

Changing the Employment Insurance Support System As We Know It

Questions to consider while reading about the changes:

1. Is it a strategy to reduce dependence on government and to deal with labour shortages?
2. How will it encourage people to work longer?
3. How will it better match the unemployed with jobs that are going unfilled?
4. What will be the implications on Peterborough's employment sector?

The Government announced changes to Employment Insurance to "connect Canadians with available jobs." The announcement was made by the Honourable Diane Finley, Minister of Human Resources and Skills Development.

"Our Government wants to make Employment Insurance work better for Canadians," said Minister Finley. "Today, we are announcing improvements to EI that will help Canadians who want to work, get back to work."

According to Minister Finley, the improvements will enhance the assistance provided to people collecting EI benefits. "Canadians receiving EI benefits will now receive comprehensive job postings on a daily basis from multiple sources. This will ensure that Canadians receiving EI benefits are made aware of the jobs available in their local area."

The improvements include measures to better connect the EI and Temporary Foreign Workers program to ensure Canadians are aware of and can apply for local jobs before employers are approved to hire temporary foreign workers.

Further, "The Government will also define suitable employment as well as what constitutes a reasonable job search. This will strengthen the requirements for EI claimants to actively look for and accept all suitable work. "

"As Canada faces unprecedented skills shortages, it will be critical to better connect Canadians with available jobs in their local area," added Minister Finley. "Clarifying what is expected of claimants looking for work is just one element of our broader plan to encourage and support Canadians as they seek to return to work. Under our plan, Canadians will always benefit financially from accepting suitable employment."

"It is important that we make changes now to ensure the EI program is working most effectively for Canada and Canadians," concluded Minister Finley.

Economic Action Plan 2012 announced additional measures that strengthen work incentives, such as enhancing the “working while on claim” provision and adopting a national “best weeks” approach to calculating a claimant’s weekly EI benefit amount to better reflect local labour market conditions. More information is available at www.actionplan.gc.ca or contact: Alyson Queen, Office of Minister Finley, 819-994-2482

So what does this translate into? Some things to consider:

Critics are raising the following issues:

- The government should respond to the fact that less than 40% of unemployed Canadians are now qualifying for EI, well below the already low pre-recession rate.
- For all of the talk about skills shortages in Canada, there is no increased investment in EI supported training which would assist unemployed workers to find good jobs.
- The focus is on tightening discipline over those workers who have managed to qualify for a claim.
- As things now stand, EI regular claimants are expected to undertake “reasonable and customary efforts to obtain suitable employment” and can be cut off benefits if they do not do so. “Suitable” employment is defined in S. 27 (2) and (3) of the Act. A job is not suitable if it is in the claimant’s occupation but offers wages and conditions less than those offered in agreements between employers and employees, or by “good” employers. Jobs not in the claimant’s usual occupation are not suitable if they offer a lower rate of pay than the worker enjoyed previously, except that after a “reasonable interval” a claimant is expected to accept a job which offers wages and conditions matching those in agreements or offered by “good” employers.
- The clear intent of these Sections is to allow for a period of job search to find a job matching previous employment wages and conditions, and to prevent the unemployed from driving down wages and conditions.

Sections 605 and 608 of the Budget Bill will change the landscape of our country’s employment system:

- Sections 605 and 608 repeals the above Sections, and gives the Minister the power to set through regulation definitions of “suitable” employment for different categories of claimants, and “reasonable and customary efforts” to find a new job.
- These regulations will “likely” oblige claimants to take offers of jobs at lower wages and with worse conditions at an earlier point in their claim, and perhaps to take any available job at some point in a claim.
- Language in the Budget itself suggests there may be a focus on frequent claimants. The intent may be to require claimants to move to take an available job.

These pending new rules are of particular concern given the proposed changes to the appeal system for claims. A new Social Security Tribunal will replace the current system of EI Boards of Referees.

In 2010-11, there were 53,905 appeals, about half of which were resolved before a Board hearing, usually due to Departmental recognition of an error. 26,290 appeals were heard by Boards of Referees, and many claims that were initially denied are upheld, underlining the importance of the process of

getting a fair hearing. The great majority of Board decisions are, apparently, unanimous. (Canadian Centre for Policy Alternatives)

Things to consider about the changes to the appeal process?:

- The 1,000 part-time members of Boards of Referees who currently handle approximately 25,000 cases per year are to be replaced by 39 full-time members of the EI section of the new Social Security Tribunal (plus a very few part-timers up to a maximum of about 4 full-time positions.) Hearings from April, 2013 will be before a single, supposedly expert, full-time member of the tribunal.
- Will hearings be held in the community and how will the volume of complaints be handled without leading to long delays? Will determinations be less informed due to limited knowledge of local conditions and the changing realities of the job market than at present? Will decisions be made solely on legal and technical grounds.
- A third concern with the Budget Bill is changes to pilot projects which will impact on high unemployment regions found mainly in the North, Quebec and rural Atlantic Canada. As of September, unemployed workers in these regions will lose access to an extra 5 weeks of benefits, and some will no longer have their benefits based on their best 14 weeks of prior earnings. The first \$75 of earnings from taking a very short-term job will now be subject to a 50% clawback (though the 100% clawback now in place above \$75 or 40% of the claim amount will be replaced by the universal 50% clawback.) (Canadian Centre for Policy Alternatives)

