

Employment Insurance in Canada:

A LITERATURE REVIEW OF
CURRENT INTERNAL GOVERNMENT
STUDIES

PRODUCED BY:

Robin Shaban, Principal Economist

Inez Hillel, Economist



Summary of thirteen studies of the EI program from 2013 to 2019

The aim of this document is to summarize relevant findings from 13 studies developed by Employment and Social Development Canada on the state of the Employment Insurance Program. These “supplemental studies” were produced between 2013 and 2019 to support the Employment Insurance Monitoring and Assessment Report (the MAR), which is presented to parliament annually. The studies were selected because they were cited in the most recent MAR (2017/2018).

The studies examine many facets of the EI program, such as apprenticeships, training, the compassionate care benefit, the work-sharing program, the reasons why those who are eligible for benefits do not apply, and the extent to which the program alleviates poverty and redistributes income across program participants. The studies are quantitative and make substantial use of administrative data.

The studies examine facets of the EI program from various points in time from between 2000 to 2018. Therefore, this summary is not a comprehensive review of EI as a whole. Rather, the aim is to draw key information from the supplemental studies and contextualize this information within the aims and interests of workers. This summary can also be used to identify areas where more research is needed.

Key themes from the analysis summarized in the points below:

- **Workers have diverse needs.** Some workers rely on EI benefits more than others, particularly workers with lower incomes. Certain workers may also need benefits for a longer period of time than most other workers; this may particularly be the case for recipients of special benefits like the Compassionate Care Benefit. Further research on the demographic characteristics of those that exhaust their benefits could help determine who is underserved by current programs.
- **EI may prevent poverty.** EI allows workers to insure their earnings, and in this way is an important tool for tackling poverty in Canada. The program has also reduced the poverty rate and redistributes income to lower-income households, to a limited extent.
- **EI is not accessible to many low-income, vulnerable workers.** EI insures workers’ earnings. When the working poor draw EI benefits, they receive benefits that are commensurate with their previous earnings. However, many low-income people face administrative and knowledge-based barriers to accessing EI that are not related to their earnings. They are less likely to be issued a ROE by their employer and are more likely to misunderstand eligibility requirements. Disabled workers and workers in poor health are also less likely to apply for benefits, and most commonly report not applying because they believed they were not eligible.
- **EI may not be ready for the future of work.** Programs such as Special Benefits for Self-Employed and Working While on Claim aim to support workers that are self-employed and/or who work under flexible work arrangements (temporary, part-time, holding multiple jobs, etc.). However, data from these programs raise the question of whether these programs support precarious workers or enable employers to offer precarious work.

In the sections that follow, we summarize key findings from the supplemental studies. Findings are organized under the following headings: *Assessing need: benefit amounts and duration*, *Barriers to accessing benefits*, *Poverty and inequality*, and *Precarity and the changing nature of work*. The paper ends with suggestions for future research.

Assessing need: benefit amounts and duration

For some time, advocates have been calling for reforms to increase the duration of benefits and increase benefit amounts. Several supplemental studies speak to these points. Benefit duration and amounts will be discussed, in turn, in the following subsections.

Duration

Workers on EI are entitled to receive benefits for a defined number of weeks. For regular benefits, the number of weeks a worker is entitled to receive EI benefits is based on both the number of (insurable) hours they worked prior to being separated from their job and the unemployment rate in their EI region. Workers can receive up to 45 weeks of regular benefits. On average, workers received 32.6 weeks of benefits in the 2017 fiscal year.

For many special benefits, workers may be eligible for a set number of benefit weeks if they have worked least 600 insurable hours either in the last 52 weeks or since the end of their last period receiving EI benefits, whichever is shorter. For maternity and parental benefits, workers can receive 15 and 35 weeks of benefits, respectively. However, workers receiving parental leave can choose to have an extended parental leave of 61 weeks. The maximum duration for sickness benefits is 15 weeks, but in his mandate letter to Minister Qualtrough the prime minister indicated that the maximum duration for sickness benefits would be increased to 26 weeks.¹

Exhaustion rates for EI benefits reflects the proportion of beneficiaries that “max out” their benefits and indicates whether the duration of benefits is sufficient for unemployed workers. The greater the exhaustion rate, the more recipients max out their benefits.

