responsibilities claimants have to look for a job and to accept suitable employment, as appropriate. .... 15

## RECOMMENDATION 5

The Committee recommends that Employment and Social Development Canada strongly encourage EI claimants to sign up for the Job Alerts of Job Bank; and that the department explore the possibility of making the sign up automatic for EI claimants. .... 17

## RECOMMENDATION 6

The Committee recommends that the federal government reconsider the new employment insurance economic regions created in 2014, and that previous boundaries be restored. .... 20

## RECOMMENDATION 7

The Committee recommends that the federal government explore increasing the maximum number of weeks of employment insurance sickness benefits..... 23

**RECOMMENDATION 8**

The Committee recommends that Employment and Social Development Canada hold consultations with relevant stakeholders to determine whether all special benefits should remain part of the Employment Insurance program or be administered separately. .... 24

**RECOMMENDATION 9**

The Committee recommends that Employment and Social Development Canada implement measures to raise awareness of the Work-Sharing program in order to increase the program participation. .... 25

**RECOMMENDATION 10**

The Committee recommends that Employment and Social Development Canada take immediate steps to ensure that:

- during the extension period announced in Budget 2016, the choice between the current and previous versions of the “Working While on Claim” pilot project is completely free and not governed by specific eligibility criteria;
- the Government of Canada website and Service Canada agents provide the necessary information claimants need to choose the better of the two versions of the pilot project for their situation; and
- at the end of the extension period for the current pilot project in August 2018, a complete assessment of the pilot project be undertaken, the results shared with the Committee by February 2019, and made public. .... 29

**RECOMMENDATION 11**

The Committee recommends that the federal government provide Service Canada with the resources required so that:

- they can handle the vast majority of calls and in-person visits quickly;
- they endeavour to make the first payment in the 28 days following the date the application was completed, in order to meet the established service standards. .... 32

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**RECOMMENDATION 13**

**The Committee recommends that Employment and Social Development Canada undertake a review of the new Social Security Tribunal (SST) to determine:**

- how it compares with the previous system in terms of costs, efficiency, and client satisfaction;**
- how the SST can improve transparency, by providing claimants with all the evidence on which its decisions are based, and making all of its decisions public;**
- how the SST could improve efficiency with more resources;**
- the impacts of facilitating hearings in-person, or via videoconference, at both the first and second appeal stages;**
- the impacts of setting a limit on the amount of time the SST takes to issue decisions..... 35**

**RECOMMENDATION 14**

**The Committee recommends that Employment and Social Development Canada establish a process whereby workers and employers can give input to the decision-making process that leads to the setting of the premium rate..... 39**

**RECOMMENDATION 15**

**The Committee recommends that the federal government explore mechanisms to see that funds collected for the purpose of employment insurance serve the needs of the Employment Insurance program. .... 40**





# APPENDIX A: EMPLOYMENT INSURANCE PROGRAM CHARACTERISTICS FOR THE PERIOD OF 8 MAY 2016 TO 11 JUNE 2016

Province/Territory Economic Region Name	Unemployment Rate	Number of Insured Hours Required to Qualify for Regular Benefits	Minimum Number of Weeks Payable for Regular Benefits	Maximum Number of Weeks Payable for Regular Benefits	Number of Best Weeks Required for Benefit Calculation
<b>Newfoundland and Labrador</b>					
<u>St. John's</u>	7.1	630	17	40	20
<u>Rest</u>	18.4	420	32	45	14
<b>Prince Edward Island</b>					
<u>Charlottetown</u>	7.4	630	17	40	20
<u>Rest</u>	14.4	420	26	45	14
<b>Nova Scotia</b>					
<u>Eastern</u>	15.4	420	30	45	14
<u>Western</u>	8.6	595	18	42	19
<u>Halifax</u>	7.1	630	17	40	20
<b>New Brunswick</b>					
<u>Fred.-Monct.-Saint John</u>	8.6	595	18	42	19
<u>Madawaska-Charlotte</u>	8.9	595	18	42	19
<u>Restigouche-Albert</u>	14.4	420	28	45	14
<b>Quebec</b>					
<u>Gaspésie-Îles-de-la-M.</u>	16.9	420	32	45	14
<u>Quebec City</u>	4.6	700	14	36	22
<u>Trois-Rivières</u>	6.6	665	15	38	21
<u>South Central</u>	6.3	665	15	38	21
<u>Sherbrooke</u>	7.7	630	17	40	20
<u>Montréal</u>	6.3	665	15	38	21
<u>Montreal</u>	8.5	595	18	42	19
<u>Central</u>	6.9	665	15	38	21
<u>Northwestern</u>	9.6	560	20	44	18
<u>Lower-St. Lawr., N. Shore</u>	9.7	560	20	44	18
<u>Hull</u>	6.6	665	15	38	21
<u>Chicoutimi-Jonquière</u>	9.9	560	20	44	18
<b>Ontario</b>					
<u>Ottawa</u>	6.9	665	15	38	21
<u>Eastern</u>	8.2	595	18	42	19
<u>Kingston</u>	6.3	665	15	38	21
<u>Central</u>	6.3	665	15	38	21