The positive side of the changes;

- Delivery of more timely information on available jobs to unemployed workers.
- Establishment of the rate of benefit based on weeks worked in such a way as to lower penalties paid by most unemployed workers who accept part-time and temporary jobs.
- Promises to review all disputed decisions to reduce the volume of appeals.
- When employers apply to bring in temporary foreign workers, they will first get information on who among EI recipients in their region are a match for their vacancies.
- Changes to the rules regarding working while on a claim. (EI recipients will be allowed to keep more income from part-time jobs, giving them a better chance to retain skills and move from part-time to full-time work.)
- The government is also expanding a pilot project that allowed benefits to be based on the best 14 weeks' earnings, so workers weren't penalized for taking a lower-paying job instead of going on EI. In 2013, benefits will be based on earnings averaged from 14 to 22 weeks, varying with the jobless rate. Where unemployment is high, and wages may be depressed, benefits will be based on fewer best weeks.
- There will also be legislation to change how recipients report on their search for work.

Voices of concern:

"Forcing workers to take the first available job is not good labour market policy since periods of job search allow for a better fit between unemployed workers and job vacancies across the country. For example, an unemployed welder in Moncton may need time to find a suitable job in Western Canada, and deserves income support from EI for the needed period of active job search." **Canadian Centre for Policy Alternatives**

"Under the changes, job-seekers would not have to commute more than an hour to take a job unless they live in cities like Toronto, where commutes are longer." **Mark Dunn, Toronto Sun.**

"The new rules put tougher conditions on people with three or more EI claims in the past five years, or who have collected EI for more than 60 weeks in the past five years." **Canadian Taxpayer's Federation**

"The changes will mean fewer people than ever will qualify for EI, more forced into lower wage jobs and others thrown onto provincial welfare," **NDP finance critic Peggy Nash.**

"There is this group of people (Social Security Tribunal) constituting the board of referees that can look at the facts, that can redress administrative mistakes and it's a system that produces a chunk of administrative mistakes," **University of Ottawa law professor Lucie Lamarche**

"The shocker in the new rules is that turning down job offers with wages 30% below the previous wage will justify being cut off benefits for so-called "frequent" claimants after just 7 weeks, and after 18 weeks for "occasional" claimants. "Frequent" claimants – those who have made 3 claims over the past 5 years and collected 60 or more weeks of benefits - make up about one in three claimants. "Long tenured workers" – those who have worked in seven of the last ten years and collected less than 35 weeks of benefits in total – are relatively spared, but will not be allowed to turn down a job paying more than 80% of their previous wage after 18 weeks on a claim.

(Addition) The new rules will have a ratcheting down effect. A worker who takes a lower wage job may have to accept an even lower wage job during a subsequent claim.

Any competent economist should recognize that the new rules will depress wages. They will create few if any new jobs, while increasing the downward wage pressures of unemployment. The biggest impact will be on wages in relatively low wage jobs, given that the average EI beneficiary earned about \$16 per hour in her or his previous job..." **Andrew Jackson, Progressive Economics Forum.**

Finally, according to Statistics Canada,

- employment among people 55 and older is already growing at a faster rate than any other demographic group. In February, Statistics Canada reported that employment has grown four per cent for this age group in the last 12 months.
- Canadians have been delaying retirement since the mid-1990s, sharply reversing the trend of the previous 20 years.
- People over 55 have been working more years but often fewer hours a week, the agency reported. They've had "a large positive impact" on total hours worked.
- employment fell among Canadians aged 15-30 in February (2012), the fifth straight month of decline.

- Youth employment is 2.8 per cent below the level of a year ago. The unemployment rate is a daunting 14.7 per cent. And the youth participation rate is five percentage points below what it was four years ago.

Resources:

- <http://blog.firstreference.com/2012/04/02/2012-federal-budget-how-will-it-affect-employment-in-canada/>
- <http://thechronicleherald.ca/editorials/79573-federal-budget-jobs-hits-and-misses>
- <http://www.behindthenumbers.ca/category/employment-insurance/>
- <http://www.torontosun.com/author/mark-dunn>
- <http://www.cbc.ca/news/politics/story/2012/05/25/pol-employment-insurance-review-boards.html>
- <http://www.progressive-economics.ca/2012/05/24/the-economics-of-ei-reform/>

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