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INSTITUTE OF  
SOCIAL POLICY

# **Gender aspects of Employment Insurance**

**presentation to the Commons Standing  
Committee on the Status of Women**

*by*

**Ken Battle**

**March 2009**

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## *Summary*

Employment Insurance has broken the social insurance contract that Canada's social policy pioneers cherished as a crucial element of a modern social security system. Virtually all employees pay EI premiums, but only some can draw upon the program's income benefits and employment services when they become unemployed. The flawed social insurance contract effectively discriminates against low-wage workers, most of them in nonstandard jobs. Women fare worse than men.

Unemployment insurance should act as an automatic economic stabilizer in a modern economy such as Canada's. It must fulfill a dual role during an economic downturn. It should provide income support by replacing lost wages for the growing ranks of the unemployed. And, by injecting money into the economy, it should help sustain businesses that rely upon consumer spending.

Unfortunately the measures in the 2009 Budget will worsen the imbalance in the current Employment Insurance system, by improving matters somewhat for the minority who qualify for benefits while continuing to do nothing for the majority of unemployed women and men who will remain excluded from the program.

But we cannot simply turn back the clock and restore the old unemployment insurance system. We have to look at more radical reforms that go beyond Employment Insurance to include welfare and supports for the working poor: We need a new architecture of benefits for working age adults.

## *Expansion and contraction*

I do not have the time today to give anything more than a cursory summary of the evolution of unemployment insurance in Canada. For a brief history of the program, I encourage the Senators to have a look at the Caledon Institute's 2006 report *Towards a New Architecture for Adult Benefits* and, for the 2009 Budget's changes to Employment Insurance, our recent release *The Red-Ink Budget* (both available on our website, [Caledoninst.org](http://Caledoninst.org)).

Created in 1940, the original unemployment insurance program was intended to replace lost earnings of employees suffering temporary, infrequent and unpredictable unemployment. The program covered mainly workers in occupations deemed to have a moderate risk of unemployment, mainly in industry and commerce, constituting 42 percent of the labour force. It excluded the majority (58 percent) of jobs in the workforce, including those in agriculture and forestry, fishing, transport, teaching, health care and public service, as well as part-time work. Over time, unemployment insurance expanded its reach and benefits so that, by 1971, it served almost the entire workforce, with the exception of the self-employed.

Mounting criticisms in the 1980s and 1990s that the program was too generous and was actually contributing to unemployment resulted in a series of cutbacks in the 1990s, the last one also bringing an Orwellian name change to Employment Insurance in 1996.

Over the decades, Ottawa has used three levers to expand and contract EI – work requirements (i.e., minimum length of work to qualify), duration of benefits and the earnings-replacement level of benefits. As a result of the 1990s changes, employees had to work longer in order to qualify for benefits when they lost their jobs; payments were lower; and the maximum duration of benefits was reduced.

### ***EI today: decimation of coverage, reduction in benefits***

Employment Insurance provides eight different benefits – regular, sickness, maternity, parental, employment, fishing, compassionate care and work sharing. Today we focus on regular EI benefits, which in 2006-07 constituted \$8.1 billion or 65 percent of the program’s income expenditures.

#### ***coverage***

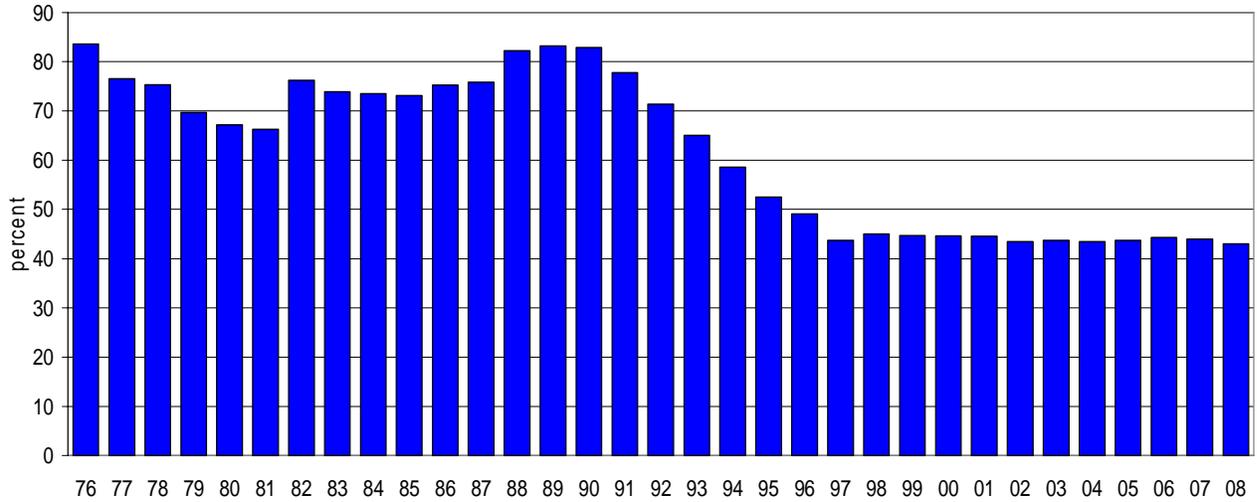
The percentage of unemployed Canadians receiving regular Employment Insurance benefits plummeted from 83 percent in 1990 to 43 percent in 2008, which is the lowest since 1976. Figure 1 illustrates the trend.

Women fare worse than men, and the gap has widened in recent years (see Figure 2). Between 1990 and 2008, coverage fell by 41.6 percent for women as opposed to 38.6 percent for men. Only 39.1 percent of unemployed women received regular Employment Insurance benefits in 2008 compared to 45.5 percent of jobless men. Coverage for men fell from 49.7 percent in 1996 to 45.5 percent in 2008, but dropped even more for women from 47.7 to 39.1 percent in the same period, so that the gender gap grew from 2.0 percentage points in 1996 to 6.4 percentage points in 2008.