Province/Territory Economic Region Name	Unemployment Rate	Number of Insured Hours Required to Qualify for Regular Benefits	Minimum Number of Weeks Payable for Regular Benefits	Maximum Number of Weeks Payable for Regular Benefits	Number of Best Weeks Required for Benefit Calculation
Oshawa	6.1	665	15	38	21
Toronto	7.5	630	17	40	20
Hamilton	5.4	700	14	36	22
St. Catharines	7.6	630	17	40	20
London	7.3	630	17	40	20
Niagara	8.2	595	18	42	19
Windsor	6.7	665	15	38	21
Kitchener	5.7	700	14	36	22
Huron	7.3	630	17	40	20
South Central	4.7	700	14	36	22
Sudbury	8.6	595	18	42	19
Thunder Bay	7.3	630	17	40	20
Northern	12.5	455	24	45	15
<b>Manitoba</b>					
Winnipeg	6.2	665	15	38	21
Southern	7.0	665	15	38	21
Northern	34.0	420	32	45	14
<b>Saskatchewan</b>					
Regina	5.0	700	14	36	22
Saskatoon	7.1	630	17	40	20
Southern	7.4	630	17	40	20
Northern	19.9	420	32	45	14
<b>Alberta</b>					
Calgary	8.4	595	18	42	19
Edmonton	6.9	665	15	38	21
Northern	12.3	455	24	45	15
Southern	8.2	595	18	42	19
<b>British Columbia</b>					
Southern Interior	8.7	595	18	42	19
Abbotsford	7.1	630	17	40	20
Vancouver	6.0	700	14	36	22
Victoria	7.1	630	17	40	20
Southern Coastal	7.0	665	15	38	21
Northern	10.8	525	21	45	17
<b>Territories</b>					
Whitehorse	5.9	700	14	36	22
Rest of Yukon	8.3	595	18	42	19
Yellowknife	6.6	665	15	38	21
Rest of NWT	12.4	455	24	45	15

<b>Province/Territory Economic Region Name</b>	<b>Unemployment Rate</b>	<b>Number of Insured Hours Required to Qualify for Regular Benefits</b>	<b>Minimum Number of Weeks Payable for Regular Benefits</b>	<b>Maximum Number of Weeks Payable for Regular Benefits</b>	<b>Number of Best Weeks Required for Benefit Calculation</b>
Iqaluit	5.2	700	14	36	22
Rest of Nunavut	21.5	420	32	45	14

Source: Table prepared using data published at: Government of Canada, "[EI Program Characteristics for the period of May 08, 2016 to June 11, 2016.](#)"



# APPENDIX B LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p><b>As an individual</b></p> <p>David Gray, Professor of Economics University of Ottawa</p>	2016/03/09	3
<p><b>C.D. Howe Institute</b></p> <p>Colin Busby, Associate Director Research</p>		
<p><b>Canadian Federation of Independent Business</b></p> <p>Daniel Kelly, President and Chief Executive Officer</p>		
<p><b>Department of Employment and Social Development</b></p> <p>Nancy Amyot, Policy Advisor Office of the Commissioner for Workers, Canada Employment Insurance Commission</p> <p>Mary-Lou Donnelly, Commissioner for Workers Canada Employment Insurance Commission</p>		
<p><b>Canada's Building Trades Unions</b></p> <p>Robert Blakely, Canadian Operating Officer</p>	2016/05/02	8
<p><b>Community Unemployed Help Centre</b></p> <p>Neil Cohen, Executive Director</p> <p>Sandra Guevara-Holguin, Advocate</p>		
<p><b>Inter-Provincial EI Working Group</b></p> <p>Hans Marotte, Lawyer</p> <p>Laurell Ritchie, Co-chair</p>		
<p><b>Canadian Taxpayers Federation</b></p> <p>Aaron Wudrick, Federal Director</p>	2016/05/04	9
<p><b>Department of Employment and Social Development</b></p> <p>Benoît Long, Senior Assistant Deputy Minister Processing and Payment Services Branch, Service Canada</p> <p>Annette Ryan, Director General Employment Insurance Policy, Skills and Employment Branch</p> <p>Paul Thompson, Senior Assistant Deputy Minister Skills and Employment Branch</p>		
<p><b>International Alliance of Theatrical Stage Employees</b></p> <p>John Lewis, Vice-President Director, Canadian Affairs</p>		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Statistics Canada</b> Alison Hale, Director Labour Statistics Division	2016/05/04	9
<b>Canada Employment Insurance Commission</b> Judith Andrew, Commissioner for Employers Charles Côté, Policy Advisor	2016/05/09	10
<b>Mouvement autonome et solidaire des sans-emploi            (réseau québécois)</b> Marie-Hélène Arruda, Coordinator		
<b>Prince Edward Island Fishermen's Association</b> Robert Jenkins, Vice-President Ian MacPherson, Executive Director		

