

Employment Insurance: Scrap the changes



Discussion paper presented at the meeting between
David Alward

and

Representatives of N.B. unemployed workers:

- Committee against cuts to Employment Insurance
- Comité d'action assurance-emploi pour les travailleurs et travailleuses
 - N.B. Common Front for Social Justice
 - N.B. Federation of Labour

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1. Brief background

Workers have had to deal with **three important waves of cuts** since 1990.

1.1 In 1992-1993, the Conservatives of Brian Mulroney, with Bernard Valcourt, have, among other things :

- stopped contributions to the employment insurance program;
- reduced benefits to 57% from 60% ;
- cut off employment insurance to those who left their employment.

1.2 Between 1994 and 1996, Jean Chrétien's Liberals, with Doug Young, have, among other things :

- reduced benefits to 55% from 57% and also reduced the maximum weekly benefits to \$413 from \$448 ;
- introduced a qualifying calculation based on hours of work rather than weeks of work ;
- introduced the divisor and the intensity rule.

1.3 In 2012, Stephen Harper's Conservatives, with Bernard Valcourt, have, among other things :

- introduced three different categories of unemployed persons ;
- abolished the Board of referees to replace it with the Social Security Tribunal ;
- introduced new rules to calculate benefits ;
- created a pilot project allowing employment while receiving benefits.

2. No consultation by government on change

Cuts to the Employment Insurance program were part of the C-38 omnibus bill tabled with the last federal budget. Usually, changes to a program are done through the tabling of a distinct bill which is then examined by a parliamentary committee. Then the public gets the opportunity to know the details and react. Furthermore, those changes and cuts were made:

- without consultation between the two parties making contributions to the plan: the workers and their employers ;
- without consultation with the most affected regions, namely the rural regions and those where the seasonal economy is important;
- without consultation with workers receiving benefits under the employment insurance program.

3. Employment Insurance Profile in New Brunswick

Part of the economy of our province is based on seasonal work. These jobs include the exploitation of our natural resources (fisheries, forestry, berries, etc.), the activities related to tourism (restaurants, hotels, parks, etc.) as well as jobs in several government departments (education, transportation, etc.). Such jobs are seasonal in nature. People working in the above sectors of our economy do not work year round. A large number, especially those living in rural areas, are unemployed each year and always during the same period of time.

3.1 Number of persons in N.B. drawing Employment Insurance

In our province, thousands of workers must resort to the Employment Insurance program when their job ends. Data from Statistics Canada (Table 1) tells us that there is a monthly average of more than 40 000 workers who are on Employment Insurance in N.B. each year.

Table 1. Annual average number of recipients receiving EI benefits in N.B. 2008-2012

Years	2008	2009	2010	2011	2012 Jan.-Sept.
Number of recipients	40 930	47 006	46 570	45 665	45 577

CANSIM: Table 276-0001, Statistics Canada.

3.2 Average Weekly Income

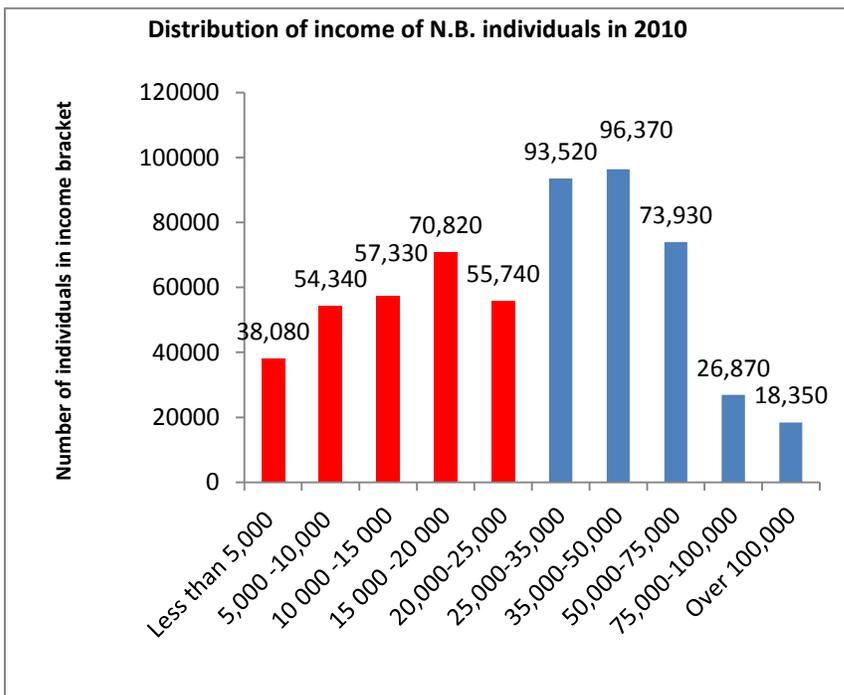
When we analyze the average weekly benefit amounts that unemployed workers receives in our province (Table 2), we see that at an average weekly benefit of between \$335 per week in 2007-2008, and at a benefit \$359 per weeks in 2010-2011, we are among the lowest in Canada, even in the Atlantic provinces. Table 2 also shows that workers in our province receive lower benefits than the national weekly average.