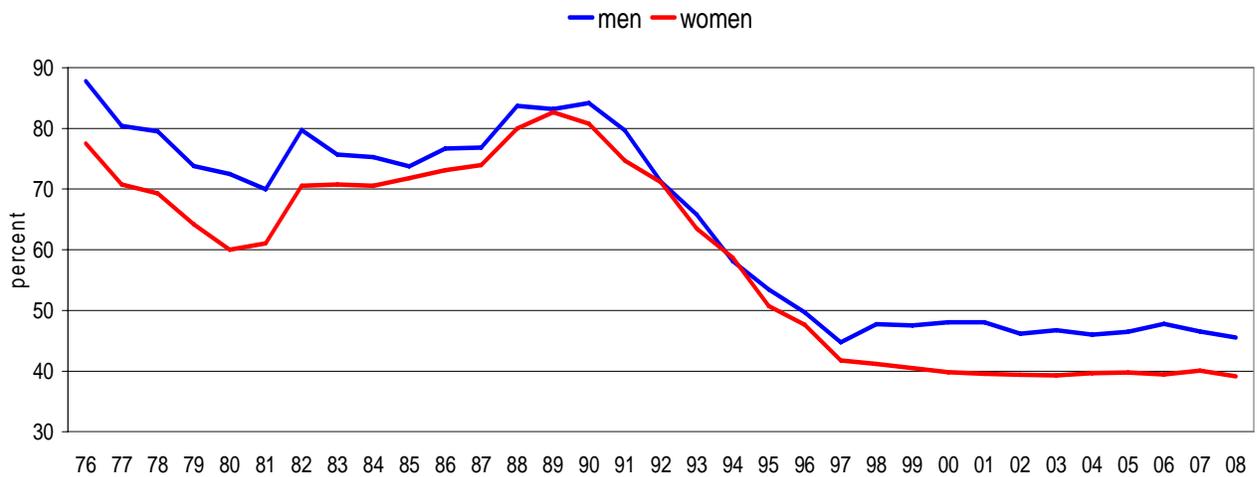
We constructed a ratio of regular EI coverage for women divided by men; the closer to 1.0, the smaller the gender gap in coverage, and vice versa. The gap was narrowest between the mid-1980s and mid-90s (e.g., 1.01 in 1994) and widest in the current decade (.88 at last count, 2008). Figure 3 plots the results.

More men than women receive regular EI benefits, as shown in Figure 4. In 2008, 292,308 men got regular EI benefits as opposed to 191,502 women. In other words, about one-third more men receive regular EI benefits than women.

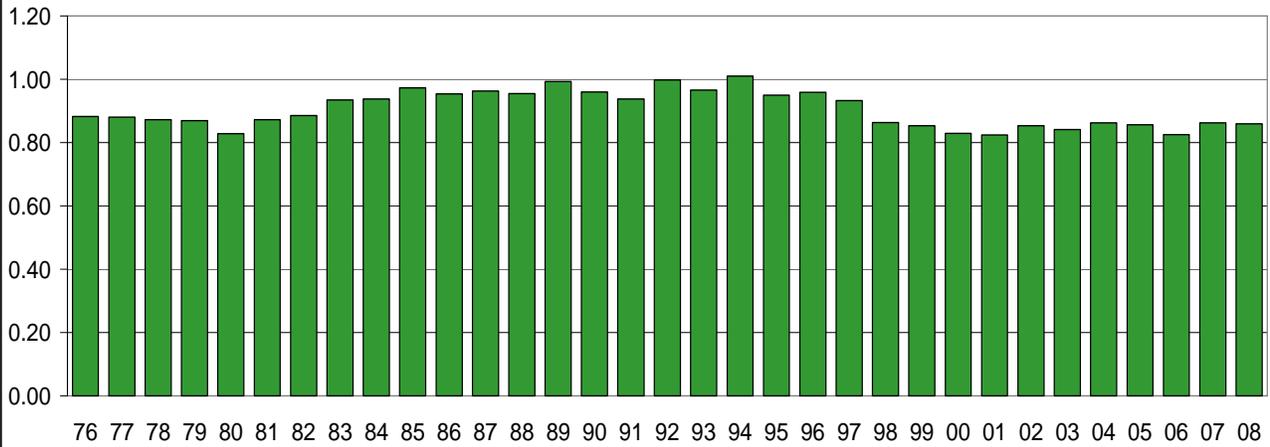
**Figure 1**  
**Percentage of unemployed**  
**receiving regular EI benefits, 1976-2008**



**Figure 2**  
**Percentage of unemployed receiving**  
**regular Employment Insurance benefits,**  
**by gender, 1976-2008**

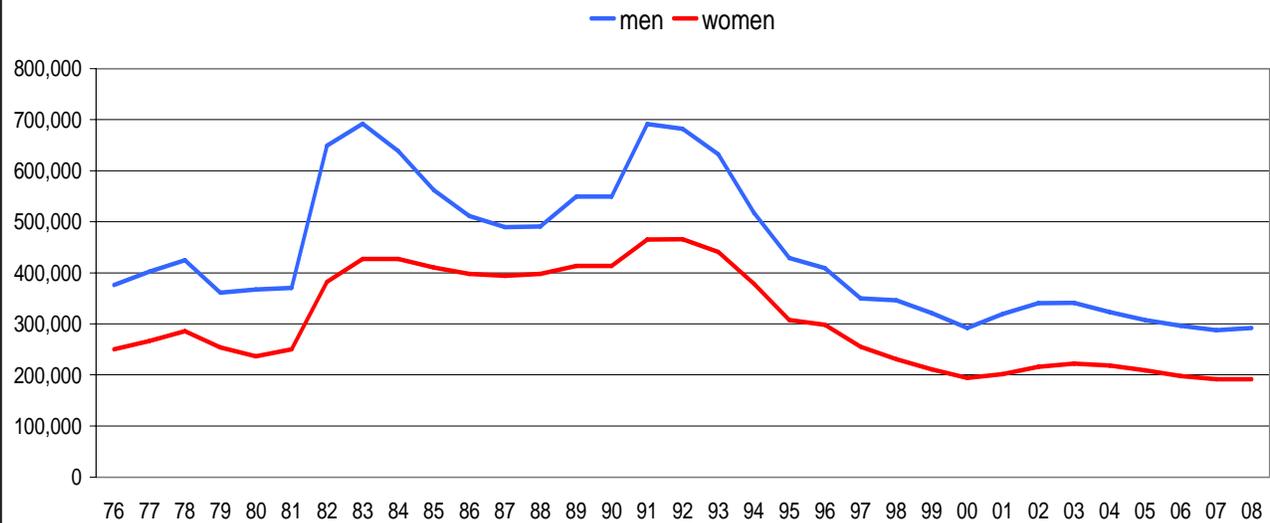


**Figure 3**  
**Employment Insurance**  
**regular benefits, coverage of women**  
**divided by coverage of men, 1976-2008**