# APPENDIX C LIST OF BRIEFS

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## Organizations and Individuals

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Alberta Federation of Labour

Canadian Labour Congress

Canadian Union of Public Employees, Alberta Division

Community Unemployed Help Centre

Employment Insurance Working Group, Good Jobs for All Coalition

Fédération des travailleurs et travailleuses du Québec

Income Security Advocacy Centre

Inter-Provincial EI Working Group

Justicia for Migrant Workers

Mouvement autonome et solidaire des sans-emploi (réseau québécois)

Multiple Sclerosis Society of Canada

Newfoundland and Labrador Federation of Labour

Parkdale Community Legal Services

Prince Edward Island Coalition

Public Service Alliance of Canada

Saskatchewan Federation of Labour

Toronto East Employment Law Services

Unifor

Waterloo Regional Labour Council





# REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings ([Meetings Nos. 3, 8, 9, 10 and 16](#)) is tabled.

Respectfully submitted,

Bryan May  
Chair



## **Dissenting Opinion of the Official Opposition**

As Members of the Official Opposition, we would like to thank the many witnesses who appeared before the Committee, as well as those who submitted briefs as part of the study on the Employment Insurance (EI) program.

We participated in the study on the EI program with open minds. During the consideration of the report, we supported the recommendations that promoted the evaluation of EI program measures, that protected the most vulnerable, and that encouraged greater transparency and efficiency.

### **Our concerns**

However, we rejected recommendations that did away with measures implemented by the previous government as part of its major EI reform in 2013. In our opinion, these measures should be kept, as they have had a positive impact on employment as well as on how citizens treat EI benefits. The primary objective of this reform was to make it easier for unemployed individuals to return to work by helping them find a job. The reform was designed to increase accountability for unemployed workers receiving benefits and we believe it was a step in the right direction. In fact, the Canadian Taxpayers Federation told the Committee that “We believe that a system that is too generous can create disincentives for people to seek or accept work when they otherwise might do so,”<sup>1</sup> and we support their position.

Furthermore, we believe that the report adopted by the Committee was not objective in terms of the differing views about EI reform. Of the 80 quotes from witnesses included in the report, 42 were very critical of the measures implemented by the previous Conservative government, and only 15 were in favour of these measures. Of the 27 witnesses cited, a mere 7 witnesses made positive comments about measures implemented by the former government. Some witnesses who expressed opinions that differed from the majority of witnesses heard were not cited in the report at all, despite the relevance of their arguments. For example, the Canadian Taxpayers Federation appeared before the Committee in person, and yet it was not quoted in the report at all, while six briefs were cited whose authors did not appear before the Committee.

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<sup>1</sup> HUMA, Evidence, 1<sup>st</sup> session, 42<sup>nd</sup> Parliament, May 4th, 2016, 1735 (Aaron Wudrick, Federal Director, Canadian Taxpayers Federation)

## Little effect on EI

One of the major failings of the report, in our opinion, is that it does not reflect the fact that “witnesses acknowledge that in practice, few individuals lost their EI benefits due to these new definitions.”<sup>2</sup>

The following citations show that this statement is true:

According to Hans Marotte, representative of the Inter-Provincial EI Working Group, “it is true that I didn’t handle a great many cases stemming from the Conservative reform.”<sup>3</sup>

According to Marie-Hélène Arruda, a coordinator with the Mouvement autonome et solidaire des sans-emploi, “on the subject of suitable employment, there have [...] been few cases reported in Quebec of claimants being disqualified for refusing suitable employment.”<sup>4</sup>

According to Judith Andrew, the Canada Employment Insurance Commission’s Commissioner for Employers, “despite the quite vocally expressed concerns, the CCAJ [Connecting Canadians to Available Jobs] changes actually had very little impact in terms of disqualifying claimants for benefits,”<sup>5</sup>

According to Paul Thompson, the Senior Assistant Deputy Minister for the Skills and Employment Branch of the Department of Employment and Social Development, “We don’t have a specific indication of the total impact, other than that a very modest number of disqualifications came out of those regulations.”<sup>6</sup>

These statements speak volumes, confirming that changes made to the EI program in 2013 were the right changes, and that Canadian society has benefitted from them. And yet, the report failed to include this important point. If the vast majority of the witnesses agreed that the reform had virtually no effect on preventing Canadian residents from obtaining benefits, that proves that it fulfilled its objective. The Committee’s report should have reflected this fact.

