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Maytree Policy in Focus

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Fix Employment Insurance to support the temporarily unemployed

- Many working Canadians pay for Employment Insurance (EI) but cannot benefit from the program when they become unemployed because they have not worked enough hours to qualify for assistance. This includes the long-term or frequently unemployed, many recent immigrants, as well as part-time and temporary workers.
- Two people, in different parts of the country who've paid the same premiums, may receive different benefits due to differences in local unemployment rates.
- Unemployed workers who don't qualify for EI benefits also won't have access to EI labour market programs that offer training, skills upgrading and other employment services.
- In the short term, the federal government should ensure that those who pay Employment Insurance premiums are eligible for benefits when they become unemployed.
- In the medium term, the federal government should consider developing a new income-tested program for temporarily unemployed workers who are unable to qualify for Employment Insurance.
- In the long term, the federal and provincial/territorial governments should develop a new approach to income security which ensures that EI, the proposed new temporary income program, and welfare are part of a coordinated and comprehensive system of supports for unemployed and low-wage workers.

Featured Research

SUMMARY

Towards a New Architecture for Canada's Adult Benefits

by Ken Battle,
Michael
Mendelson and
Sherri Torjman
(June 2006)

This report describes how income security benefits for adults, notably welfare and Employment Insurance, fail to meet the needs of working-age Canadians. The authors propose a new architecture for Canada's adult benefits which would provide:

- temporary income support for unemployed adults, including an improved EI program and support for those who aren't EI eligible;
- employment preparation for those individuals who are not able to find jobs on their own;
- basic income for those Canadians who cannot be expected to earn adequate income through employment because of a severe or prolonged disability, or because they cannot reasonably be expected to find work; and,
- access to child benefits, supplementary health, dental care, prescription drugs and disability supports to all low-income and unemployed Canadians.

Employment Insurance Doesn't Insure Many Canadians

Canadians have access to a variety of income supports when they become unemployed. Many also have access to employment-related services like job preparation and training. This *Maytree Policy in Focus* is about income benefits relating to Employment Insurance (EI).

What are Employment Insurance wage replacement benefits?

Employment Insurance (EI) is an employer and worker-funded benefit administered by the federal government. As with other kinds of insurance, in order to receive benefits, Canadians must pay premiums. In 2008 all employees will pay \$1.73 for every 100 dollars of earnings up to \$41,100 for an annual maximum premium of \$711. Employers pay an additional \$2.42 per \$100 per employee, up to \$995 per year.¹

Unemployed Canadians who worked every one of the preceding 26 weeks will receive 55 percent of their average weekly earnings, to a maximum of \$435 per week.² However, eligibility for income support and the length of time a Canadian can receive income support is determined by the local unemployment rate.

Compare, for example, Eastern Nova Scotia and Calgary, Alberta:³

Region	Unemployment Rate	Premiums Paid	To qualify for EI	A worker will receive support for
Eastern Nova Scotia	13.5 %	By worker: \$1.73 for every \$100 insured, to maximum of \$711 per year	Worked 420 hours in the preceding 26 weeks	31 weeks to a maximum of 45 weeks
Calgary, Alberta	3.1 %	By employer: \$2.42 per \$100 insured, to a maximum of \$995 per year	Worked 700 hours in the preceding 26 weeks	14 weeks to a maximum of 36 weeks

Once determined eligible for wage replacement benefits, unemployed workers have access to a range of job search and training services.

¹ Government of Canada, "Canada Employment Insurance Commission sets Employment Insurance premium rate for 2008," news release, October 29, 2007.

² Government of Canada, "Canada Employment Insurance Commission sets Employment Insurance premium rate for 2008."

³ Human Resources and Social Development Canada. "Employment Insurance (EI) Program Characteristics for the period of November 04, 2007 to December 08," Website. <http://srv200.services.gc.ca/iwvs/eiregions/uirates.aspx> (Accessed November 23, 2007).

⁴ Ken Battle, Michael Mendelson and Sherri Torjman. *Towards a*

New Architecture for Canada's Adult Benefits (Ottawa: Caledon Institute of Social Policy, June 2006), 22.

⁵ Ken Battle, Michael Mendelson and Sherri Torjman. *Towards a New Architecture*, 21.

⁶ Ken Battle, Michael Mendelson and Sherri Torjman. *Towards a New Architecture*, 16.

Does everyone who pays for Employment Insurance get wage replacement when they are unemployed?

Some Canadians who pay for Employment Insurance will not have access to its benefits. People who live in areas with low unemployment rates need to have worked longer hours to qualify and will receive benefits for fewer weeks than those who live in areas with higher unemployment rates

This means that "two unemployed Canadians with the same work record but living in regions with different unemployment rates can receive vastly different treatments; one claimant may receive EI benefits for a shorter period than the other or, at the extreme, no benefits at all."⁴ This would be like paying for car insurance, having an accident, but not getting any money to fix the car because there were proportionately too few accidents in your area.