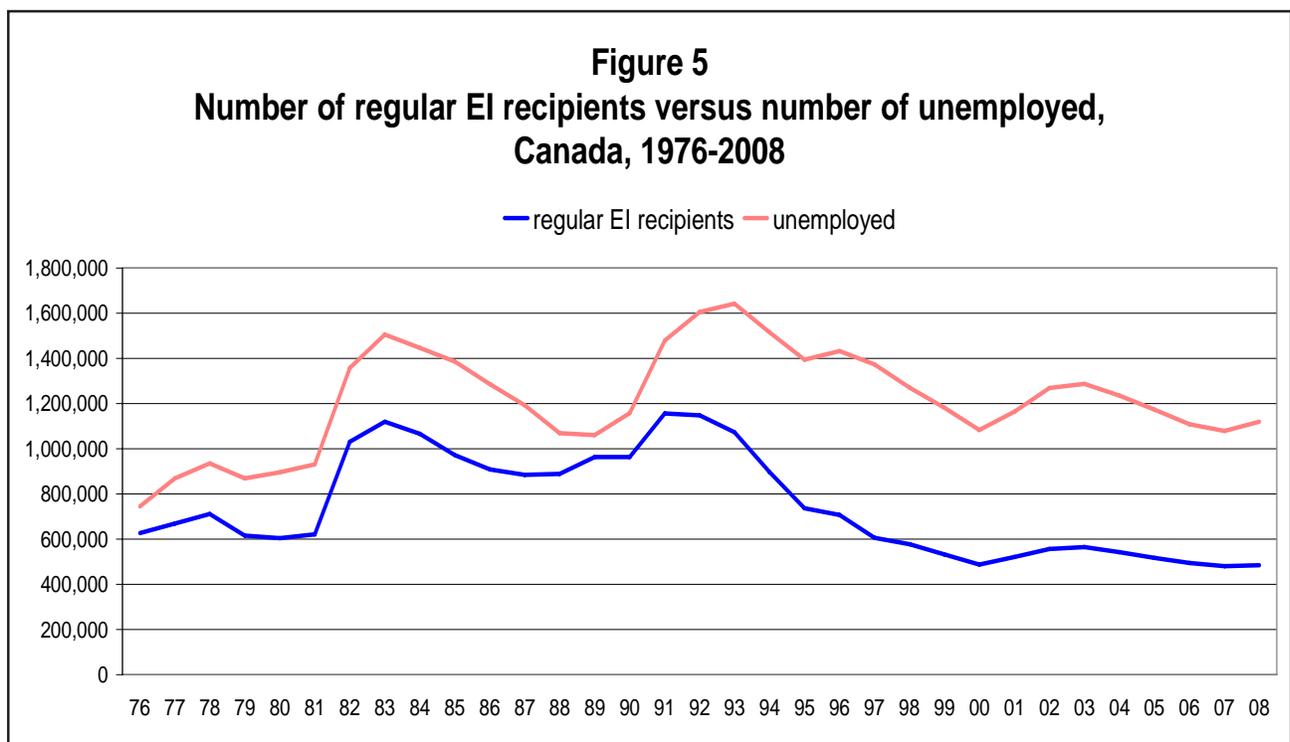
The number of recipients of regular Employment Insurance benefits tends to move up and down with the unemployment rate, but there is no doubt that program changes have played a major role as well. Figure 5 shows that the EI rolls jumped during the recessions that opened the 1980s and 1990s, then dropped from 1,156,007 in 1991 to 486,380 in 2000. During the 2000s,

**Figure 4**  
**Number of regular EI beneficiaries,**  
**by gender, Canada, 1976-2008**



fluctuations in the jobless rate have resulted in small ups and downs in the number of EI beneficiaries. But the huge gap between the number of unemployed Canadians and the number who qualify for regular EI benefits is evident.

Most Canadians – eight in ten – live in major cities. In the majority of Canadian cities, fewer than 40 percent of the unemployed received regular EI benefits in 2008. Half of cities have coverage of less than 30 percent. Figure 6 shows the wide variations.



The gender gap in EI coverage in cities is evident, as illustrated in Figure 7, which looks at six major cities across Canada. Women have lower coverage than men in 25 out of 28 Census Metropolitan Areas. The exceptions are Hamilton (26.1 percent for women versus 26.0 percent for men), Abbotsford (52.8 percent for women versus 33.5 percent for men) and Vancouver (28.1 percent for women versus 27.2 percent for men).

The Employment Insurance coverage figures vary enormously from one province to another, but there is a clear divide between the west and the east.<sup>1</sup> The proportion of the unemployed receiving regular EI benefits is below the national average (43.0 percent) in Ontario and the four western provinces, ranging from a low of 23.4 percent in Alberta to 30.3 percent in Ontario, 38.1 percent in BC, 38.2 percent in Saskatchewan and 40.1 percent in Manitoba. Coverage is above the national average from Quebec eastward – Quebec (52.4 percent), Nova Scotia (72.5 percent), New Brunswick (86.7 percent), PEI (91.7 percent) and Newfoundland (106.0 percent).<sup>2</sup> Figure 8 shows how the provinces ranked in EI coverage of the jobless in 2008.