Table 2. Average weekly benefits for Atlantic Provinces

Average weekly benefits	2007- 2008	2008-2009	2009-2010	2010-2011
NFL	\$343	\$360	\$363	\$377
PEI	\$346	\$359	\$364	\$370
NS	\$334	\$349	\$356	\$363
N.B.	\$335	\$347	\$352	\$359
Canada	\$347	\$361	\$366	\$370

Annex 3.1 Total Income Benefits, 2011 EI Monitoring and Assessment Report- CEIC

We know that the maximum weekly benefit is \$485 and the majority of unemployed workers are well below this amount. As we also know, benefits received from Insurance-Employment is only 55% of the salary so, we can safely say that revenue from work-related income is also quite low. The unemployed workers are part of individuals who are at the bottom of the income level.



The N.B. Common Front for Social Justice showed that close to half (47.2%) of individuals in N.B. made less than \$25,000 a year. Moreover, in 2010, close to 40% has an income of less than \$20,000 a year. An important segment of unemployed workers fall into the group having less than \$20,000 per year.

3. Impact on the provincial revenue

When we analyze the total amount drawn from Employment Insurance benefits in N.B., a first observation is that the amount of money involved is very substantial. The second observation is that the amounts paid in benefits have increased significantly since the economic crisis in 2008. As shown in Table 3, we went from 684.5 million dollars in 2007-2008 up to 833.9 million dollars in 2010-2011, an increase of \$149.3 million. This increase is directly related to our ailing economic situation. Had it not been for the income from the Employment Insurance program provided to unemployed workers, the province would have had to substantially increase its social assistance budget because the workers would have no other choice than to resort to welfare.

Table 3. Amount of money paid by the Employment Insurance program to N.B. recipients between 2007-08 and 2010-11

Years	2007-2008	2998-2009	2009-2010	2010-2011
Employment Insurance benefits paid in N.B.	684,5 millions \$	723,9 millions \$	859,5 millions \$	833,8 millions \$

5. Pilot Project: Benefits based on the best 14 weeks of earnings

Following the cuts to the EI program in 1996-1997, the federal government realized it had miscalculated the impact in the regions with high unemployment. It then decided to set up pilot projects in more than 20 regions across Canada. Two of these regions were located in New Brunswick, i.e. the Madawaska-Charlotte and the Restigouche-Albert regions. The third provincial region, namely the Fredericton-Moncton-Saint-John region, was excluded.

The first pilot project allowed workers to use their best 14 weeks of work (in the last 52 week period) to calculate their benefits. With this project, income drawn from "small weeks" was not taken into account; otherwise it would have reduced significantly the amount of benefits received. Even if the regional unemployment rate fell below 13%, the divisor was still 14 within the pilot project regions.

Table 3 shows the unemployment rates for the two N.B. regions which were covered by the pilot project. It is clear that without the pilot project, there would have been periods during which workers would have had a divider over 14, especially in the Greater Madawaska-Charlotte region. A significant reduction in weekly benefits for thousands of unemployed would have occurred.

Table 4. Percentage of unemployment rate in two regions of New Brunswick where there was a pilot project implemented by the federal government.