Claimant accountability, the sound management of public funds, and cutting red tape are all ongoing concerns for our Official Opposition caucus.

As members of this Committee, we would like to share our position on some of this report’s recommendations that we disagree with.

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<sup>2</sup> HUMA Committee Report: Exploring the Impact of Recent Changes to Employment Insurance and of Access to the Program

<sup>3</sup> HUMA, Evidence, 1<sup>st</sup> session, 42<sup>nd</sup> Parliament, May 2nd, 2016, 1755 (Hans Marotte, representative, Inter-Provincial EI Working Group)

<sup>4</sup> HUMA, Evidence, 1<sup>st</sup> session, 42<sup>nd</sup> Parliament, May 9th, 2016, 1635 (Marie-Hélène Arruda, Coordinator, Mouvement autonome et solidaire des sans-emploi)

<sup>5</sup> HUMA, Evidence, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, May 9th, 2016, 1635 (Judith Andrew, Commissioner for Employers, Canada Employment Insurance Commission)

<sup>6</sup> HUMA, Evidence, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, May 4th, 2016, 1755 (Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch, Department of Employment and Social Development)

### **Claimant accountability**

Recommendation 1 calls on the federal government review the eligibility requirement for “valid job separation” to allow EI claimants who find a new job during the benefits period to retain their benefits should the employment not be suitable.

The very core of the previous government’s reform was to increase claimant accountability and encourage them to find a job over all other forms of benefits. If the government implements this recommendation, claimants could “shop around” for jobs while they are still collecting benefits.

We recognize that not every job suits every person. However, this recommendation opens the door to claimants refusing suitable jobs on the pretext that it does not suit them. In our opinion, a job should be refused only for serious or exceptional reasons. We believe that a job that “does not suit” is not a valid job separation.

### **Out-of-control spending**

Recommendation 2 calls on the federal government to take immediate action to eliminate the eligibility requirement of 910 hours of insurable employment for new entrants and re-entrants to the labour market.

The eligibility requirement to have 910 hours of insurable employment seems reasonable to us because it applies to people who had not accumulated 490 hours of work before the qualifying period. It seems fair to us that they would have to accumulate more hours of insurable employment during the qualifying period to be eligible for EI benefits.

With this recommendation, the Committee is giving the government the latitude to establish its own eligibility criteria without having to carry out any study to determine the advantages and disadvantages of the various options. In addition, witnesses seemed to think that the threshold should be 360 hours of insurable income. We cannot support this measure because it is not sound management of public funds. As Paul Thompson said, “If we look at regular benefits alone for 360 hours, it’s in the range of \$1 billion. That’s consistent with some past estimates that were provided within the last few years, adjusted for volumes for the current size of the labour force.”<sup>7</sup> We believe that Canadian taxpayers cannot bear this burden.

We also agree with Colin Busby, an assistant director of research at the C.D. Howe Institute, who said that “What’s nice about the 360-hour proposal is that it refers to part-time workers. It would be a nice thing to capture part-time workers, but if we go that low, then the problem is that you get an extreme risk of creating

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<sup>7</sup> HUMA, Evidence, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, May 4th, 2016, 1755 (Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch, Department of Employment and Social Development)

a large level of dependency and encouragement of seasonal work.”<sup>8</sup> We need to be very conscious of the consequences of establishing the threshold at 360 hours of insurable employment.

### **A step in the wrong direction**

Recommendation 3 calls on the federal government to take immediate steps to reinstate the job search responsibilities requirements and the obligation to accept suitable employment that were in effect prior to 2013.

In our opinion, this recommendation goes against what the vast majority of confirmed when they said that there was virtually no negative impact as a result of the 2013 reform, as cited above.

### **Better reflection of reality**

Recommendation 6 calls on the federal government to reconsider the new EI economic regions created in 2014, and that previous boundaries.

We believe that the changes made in 2014 addressed certain gaps regarding the economic realities in various regions across Canada. For example, separating Prince Edward Island into two economic regions reflected the fact that job opportunities for Island residents are significantly different between the capital region (Charlottetown) and the rural regions that form the rest of the province. Since employment opportunities are better in Charlottetown than in rural areas, it made sense for the government to make this change. By requiring people who live within the Charlottetown region to accumulate more hours of work to be eligible for EI than other Island residents, the previous government was addressing the inequalities on Prince Edward Island with regards to EI.

### **More red tape**

Recommendation 10 asks Employment and Social Development Canada to take immediate steps to ensure that:

- during the extension period announced in Budget 2016, the choice between the current and previous versions of the Working While on Claim pilot project is completely free and not governed by specific eligibility criteria;
- the Government of Canada website and Service Canada agents provide the necessary information claimants need to choose the better of the two versions of the pilot project for their situation; and
- at the end of the extension period for the current pilot project in August 2018, a complete assessment of the pilot project be undertaken, the results shared with the Committee by February 2019, and made public.