**Figure 6**  
**Percentage of unemployed receiving regular Employment Insurance benefits, major cities, 2008**

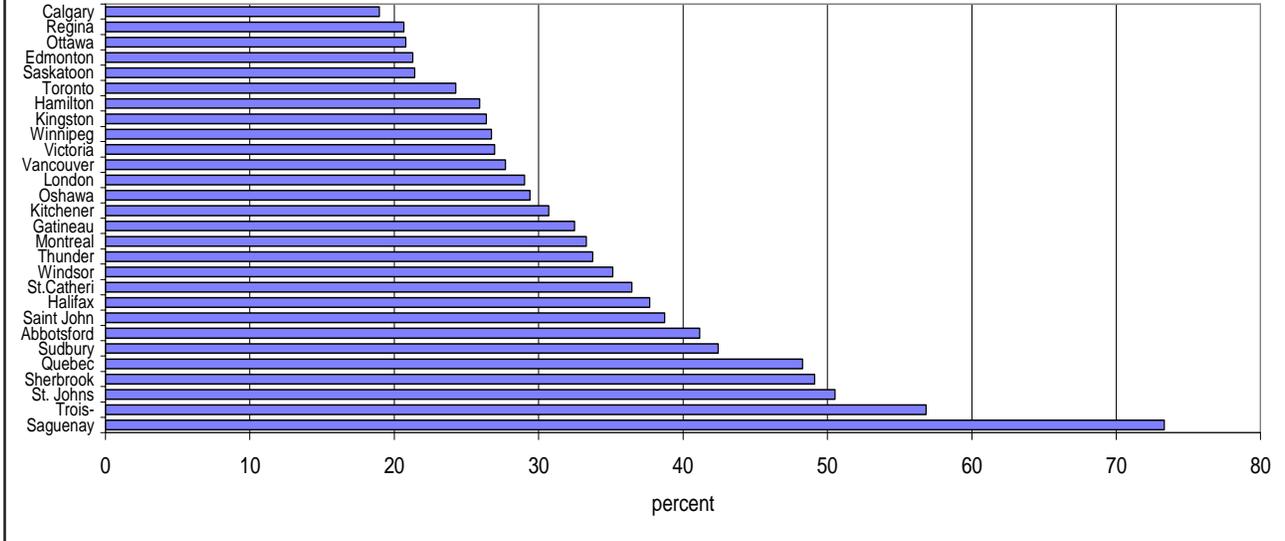
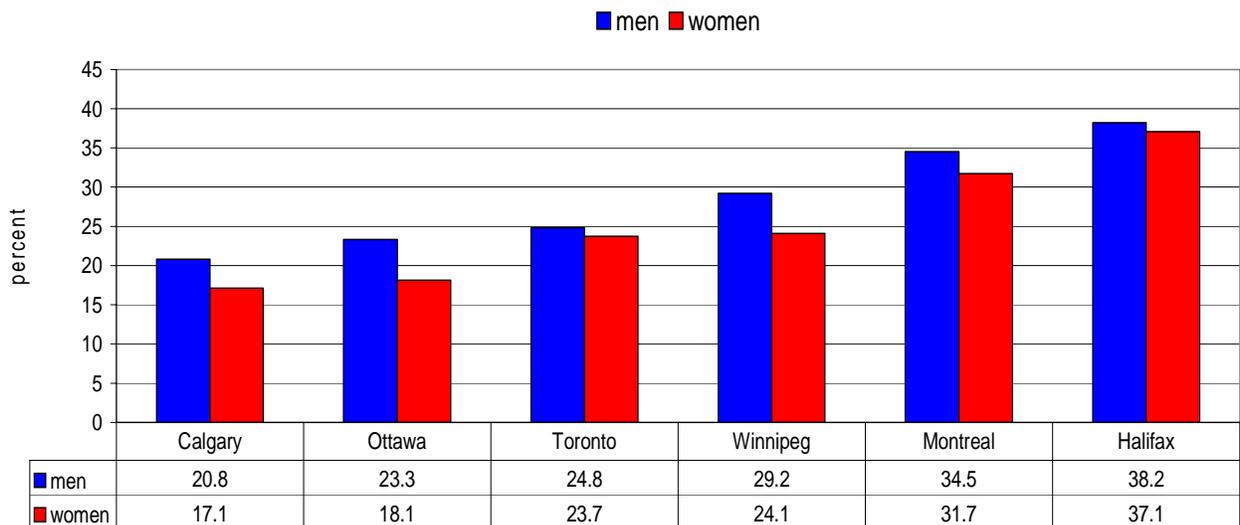
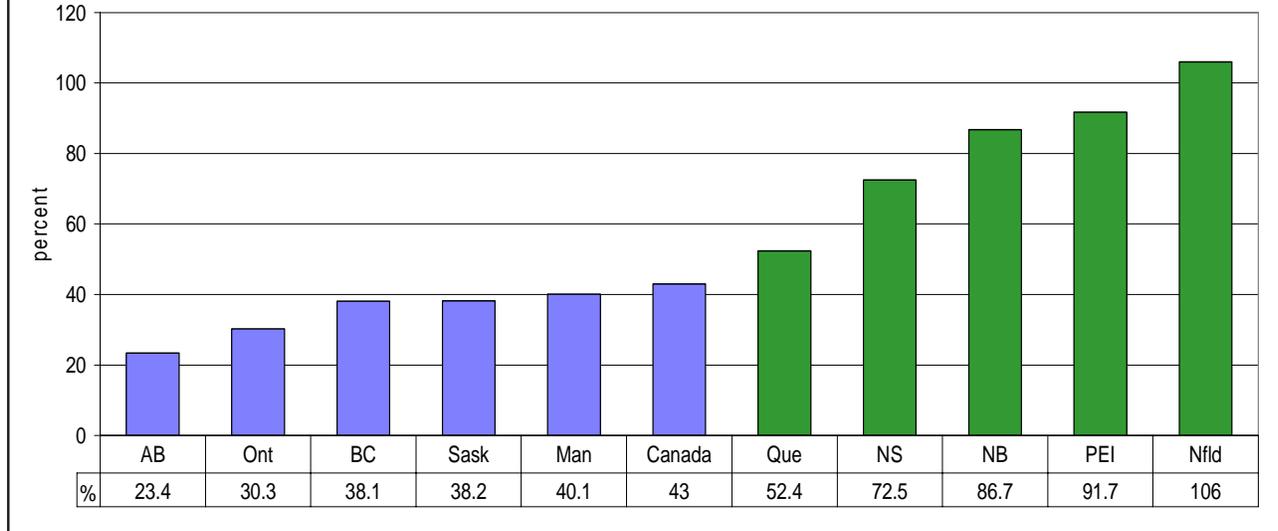


Figure 9 gives the coverage results for women versus men by province. In the large majority of provinces, a lower percentage of unemployed women than men received regular EI benefits in 2008.

**Figure 7**  
**Percentage of unemployed receiving regular Employment Insurance benefits, by gender, select cities, 2008**



**Figure 8**  
**Percentage of unemployed receiving**  
**regular Employment Insurance benefits, by province, 2008**



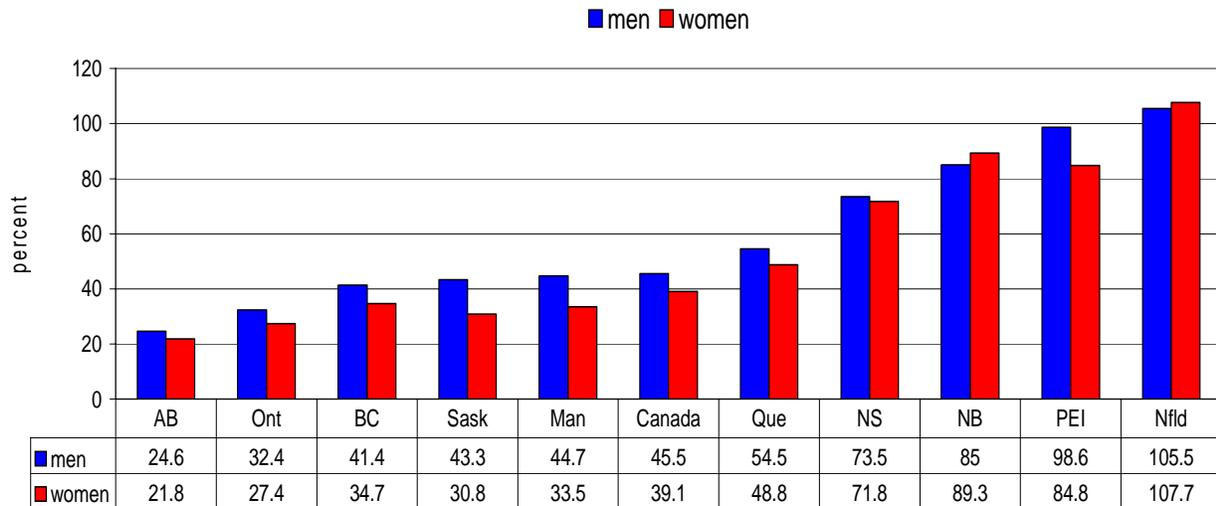
### *the excluded*

Employment Insurance covers only employees with significant attachment to labour force and excludes many workers who cannot accumulate enough EI insurable hours due to their type of employment, own job preferences, family responsibilities or activity limitations due to disabilities. Groups who tend to be excluded include the long-term unemployed, the underemployed, persons with disabilities, new workers, part-time workers and employees – mainly women – who leave the workforce to care for their children or aging family members. Groups at high risk of nonstandard work include young people who have less than or only high school education, displaced older workers with limited education and obsolete work skills, Aboriginal Canadians, visible minorities, persons with disabilities and recent immigrants.