What assistance is available to workers who don't qualify for EI or don't pay premiums?

Part-time and seasonal workers pay premiums but--because of the nature of their work--are not eligible for its benefits. In addition, new entrants to the labour market like young people and immigrants, as well as the self-employed, do not have access to EI because they do not pay premiums.

"An estimated 12% of Canada's 13 million paid workers--some 1.5 million--would not have qualified for EI regular benefits had they lost their job in December 2000."⁵ The percentage of unemployed Canadians on EI varies from province to province. For example, in 2004 in Ontario only 29.7 percent of unemployed Canadians received benefits, in Newfoundland the percentage was much higher at 93.3 percent.⁶

Workers who are not eligible for Employment Insurance will also not have access to training, job search and other labour market programs which are provided based on EI eligibility. They must deplete most of their assets to qualify for welfare.

What should be done?

In the short term, the federal government should ensure that those who pay Employment Insurance premiums are eligible for benefits when they become unemployed.

In the medium term, the federal government should consider developing a new income-tested program for temporarily unemployed workers who are unable to qualify for Employment Insurance.

In the long term, the federal and provincial/territorial governments should develop a new approach to income security which ensures that EI, the proposed new temporary income program, and welfare are part of a coordinated and comprehensive system of supports for unemployed and low-wage workers.

TOWARDS A NEW ARCHITECTURE FOR CANADA'S ADULT BENEFITS

JUNE 2006 BY KEN BATTLE, MICHAEL MENDELSON AND SHERRI TORJMAN

The Caledon Institute of Social Policy, available at: www.caledoninst.org

This 2006 report describes how benefits for adults, notably welfare and Employment Insurance (EI), fail to meet the needs of working-age Canadians. Here are some of the arguments it presents:

- EI is confusing to workers, inconsistently delivered across the country and does not reach the poorest who work in part-time, temporary and casual work.
- Welfare is insufficiently tied to the labour market, requires that recipients have almost no assets, and its benefits are so low that individuals and families on welfare live well below the poverty line.
- EI and welfare do not work together--there is little movement between them, and labour market programs for one group are not available to those in the other.
- Work doesn't pay--partly because workers in low-wage jobs do not have access to services that they may receive when on EI or welfare, and partly because minimum wages, and even some wages above the minimum, are so low.

The authors propose a new architecture for Canada's adult benefits which would include:

1. Temporary earnings replacement suitable for unemployed Canadians.
2. Long-term income support for people with severe disabilities and others who cannot be expected to earn an adequate income through employment.
3. Access to essential services for all low-income Canadians, not just those on welfare.
4. Policies and programs to encourage low-income Canadians to remain in the workforce.

The architecture would have three tiers. Tier 1, Employment Assistance, would provide short-term income support for employable adults, and would have two programs. The first program, Temporary Income, would provide income-tested benefits to unemployed Canadians, including those who may not be eligible for EI because they are in non-standard work, self-employed, or new to the labour market. This new program would not be accompanied by employment services since most temporarily unemployed individuals are able to find jobs quickly without assistance, and it would be available for a limited time (for example, it could be available for a maximum six months, every three or four years).

This program would not be funded through insurance premiums, but out of general revenues. The second program, a reformed EI program, would be financed by premiums and would have work requirements. However, unlike the current EI program, eligibility for assistance would not be based on regional unemployment rates.

Tier 2, Employment Preparation, would be for individuals who are not able to find jobs on their own. Unlike welfare, the focus would be on preparing for work and active job searching. Recipients in this tier would be supported by an individually-tailored employment preparation and job search plan. They would receive bi-weekly, flat-rate payments and CPP/QPP contributions, and could receive benefits for up to several years if necessary.

Tier 3, Basic Income, would become a true program of last resort for Canadians who cannot be expected to earn adequate income through employment because of a severe or prolonged disability, or because they cannot reasonably be expected to find work. This tier would provide long-term support, funded by the federal government, with no time limits.

A NEW ARCHITECTURE FOR ADULT BENEFITS				
Support for low-income workers	Provincial/territorial and federal	Minimum wages, working income supplements, tax credits and employment standards		Federal/Canada Child Tax Benefit and provincial/territorial child benefits Disability supports and supplementary health benefits (provincial/territorial) Early learning and child care services (provincial/territorial) Emergency Social Fund (provincial/territorial)
Tier 1: Short-term support for 'employable' adults	Federal	Unemployment Assistance		
		Temporary Income (TI) general revenue funded income-tested benefits	Employment Insurance (EI) contributory benefits paid according to social insurance principles	
Tier 2: Medium-term support for 'employable' adults	Provincial/territorial	Employment Preparation financial support and employment services		
Tier 3: Long-term support for adults not expected to be employed	Federal	Basic Income financial support		

All low-income Canadians and unemployed Canadians would have access to child benefits, supplementary health, dental care, prescription drugs, and disability supports. Ensuring that both workers and unemployed Canadians have access to these services, along with a strong minimum wage and employment standards, would help ensure that work 'pays' for low-income workers.