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<sup>8</sup> HUMA, Evidence, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, March 9th, 2016, 1620 (Colin Busby, Associate Director, Research, C.D. Howe Institute)

In our opinion, this recommendation is flawed, as it will skew the results of the pilot project. We believe that EI claimants must participate fully in the current version of the pilot project until August 2018 so that the government can evaluate all the advantages. By giving claimants the choice between the current version and the previous version of the pilot project, the government will have insufficient reliable data to determine whether the pilot project was a success or a failure. We also believe that overseeing two versions of the pilot project creates an unnecessary administrative burden.

Recommendation 12 calls on the federal government to reinstate the system of regional EI liaison agents to improve support for unemployed individuals who wish to apply or have applied for benefits.

In our opinion, this recommendation adds an extra layer of red tape. We believe that it would be better to improve how existing resources are distributed and to increase efficiency rather than adding to the already heavy administrative burden.

### **Promoting employment**

We believe that the recommendations made by the Committee do not clearly express the fact that creating a dependency on EI benefits and promoting routine reliance on seasonal work are to be avoided at all costs. As David Gray, an economics professor at University of Ottawa, said “I would want to see safeguards so that we don’t take new entrants into the Canadian labour force and have these new entrants or re-entrants develop dependency patterns on the EI regime.”<sup>9</sup>

By failing to include these fundamental principles in its recommendations, the Committee is sending the wrong message to workers and EI recipients. The Committee’s report should have emphasized the fact that EI benefits are a last resort and should never replace a real job.

### **Conclusion**

In closing, we believe that the EI program reform carried out by the previous government in 2013 was a step in the right direction. We would have liked to have seen Committee recommendations that focused more on ways to improve the system in its current form. As the reform has been in place for barely three years, we believe that Canadian society would benefit from taking the time to measure all the effects.

We strongly encourage the government to take into account the thoughts, concerns and recommendations expressed herein.

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<sup>9</sup> HUMA, Evidence, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, March 9, 2016, 1645 (David Gray, Professor of Economics, University of Ottawa).





## **Supplementary Report of the New Democratic Party**

Employment Insurance is a key component of the Canadian social safety net. Created in 1940, it is intended to support Canadians through difficult times – unemployment, training for a new career, new parenthood, illness, or caring for a sick parent or child. But after years of Liberal and Conservative attacks, the Employment Insurance (EI) system is broken.

That is why the New Democratic Party introduced a motion calling on the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities to review the harmful changes made by the Conservatives in 2013 and to consider ways to fix EI so that it works for Canadians in times of need.

The committee received input from many stakeholders, in person and in written briefs. Many of them advocated passionately for major reforms to be made to our EI system to increase access, to raise benefit levels, to improve service delivery, and to ensure fair and timely appeals.

Unfortunately, we do not believe the final committee report reflects the testimony that was heard, and the recommendations do not go nearly far enough to address the concerns raised by witnesses. That is why we offer this supplementary opinion.

### **CREATING A UNIVERSAL THRESHOLD**

Fewer than 4 in 10 unemployed Canadians currently receive EI benefits. One of the reasons for this unacceptably low rate of coverage is the number of hours required to access EI, which varies considerably across the country. The regional variation is unfair. It fails to reflect the chances of finding new employment, and it results in a scenario where two workers who work side-by-side receive different benefits when they are laid off, based on their home addresses.

A majority of the witnesses and stakeholders who submitted briefs called for a universal threshold of 360 hours – something for which the NDP has advocated for a long time.

As David Grey of the University of Ottawa noted, “most economists are opposed to regionally based benefits, because they discourage regional geographic labour mobility and undermine the efficiency of the labour market.” He noted that Canada is nearly unique in using regional criteria to determine access to unemployment benefits.<sup>1</sup>

The high thresholds also discriminate against precarious and part-time workers, many of whom are women, racialized people, people with disabilities and new immigrants. In fact, considerably fewer women receive EI benefits than men. This is of significant

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<sup>1</sup> HUMA, [Evidence](#), March 9, 2016.

concern given the rising importance of precarious work in the Canadian economy. As John Lewis of the International Alliance of Theatrical Stage Employees told the committee, “EI is just one of many areas where we have to come to grips with the precarious work where our members literally have seven different employers in one week.”<sup>2</sup>

The regional variation has also left some residents in Canada’s biggest cities with very low EI coverage. As Laurell Ritchie of the Inter-Provincial EI Working Group testified, “In my city [Toronto], it’s 21%. In Vancouver and Montreal, the largest cities in this country, the largest labour markets, it’s below 30%.”<sup>3</sup>

The consensus around the need to address this aspect of the EI system is overwhelming. The Liberals themselves voted in favour of a motion calling on the government to create a single universal threshold while they were in opposition. It’s time to act.