Many working Canadians excluded from Employment Insurance are employed in ‘nonstandard’ jobs (aka ‘bad jobs’ or ‘precarious’ or ‘marginal’ jobs), which have grown to about one-third of the labour force [Jackson 2005: 20]. Nonstandard employment includes self-employment, multiple jobholders, contract workers and part-time workers. Such jobs typically are associated with low wages, limited education and skills, higher risk of unemployment, no occupational pensions or supplementary health or disability benefits, no job ladder or career path, no union membership and no formal or on-the-job training.

One in four workers in Canada are low-paid, earning less than two-thirds of the national median hourly wage (under \$11). The incidence of low pay is higher among women (one in three) than men (one in five) [Jackson 2005: 20]. The US is similar, but some other advanced

**Figure 9**  
**Percentage of unemployed receiving regular Employment Insurance**  
**benefits, by province and gender, 2008**



economies have a much lower incidence of low pay – e.g., one in twenty workers in Sweden and one in eight in Germany [Jackson 2005: 21]. The proportion of low-paid workers in Canada has remained the same since 1980 [Saunders 2006: 18].

In summary, 34 percent of Canadians work in nonstandard jobs. Close to 40 percent of women in paid employment (versus 29 percent of men) work in nonstandard employment. Women tend to work fewer hours than men (even when both work full-time) because of their family caregiving responsibilities. Women who temporarily leave work to care for children or other family members may be considered as new entrants or re-entrants when they return to the workforce, so they must work much longer (910 hours versus 300 under the old the UI program).

### *the regionalization lottery*

There is a wide variation in work requirements (from a low of 420 hours for regional unemployment rates of 13 percent and higher to a high of 700 hours for regional unemployment rates under 6 percent) and maximum duration of benefits (from 14 to 45 weeks – temporarily extended by 5 weeks to a maximum 50 weeks in the 2009 Budget) depending on the program’s 58 regional unemployment rates. Thus an unemployed Canadian living in a region with a high unemployment rate will receive more benefits than another unemployed Canadian with the same earnings living in a low-unemployment region, because the former is on benefit longer than the latter. In fact, it is possible that one jobless person in a high-unemployment region would qualify

for EI benefits while another jobless person who worked the same number of hours but lives in a low-unemployment region would not qualify for any benefits at all!

### *access to employment services*

Employment Insurance can disadvantage many unemployed women and men in another sense: EI has restricted access not only to income benefits, but also training and other employment services that many unemployed Canadians need to find and keep a job. Eligibility for a range of skills and learning services (Employment Benefits and Support Measures, including skills development and self-employment assistance, wage subsidies and job creation partnerships) depends upon eligibility for EI. Thus unemployed Canadians who cannot meet EI's tougher eligibility rules have been denied the EI-linked skills and learning services that many so desperately require. Both for income benefits and skills and learning services, EI has favoured the unemployed who have standard jobs and effectively excluded those in nonstandard employment.

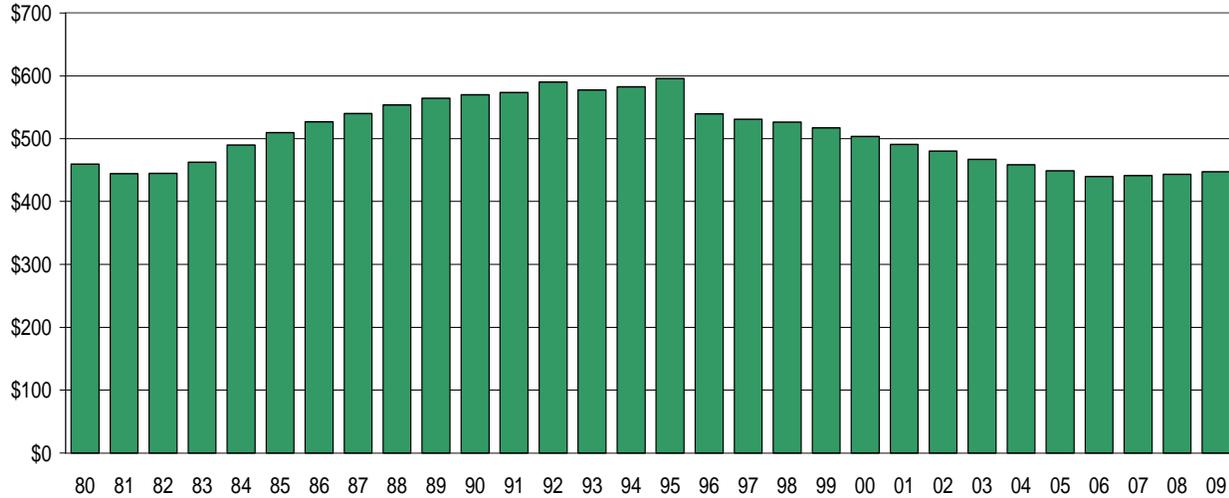
Fortunately, governments recognize this problem and are taking steps to solve it. In November 2005, the federal and Ontario governments signed a Labour Market Partnership Agreement (LMPA) that will invest \$1.368 billion over six years "to fill key gaps in labour market programming, by assisting individuals who are not eligible for EI programming" [Government of Canada 2005]. The agreement covers six areas: expansion and enhancement of apprenticeship, labour market integration of recent immigrants, literacy and essential skills, workplace skill development, assistance to Aboriginals and help for people facing labour market barriers (including older workers, displaced workers and persons with disabilities). Ottawa has also negotiated Labour Market Partnership Agreements with Manitoba and Saskatchewan.

### *gender differences in average benefits*

The maximum weekly Employment Insurance benefit is \$447 in 2009, which amounts to \$22,350 for the maximum duration of 50 weeks. In 1995, it was \$595 in inflation-adjusted 2009 dollars, so it lost one-quarter of its value over the years. Figure 10 shows the trend in constant 2009 dollars in the maximum weekly regular EI benefit from 1980 to 2009.