The authors are currently developing various parts of their proposed new architecture for adult benefits, which will be published over the next few years.

Working for Minimum Wage or Living on Welfare Equals Poverty

This *Maytree Policy in Focus* has identified important gaps in income security for unemployed adult Canadians. It suggests that the federal government ensure that all unemployed Canadians receive income benefits as well as access to labour market services. To do this, it should discontinue using local employment rates to determine eligibility for Employment Insurance, and develop an income-tested benefit for temporarily unemployed Canadians who still won't be covered by Employment Insurance. This issue highlights the Caledon Institute's proposal to fundamentally re-design Canada's adult benefits to ensure that EI, any additional temporary income support, and welfare are part of a coordinated and comprehensive system of supports for unemployed workers.

To consider:

Minimum Wages

In every province, a single worker who earns minimum wage full-time will not earn enough to live above Statistics Canada's low income cut-offs. In 2004, 4.6 percent of all workers in Canada, approximately 621,000 people, worked at or below the minimum wage.⁷

GENERAL MINIMUM HOURLY WAGE IN CANADA'S PROVINCES (NOV. 1 2007)			
British Columbia	\$8.00	Quebec	\$8.00
Alberta	\$8.00	New Brunswick	\$7.25
Saskatchewan	\$7.95	Nova Scotia	\$7.60
Manitoba	\$8.00	Prince Edward Island	\$7.50
Ontario	\$8.00	Newfoundland and Labrador	\$7.50

Welfare

In most provinces welfare rates are well below Statistics Canada's low income cut-offs. In 2005, there were 1.7 million people living on welfare, almost half a million were children.⁸

SINGLE EMPLOYABLE ADULT WITH NO CHILDREN, TOTAL WELFARE INCOME IN 2005 - INCLUDES FEDERAL AND PROVINCIAL BENEFITS			
British Columbia	\$6,456	Quebec	\$6,947
Alberta	\$5,050	New Brunswick	\$3,427
Saskatchewan	\$6,663	Nova Scotia	\$5,422
Manitoba	\$5,818	Prince Edward Island	\$6,214
Ontario	\$7,007	Newfoundland and Labrador	\$8,198

(Source: National Council of Welfare, Fact Sheet #4, August 2006)

⁷ Statistics Canada, "Fact sheet on minimum wage," *Perspectives on Labour Market and Income* (Ottawa: Statistics Canada, September 2005), 19.

⁸ National Council on Welfare, "Number of People on Welfare," *Welfare Incomes 2005 Fact Sheet #9* (Ottawa: National Council on Welfare, August 2006).

"Employment Insurance has broken the social insurance contract that Canada's social policy pioneers cherished... Virtually all employees pay EI premiums, but only some can draw upon the program's income benefits and employment services when they become unemployed. Moreover the flawed social insurance contract effectively discriminates against low-wage workers, many of them in non-standard jobs."

— *Towards a New Architecture for Canada's Adult Benefits*

Selected Annotated Bibliography

Gellatly, Mary. *Working on the Edge*. Workers' Action Centre, 2007. www.workersactioncentre.org.

This report describes the experiences of low-wage, part-time, temporary and contract workers. It describes how employment benefits and workplace protection have not kept pace with changes in the labour market. It makes a number of recommendations including raising the minimum wage in Ontario, immediately, to \$10 and a move to benchmark the minimum wage to the low-income cut-off (LICO) index or other similar standard.

Saunders, Ron. *Risk and Opportunity: Creating Options for Vulnerable Workers*. CPRN, January 2006. www.cprn.ca.

This article describes how, as a result of globalization and increased competition, employers and governments are shifting economic risk to individuals and communities. This report identifies a mix of measures that collectively could act to redistribute the risk in a more balanced way. Employers are asked to bear greater responsibility through increases in minimum wage, better compliance with minimum employment standards, and providing better access to learning opportunities. For their part, governments are asked to provide universal access to basic supports to help both low-income workers and employers.



About Maytree Policy in Focus

Maytree Policy in Focus, a publication of the Maytree Foundation, identifies and shares practical research to help inform policy- and decision-making.

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About The Maytree Foundation

The Maytree Foundation is a private Canadian charitable foundation established in 1982, committed to reducing poverty and inequality in Canada and to building strong civic communities.