Therefore, the NDP recommends **that the government create a single, universal threshold of 360 hours for accessing EI benefits.**

## **PROTECTING THE EI ACCOUNT**

Committee witnesses also offered a broad consensus that immediate action needs to be taken to protect the EI Account and to ensure that EI premiums can only be used for EI benefits and training. Over the past two decades, Liberal and Conservative governments have used the EI Account to pad government balances, paying for other priorities such as tax cuts for corporations and wealthy Canadians. In all, more than \$57 million collected from workers and employers to provide benefits to Canadians in times of need has been diverted to other causes.

In their input to the committee, witnesses were very clear: they want to see the EI Account protected so that premiums can only be spent on EI benefits and training.

In this regard, the Committee’s recommendation that the government “explore mechanisms to see that the funds collected for the purpose of Employment Insurance serve the needs of the Employment Insurance program” does not go nearly far enough. The mechanism is simple and needs no further exploration: the Account needs to be independent and it needs to be protected in legislation.

The Liberals promised during the campaign to “make the appropriate legislative and policy changes to ensure that Employment Insurance contributions are only used to fund Employment Insurance benefits and programs, and are not used by the

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<sup>2</sup> HUMA, [Evidence](#), May 4, 2016.

<sup>3</sup> HUMA, [Evidence](#), May 2, 2016.

government to fund other programs.”<sup>4</sup> The government needs to make good on its promise to Canadians.

Therefore, the NDP recommends that **the government immediately introduce legislation to protect the EI Account.**

## **EXTRA FIVE WEEKS**

One of the most damaging reforms the Conservatives implemented in government was to cancel the Extra Five Weeks pilot project which provided an extra five weeks to workers in areas of high unemployment in order to close the seasonal gap, the so-called “black hole” for workers.

Many witnesses told the committee of the devastating impact the cancellation of this program has had. Hans Marotte, representing the Mouvement Action-Chômage de Montréal under the umbrella of the Interprovincial EI Working Group, explained to the committee the importance of having a set of eligibility criteria that would allow for workers from seasonal industries to have access to a year-long revenue stream. This sentiment was echoed by the Marie-Hélène Arruda, from the Mouvement autonome et solidaire des sans-emploi (MASSE):

Another consequence of the EI reforms was the non-renewal of the pilot project to extend the employment insurance benefits by five weeks in certain economically disadvantaged regions. We are calling on the government to reinstate the pilot project, which was not renewed, thus restoring the additional five weeks of EI benefits provided to unemployed workers in economically disadvantaged regions. This recommendation applies to regions where the extended coverage was previously in effect, as well as the new regions identified in the budget.

I'm not sure whether you're familiar with the infamous black hole, the period of time between the end of benefits and the return to seasonal employment. In some cases, workers have no income whatsoever during this period.<sup>5</sup>

The Liberals themselves raised concerns about the cancellation of this program during the election campaign. Bobby Morrissey, then candidate and now the Member of Parliament for Egmont, told reporters “I’m meeting a lot of people who see their EI benefits exhaust weeks, if not months, before their regular jobs starts. But the bills don’t stop coming when your EI benefits expire and that has had a real negative impact on rural communities here on Prince Edward Island.”<sup>6</sup> Wayne Easter, then candidate and

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<sup>4</sup> Liberal Party backgrounder, “Employment Insurance that Strengthens Our Economy and Works for Canadians.”

<sup>5</sup> HUMA, *Evidence*, May 9, 2016.

<sup>6</sup> Colin MacLean, “Battle for EI as Liberals Promise to Repeal Conservative EI Changes,” *The Journal Pioneer*, September 8, 2015, <http://www.journalpioneer.com/News/Local/2015-09-08/article-4270122/Battle-for-EI-as-Liberals-promise-to-repeal-Conservative-EI-changes/1>.

now the Member of Parliament for Malpeque, added, “When you have people who come into your office two months before the work season begins and they’ve got no money and they’re wondering how are they going to put food on the table and they’re in tears – we see that human factor first hand.”<sup>7</sup>

Yet the Liberal government’s decision to extend benefits by an extra five weeks for workers in some areas of the country while excluding Atlantic Canada and Eastern Quebec leaves those workers suffering from the seasonal gap without any assistance at all from this government.

The Liberal government also adopted a convoluted formula for determining which regions would receive an extra five weeks of benefits resulting in the exclusion of Regina, a region which has been hard hit by recent spikes in unemployment.