The decline in the maximum regular EI benefit stems from two factors. There have been reductions in the earnings-replacement rate, which was lowered from 66 percent of insurable earnings to 60 percent in 1979, 57 percent in 1993 and 55 percent in 1994. The level of maximum insurable earnings was cut from \$42,380 in 1995 to \$39,000 in 1996, then frozen at that level for 10 years. These reductions were justified as necessary to bring the maximum insurable earnings in line with average wages. The level of maximum insurable earnings was raised from \$39,000 in 1996 to \$40,000 in 2007, \$41,100 in 2008 and \$42,300 in 2009. The 2009 level is far below the 1995 level; the latter, in constant 2009 dollars, was \$56,296.

**Figure 10**  
**Maximum weekly regular Employment Insurance**  
**benefit, in constant 2009 dollars, 1980-2009**

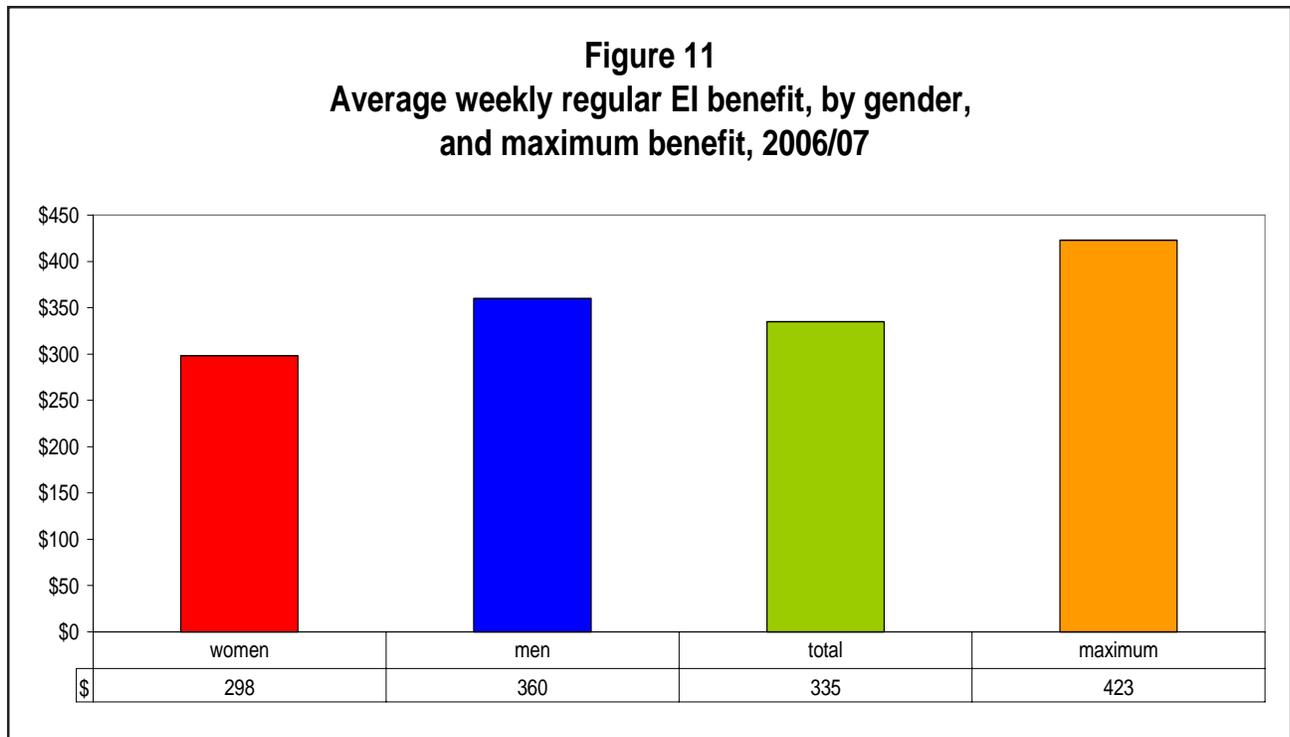


The two-week waiting period, during which no benefit is paid, weakens the earnings-replacement capacity of EI. With an average claim lasting 20 weeks, this reduces benefits by about 10 percent [Canadian Labour Congress 2007: 6].

Contrary to what some people believe, Employment Insurance is by no means a generous program. Women receive less than men, since they earn, on average, less than men. Men tend to work more hours than women; close to three-quarters of employed men work longer than 35 hours a week, versus 49 percent of working women [Townson and Hayes 2007: 23]. More men than women work overtime, and for longer [Townson and Hayes 2007: 23].

Figure 11 shows average weekly regular EI benefits for women and men, as well as the maximum amount, for 2006-07. Average benefits for women, \$298, amounted to a maximum (45 week) \$13,410 annually – \$4,544 below the after-tax low income cut-off for a metropolitan area (\$17,954). Average benefits for men, \$360, came to a maximum \$16,200 annually – \$1,754 below the after-tax low income cut-off for a metropolitan area (\$17,954). The maximum weekly benefit of \$423 amounted to \$19,035 for the year – only \$1,081 above the after-tax low income cut-off for a metro area.

Women are also hurt by the formula for calculating weekly benefits. The calculation includes weeks not worked in the 26 weeks before claim. This method discriminates against workers – typically women – with unstable earnings patterns because they work on call, in casual or temporary work. In weeks leading up to layoff, workers often have fewer hours and thus lower earnings [Townson and Hayes 2007: 13-14].



As expected, women receive less than men in terms of total expenditures on regular EI benefits, as shown in Figure 12. In 2006-07, EI regular expenditures were \$2.8 billion for women and \$5.3 billion for men.