Regions covered by pilot project	June 2009	Sept. 2009	Dec. 2009	March 2010	June 2010	Sept. 2010	Dec. 2010	March 2011
Madawaska-Charlotte	11.5%	11.8%	11.2%	11.0%	10.4%	11.2%	12.0%	10.8%
Restigouche-Albert	14.3%	15.1%	12.7%	12.9%	13.0%	13.9%	15.5%	14.9%

Annex 2.1 Unemployment Rate, by EI Region. 2011 EI Monitoring and Assessment Report- HRDCC

Reading the following section extracted from the "Report on the Monitoring and Evaluation of EI 2011" gives an idea of the impact.

Canada - Administrative data indicate that 367,840 claimants benefited by receiving higher weekly benefits from the Best 14 Weeks pilot project in 2010/11. Claimants benefiting from the pilot project represented 58.0% of all claimants in the EI pilot regions in 2010/11, up from 56.3% and 53.7% in 2009/10 and 2008/09, respectively. Women were significantly more likely to benefit from the pilot; 74.6% of women in the pilot regions benefited from the pilot, compared with 46.9% of men.

Had the pilot project not been in place, the average weekly benefit of affected claimants in 2010/11 would have been \$290, instead of \$337.¹⁵² This suggests that

claimants who benefited from the Best 14 pilot project received a weekly benefit rate that was, on average, \$47 higher than it would have been had the pilot project not been in place.

6. Pilot project for the extension of EI benefits

A second pilot project was implemented in 21 regions which were chosen by the federal officials managing the EI program. In N.B, two regions were chosen, i.e. Madawaska-Restigouche-Albert and Charlotte.

Because of this pilot project, the benefit period of those who had regular benefits could be extended by five weeks for a maximum of 45 weeks. The pilot project also had a positive impact in the sense that those working in seasonal industries did not find themselves without an income in the spring, a period which is often referred to as the "black hole." The elimination of the pilot project will have a drastic impact in N.B. Once again, it is interesting to read what is stated in the "Report on the Monitoring and Evaluation of EI, 2011".

Canada - Between September 2010 and March 2011, a total of 313,030 claimants benefited from the Extended EI Benefits pilot project, representing 34.3% of all EI regular benefit claimants during this period¹⁶¹. As indicated in Table 12, the pilot was significantly more likely to benefit frequent claimants and, to a lesser extent, workers aged 55 years or older. In addition, the pilot was significantly less likely to benefit occasional claimants and somewhat less likely to benefit youth and prime-aged workers.

7. Suitable employment and categories of unemployed

The proposed changes by the federal government do not take into account the reality of a portion of the industry in our province, nor the challenges to find work in rural areas.

Workers living in urban centers can easily move around to find work when public transport is available. However, such is not the case in rural areas, especially during the long winter months. The situation is even more difficult where there is no public transport and where the travelling distance is extensive.

The federal government has decided to set up three categories of unemployed but in our opinion, this is a punitive approach which will not improve the situation of the unemployed, let alone the employment situation in N.B. We do not understand how such a policy, which forces unemployed workers to accept wages and dire working conditions, could be adopted. The expected impact will be an impoverishment of part of the population who have already great difficulty in keeping its head above water.

One only has to look at the increase in the use of food banks and individuals relying on social assistance to survive to get the picture of the present situation.

Indeed, in N.B., the recourse to food banks has increased by about 20% in three years. The number of users has risen by 15,683 in 2008 and by 18,539 in 2011. About a third of the users are young people under the age of 18. Surprisingly, 10% of the food bank users have a job. Welfare recipients and people receiving EI also go to the food banks so as not to go hungry because their benefits are too low. (See Document No. 8 published by the Common Front for Social Justice at www.frontN.B.ca-Information).

8. Conclusion

Thousands of workers and their families who must turn to the EI program will suffer the major detrimental impacts coming out of the proposed changes by the federal government, unless significant changes are adopted.

The Province of New Brunswick will also experience the negative impact of the changes because consumers will buy less from the businesses while there will be more requests for provincial aid.

Note: Statistics in the document comes from Statistics Canada CANSIM Table 276-0001, the 2011 Employment Insurance Monitoring and Assessment Report of the Canada Employment Insurance Commission and the New Brunswick Common Front for Social Justice.