The NDP therefore recommends that **the government abandon its convoluted formula, extend benefits for all Canadians as long as the economy is struggling, and reinstate the Extra Five Weeks program for seasonal workers.**

## **FIXING THE BROKEN APPEALS PROCESS**

The Conservative government took an appeal process that was working and completely broke it. Their understaffed Social Security Tribunal (SST) has been overwhelmed by huge backlogs and long wait times. It denies basic elements of justice, such as the publication of all decisions, the right to make one’s case in person, and the right to an advocate of one’s own choosing.

Stakeholders have noted that wait times for an EI appeal have quadrupled under the SST, even though the government promised it would be faster and more efficient.<sup>8</sup>

In addition, granting the power to Tribunal members to decide how to hold the hearing – in person, over the phone, by video conference, or in writing – has had a significant impact on the chances of success. In 2014, the chance of succeeding at an appeal was more double for an in-person appeal compared to a teleconference or videoconference appeal. Yet the applicant has no power over the method of conducting the hearing.<sup>9</sup>

The result has been universal dissatisfaction with the Social Security Tribunal. The MASSE stated that “[not] only does the mechanism give rise to inordinate delays, but

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<sup>7</sup> Ibid.

<sup>8</sup> Guillaume Bourgault-Côté, “Tribunal de la sécurité sociale – Des délais quatre fois plus longs,” *Le Devoir*, June 17, 2014.

<sup>9</sup> Lee-Anne Goodman, “Fewer In-Person Hearings Being Held by Social Security Tribunal,” *iPolitics*, December 18, 2014, <http://ipolitics.ca/2014/12/18/fewer-in-person-hearings-being-held-by-social-security-tribunal/>.

the very way it operates causes miscarriages of justice.”<sup>10</sup> The CUHC also had harsh words for the Tribunal:

I would submit to you that few people appeal to the SST because dealing with Service Canada means encountering a succession of speed bumps, starting from the time one tries to call Service Canada and is unable to get through. Then, one encounters claim processing delays, which create another deterrent. Then one goes through the request for reconsideration stage—another deterrent. By that time, one is sufficiently discouraged from even pursuing their appeal rights to the social security tribunal.<sup>11</sup>

The Committee report recommends a review of the SST, but the problems have already been identified, many times, by stakeholders.

Therefore, New Democrats believe that swift action is required to address the shortcomings of the appeal system. Therefore, the NDP recommends that **the government immediately take steps to fix the Social Security Tribunal, including:**

- a) **Hiring more Tribunal members.**
- b) **Publishing all decisions on the Tribunal’s website.**
- c) **Guaranteeing timelines for appeals.**
- d) **Guaranteeing an in-person hearing to all appellants who ask for one.**
- e) **Adopting legislation allowing an appellant to have the advocate of their choice.**

## **SERVICE CANADA**

Many of the stakeholders raised concerns about the long wait times to receive assistance from Service Canada. In fact, many unemployed workers who call Service Canada are stuck waiting for hours on end. Many more receive a busy message and cannot access the queue. Meanwhile, hundreds of thousands of Canadians are waiting more than 28 days to have their application for EI processed, even though bills and rent must be paid every month, whether Service Canada comes through or not.

This kind of service delivery is simply unacceptable, especially since workers are paying for this service with their premiums. Unemployed workers who have difficulty accessing their Employment Insurance benefits need to be able to reach out to a professional in order to get their files in order promptly. These are Canadians whose revenue stream is in peril, and EI has to be there for them in times of need. Service Canada is mandated to help unemployed workers out in these circumstances, and the government has to make sure that it is resourced sufficiently to do this.

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<sup>10</sup> HUMA, Evidence, May 9, 2016.

<sup>11</sup> HUMA, Evidence, May 2<sup>nd</sup>, 2016.

Unfortunately, the money promised to Service Canada is only a drop in the bucket compared to the cuts inflicted on Service Canada by the previous Conservative government.

Therefore, the NDP recommends **that the government provide adequate resources to Service Canada to ensure that no person needs to wait more than 10 minutes to speak to an agent on the phone and no more than 28 days to receive an EI cheque.**

## **BENEFIT LEVELS**

Many stakeholders spoke of the inadequacy of benefit levels and the inherent unfairness in the regional variation in the way in which benefits are calculated. As the Income Security Advocacy Centre (ISAC) told the Committee, “EI regular benefit rates are too low, and are calculated in a manner that perpetuates disadvantage for women and the precariously employed.”<sup>12</sup>

The government needs to implement a system that is fairer for unemployed workers by using a standard formula for averaging their best weeks in order to calculate their benefits. Labour organizations such as the Canadian Labour Congress (CLC), Unifor, the Fédération des travailleurs et des travailleuses du Québec (FTQ), and the Newfoundland and Labrador Federation of Labour, as well as by groups representing the interests of EI claimants, including MASSE and the Inter-provincial EI Working Group, have all recommended that the government should calculate benefits according to the best 12 weeks of earnings. Many of these stakeholders also recommend increasing benefits to 60% of insurable earnings.