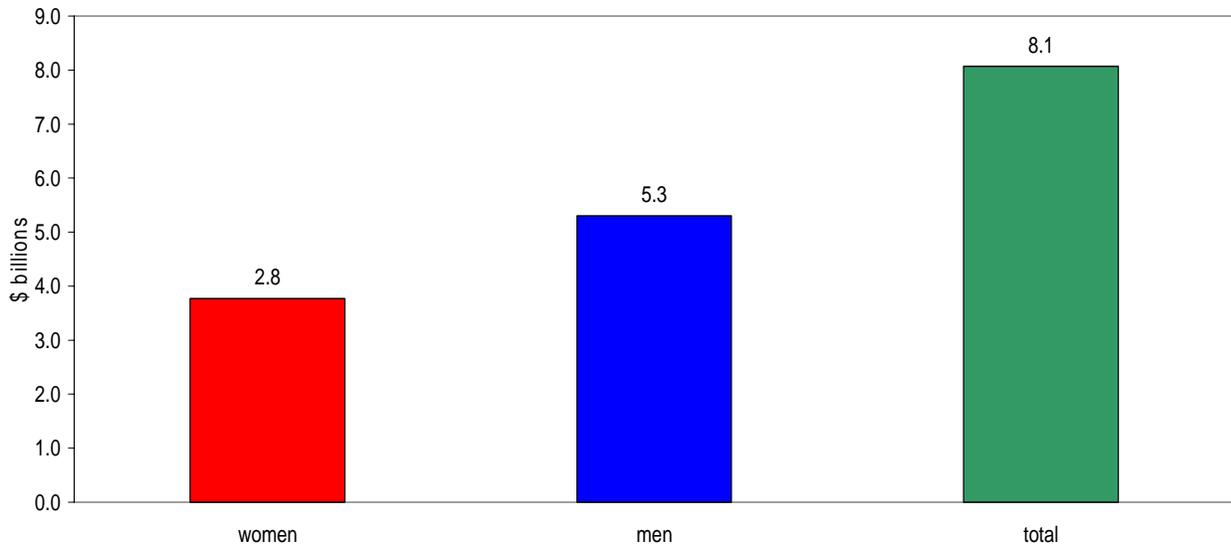
### *duration of benefits*

Claimants for regular EI benefits may receive benefits for 14 to 45 weeks, depending upon their hours of insurable employment and the regional unemployment rate. The 2009 Budget chose to temporarily improve matters for the minority of the unemployed who meet existing work requirements. Current EI beneficiaries, and those who lose their jobs over the next two years and meet the eligibility requirements, will draw benefits for an extra five weeks, up to a maximum of 50 weeks.

The average number of weeks paid was 18.6 in 2006-07. Unfortunately, a gender breakdown is not available.

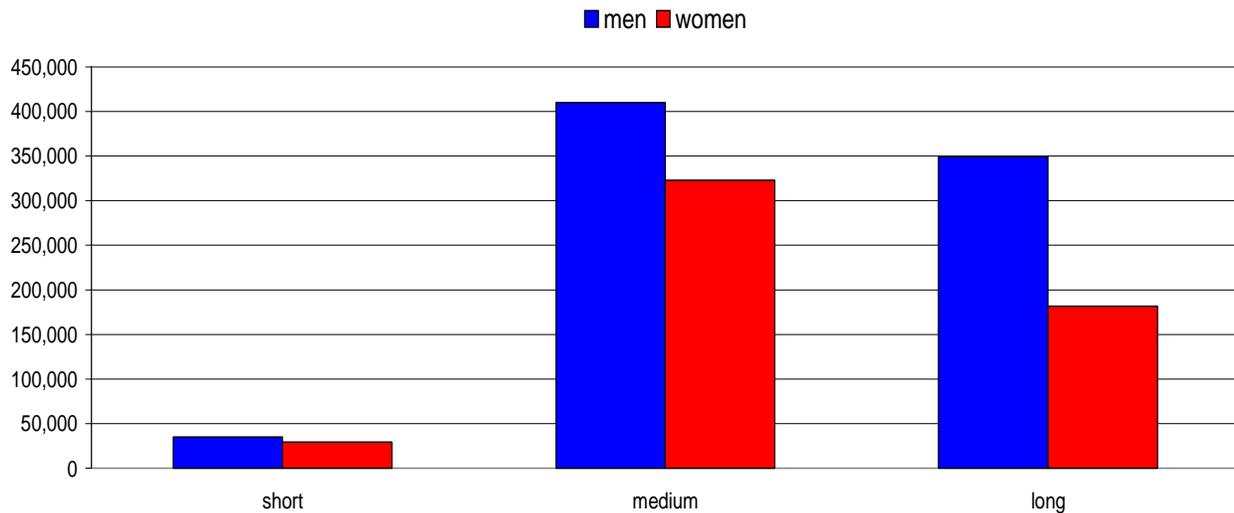
Figure 13 shows the number of regular EI beneficiaries according to their duration of benefits. Figure 14 gives the results as a percentage of the total, by gender. Women are more likely to receive benefits for a short or medium time, whereas men are more apt to receive benefits for a long time.

**Figure 12**  
**Regular EI expenditures, by gender, 2006/07**

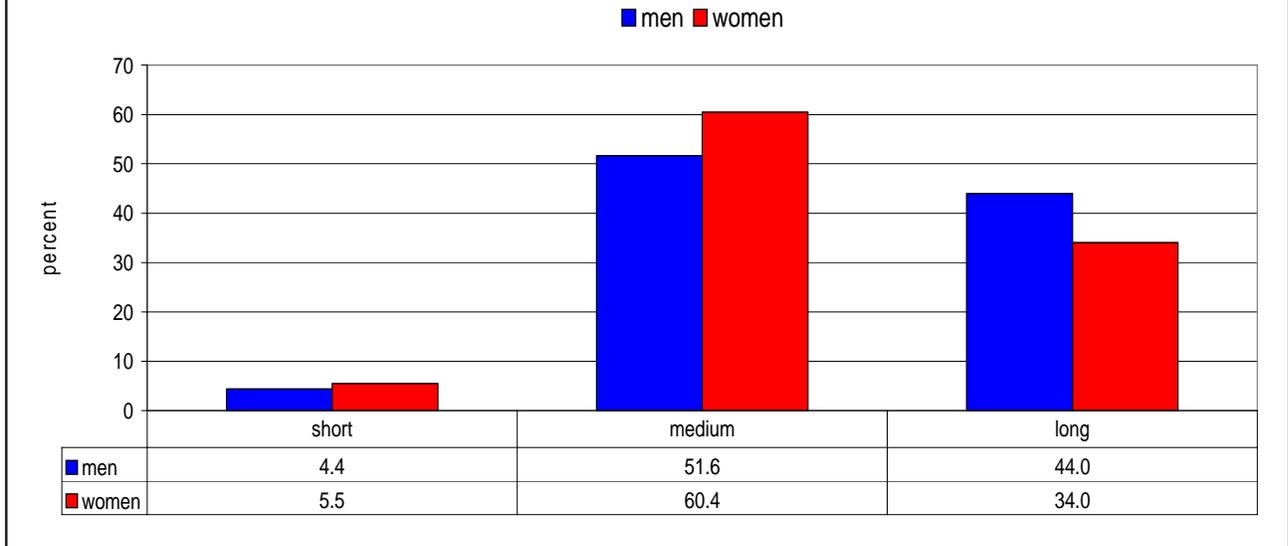


‘Short’ duration of insured employment is at the minimum entrance requirement or up to 2 weeks above it. ‘Medium’ duration of insured employment is at least 3 weeks greater than the minimum entrance requirement but less than or equal to 6 months. ‘Long’ duration of insured employment is more than 6 months longer than the minimum entrance requirement.

**Figure 13**  
**Number of regular EI beneficiaries**  
**by duration of benefit and gender, 2006/07**



**Figure 14**  
**Duration of regular EI benefits,**  
**as percentage of total, by gender, 2006/07**



A larger proportion of women than men exhaust their benefits. Figure 15 indicates that, in 2005-06, 30.4 percent of women but only 26.3 percent of men used all the weeks of benefits they were entitled to receive. The higher exhaustion rate for women may be due to the fact that women, on average, are entitled to fewer weeks of benefits (32.0 versus 33.6 for men), since women generally have fewer hours of insurable employment. Women tend to exhaust EI benefits in higher proportions than men because they are more likely to work part-time and therefore receive fewer weeks of benefits.

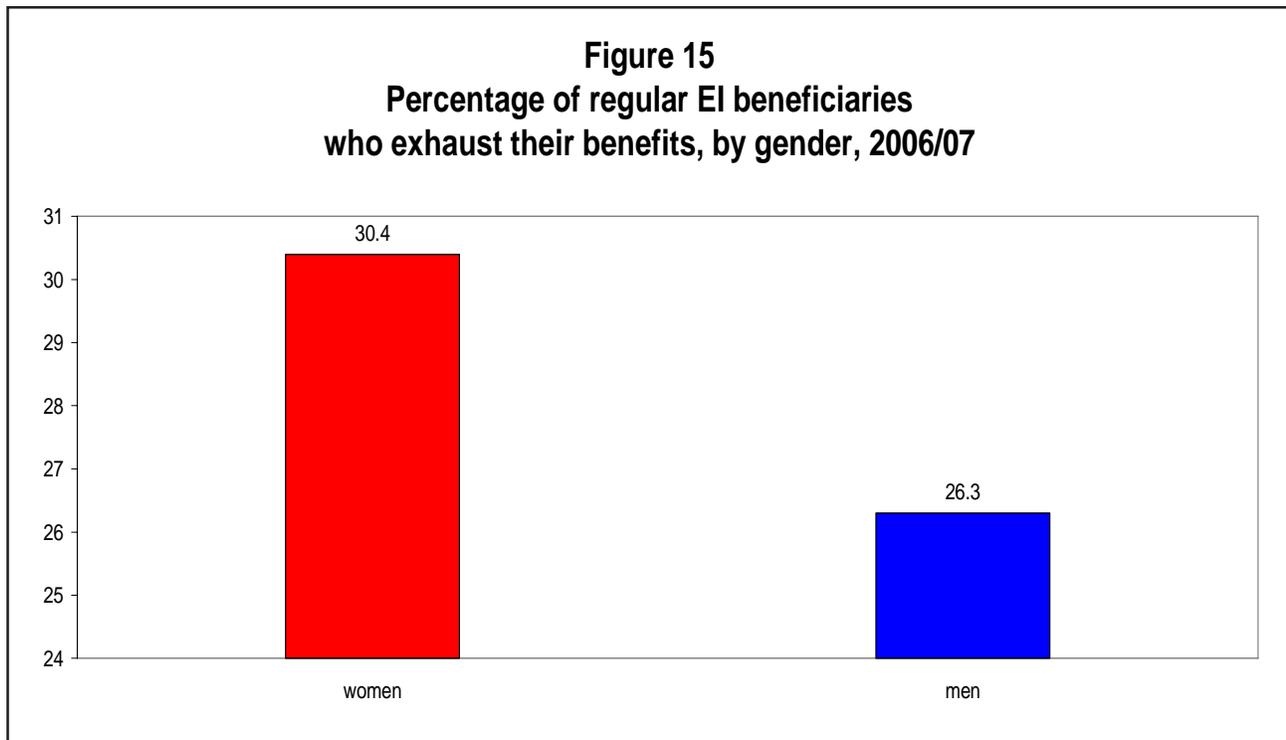
### *Towards reform of EI*

There is a growing consensus among progressive groups that EI must be restored, and no shortage of ideas on how to do so. For example, the Canadian Labour Congress has recommended [2007: 11]:

1. uniform entrance requirement of 360 hours to replace both variable entrance requirements and the 600 hours required for special benefits (e.g., maternity and parental)
2. earnings replacement raised from current 55 percent to 60 percent of insurable earnings, and on the best 12 weeks of earnings (not the current 26 weeks of actual earnings)
3. extend maximum duration of benefits up to 50 weeks (which Ottawa did in its 2009 Budget, but only temporarily)

4. eliminate the 2-week waiting period.

The Caledon Institute concurs in terms of immediate changes to EI to strengthen its capacity to help fight the recession. We have recommended levelling the playing field on qualifying rules and duration of benefits by eliminating the regionalization feature, and boosting the program's earnings-replacement level substantially from its current 55 percent to 70 or 75 percent.



But those reforms are not enough. We have been working on a new architecture for adult benefits in which reform of EI would play a key role along with a radically reformed welfare system.

We envisage a three-tier core adult benefits system made up of two federal unemployment programs, an employment preparation system operated by the provinces and territories that would replace much of welfare, and a federal basic income program for persons with severe disabilities and others who cannot be expected to work. The three tiers would fit into the context of an overall system architecture including allied services and benefits.

The first tier, unemployment assistance, would be a modernized system of time-limited income support for the temporarily unemployed, with a non-contributory income tested component (Temporary Income Program) and a contributory income replacement component (Employment Insurance) working together, analogous to OAS/GIS and C/QPP.

### Temporary Income (TI)

- time-limited (e.g., six months) income-tested component that is non-contributory serving temporarily unemployed who do not qualify for EI and meet the income test
- time limits could be adjusted to be regionally sensitive (if deemed to be politically necessary)
- could also deliver paid parental leave and other social benefits
- could be delivered as tax credit with retrospective income testing or through a current income reporting system

### Employment Insurance (EI)

- contributory social insurance component provides enhanced income replacement (70-75 percent of insurable earnings)
- simplified structure with no regionalization

## Endnotes

1. We cannot calculate results for the three territories because they are not covered by the labour force survey, which generates the unemployment statistics.

2. How can EI coverage exceed 100 percent in two provinces? It is possible for EI recipients to collect EI and work at the same time. 'Working on claim' is allowed and indeed encouraged. For example, a fish plant worker may be unemployed in the off season, and called back to work for a week or two, or finds a temporary job. They notify the EI office, get pay rather than EI for a short period, and have their claim duration extended. I am grateful to Andrew Jackson, Director of Economic and Social Policy, Canadian Labour Congress, for this insight and illustrative example. Thus a person can be on EI but also working and not included in the denominator of the Beneficiaries/Unemployed ratio (i.e., the unemployed), but included in the numerator (EI beneficiaries).

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