Therefore, the NDP recommends that **the government increase benefits to 60% of insurable earnings and base benefits on the best 12 weeks of a worker’s earnings.**

## **COVERAGE**

As indicated earlier, a majority of unemployed workers are not able to access EI given the challenging job market. MASSE pointed out that “[...] in 2014, the EI coverage rate reached a catastrophic level of 38%, which means that only 38% of unemployed people received benefits. [...] By comparison, in 1989, 83% of unemployed people qualified for and received EI benefits.”<sup>13</sup> This sentiment was also echoed by the FTQ: “There are a number of problems with EI, but one of the most obvious ones – one that absolutely must be corrected – concerns coverage. Over the years, there have been tightened eligibility criteria, reduced duration of benefits and a lowered income replacement

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<sup>12</sup> Brief submitted by ISAC, p. 4.

<sup>13</sup> Brief submitted by MASSE, p.1.

rate.”<sup>14</sup> The seriousness of this problem cannot be emphasized enough, especially given what it means for those who are most affected by the inadequate coverage of the Employment Insurance system. As was pointed out by the Income Security Advocacy Centre: “Many of these workers are from vulnerable groups who are overrepresented in low-income employment, such as women, racialized people, people with disabilities, and new immigrants.”<sup>15</sup>

As the job market changes and the incidence of precarious work rises, it is becoming more difficult for workers to meet the criteria needed to access EI. For part-time workers and for contractual or freelance workers, meeting the eligibility requirements is becoming increasingly difficult. As the CLC highlighted in their brief: “Workers in Canada are desperately in need of a sturdy social safety net, as more and more of us live with the realities of precarious employment.”<sup>16</sup> The Good Jobs For All Coalition also highlighted how the reliance on precarious and temporary jobs lead to fewer work hours, which makes it difficult to access the regime. For example, “Retail sector workers average less than 26 hours weekly and that’s our largest occupational group”.<sup>17</sup> Such workers must not be left behind and the government needs to tackle this issue in a multi-faceted way in order to effectively offer a social safety net for all workers.

The NDP therefore recommends that **the government consider options to extend EI coverage for precarious workers.**

Witnesses also testified that long-term unemployment is having a significant impact on EI coverage. According to Paul Thompson from the Department of Employment and Social Development, in 2014, 39% of the 1.3 million unemployed Canadians had not worked in the last 12 months.<sup>18</sup> This highlights the weakness of the Canadian economy and the need to invest in job creation so that Canadians do not need to exhaust their EI benefits without any hope of finding new work.

Finally, Justicia for Migrant Workers highlighted an important issue which the Committee report fails to address: Migrant workers are obliged to pay into the EI system but have been disqualified from receiving benefits. This is a profound injustice – workers should not be barred from benefitting from a program to which they are forced to contribute.

Therefore the NDP recommends that **the government restore access to EI benefits for migrant workers.**

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<sup>14</sup> Brief submitted by the FTQ, p.10.

<sup>15</sup> Brief submitted by ISAC, p.4.

<sup>16</sup> Brief submitted by the CLC, p.1.

<sup>17</sup> Brief submitted the Good Jobs For All, p.2.

<sup>18</sup> HUMA, Evidence, May 4, 2016.

## **SPECIAL BENEFITS**

The EI program also provides maternity, parental, compassionate care, illness and critically ill child benefits. Access to these benefits is also unfairly restricted, leaving too many Canadians with no support in times of stress or transition for their families. While the Liberals promised to make changes to parental benefits, none of their proposed changes actually address the central problem, which is access.

The NDP recommends that **the government implement a universal threshold of 360 hours to qualify for special benefits as well.**

The Committee also heard that 15 weeks of sick leave are simply not enough when people are facing serious health problems. The Committee report suggests “exploring” the option of extending sickness benefits. However, the Liberals were not calling for exploration in the past, when they voted in favour of Bill C-291, which would have extended sickness benefits to 50 weeks.

We believe it is time for the government to provide sufficient support to Canadians dealing with serious illnesses by making good on that commitment.

Therefore, we recommend that **the government immediately extend sickness benefits from 15 weeks to 50 weeks.**

The Committee has suggested the government review special benefits to determine whether they should continue to be administered through the Employment Insurance system. We urge caution in this process, as many Canadians are concerned that any changes to how benefits are administered should not lead to benefit cuts or further deterioration of service delivery.

**We urge the government to take this opportunity to listen to Canadians and make significant reforms that are needed to fix EI and to ensure that it is there for Canadians in times of need.**

*Respectfully submitted by the New Democratic Party*

*June 10<sup>th</sup>, 2016*