Data presented in the 2017/2018 MAR shows that in the 2017 fiscal year, the exhaustion rate for regular benefits was 33.7%, up from 26.0% in 2010. The study *Enhance Understanding of Self-Employed Workers’ Participation in EI special Benefits* reports that between 2011 and 2015, paid employees (versus self-employed workers) had average exhaustion rates ranging from 35.2% for sickness benefits to 92.0% for maternity benefits. The exhaustion rate for paid employees receiving parental benefits during this time was 65.1%. The rate for compassionate care benefits was 58.4%.

The supplemental study *Compassionate Care Benefits: Update* provides a detailed examination of the exhaustion rates for the Compassionate Care Benefit and the characteristics of those that exhausted their benefits. In 2016, the maximum duration for the benefit was extended from 6 to 26 weeks, and the exhaustion rate decreased from 57.7% prior to the extension to 22.4%. Recipients were more likely

¹ <https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-employment-workforce-development-and-disability-inclusion>

to exhaust their benefit if they were 1) receiving other benefits (regular, sickness, etc.), 2) caring for a spouse, and/or 3) living with the person being cared for.

Benefit amounts

EI benefits are calculated as a percentage of typical weekly earnings. For regular, maternity, parental, and sickness benefits, workers can receive 55% of weekly earnings (or 33% for extended parental benefits) up to the maximum weekly benefit of \$573 per week. For workers receiving extended parental benefits, the benefit rate is 33% and they can receive up to \$344 per month.

Assessing whether benefits are sufficient using administrative data is difficult. However, the study *EI-Eligible Job Separators that Do Not Apply*, which links administrative data with survey responses collected in 2012 and 2013 shows that people who are eligible for benefits and have a net income ranging from \$20,000 to \$39,999 are more likely to apply for benefits than those that earn \$40,000 or more. The data also show that as income increases, fewer workers apply for regular benefits. Of workers who are eligible for benefits and have a net income of \$70,000 or more, 33.0% did not apply, while only 18.5% of workers with income between \$20,000 and \$30,000 did not apply.

In summary, data presented in both the 2017/2018 MAR and various supplemental studies highlight the fact that Canadian workers have diverse needs. These needs have bearing on the appropriate benefit amount and duration of benefits for a worker. Not surprisingly, workers who earn more have less need for regular benefits. Data on the exhaustion rate of the Compassionate Care Benefit suggests that workers who have family responsibilities or complex family situations may require more time away from work.

Barriers to accessing benefits

EI insures worker's earnings, and benefits are determined, in part, by a worker's earnings prior to being separated from their employment. However, three supplemental studies show that some workers face significant barriers accessing benefits, even though they may be eligible. The subsections below explore two types of barriers: administrative and knowledge-based.

Administrative barriers prevent workers from accessing benefits because of administrative requirements, like providing the appropriate paperwork. These barriers also include administrative decisions, like rolling back benefits. Knowledge-based barriers are the result of a worker's lack of understanding of a program's eligibility requirements. This confusion may be caused by complex rules or lack of accessible information about a program.

Administrative barriers

The studies *Record of Employment and Interruptions of Earnings: Firms* and *Compassionate Care Benefits: Update* offer findings that show how paperwork may prevent workers from accessing benefits.

A record of employment (ROE) is a form to be completed by the employer when a worker experiences an “earnings interruption” – they leave their job either permanently or temporarily. In most cases, workers need this document to complete their application for benefits. However, many firms do not issue ROEs, making it essentially impossible for workers to even claim benefits.

In 2014, 30.2% of all earning interruptions experienced by workers did not have a corresponding ROE. In 2000, this number was 46.2%. Firms in the service sector were most likely to not issue a ROE: 32.7% of earnings interruptions in this sector did not have a ROE in 2014. In contrast, only 18.1% of earnings interruptions in the manufacturing sector were missing a ROE in that same year. Small firms were much more likely to not issue a ROE than medium-sized and large firms, at 40.8% and 23.7% of earnings interruptions, respectively.

Between 2000 and 2014, many firms got better at issuing ROEs. The proportion of interruptions that were missing a ROE decreased across nearly all sectors. However, in the “not stated” sector, the proportion of interruptions without a ROE ranged between 39.2% and 61.6% between 2000 and 2014. The total number of interruptions in the “not stated” category without a ROE ranged between 37,700 and 1,061,460 during that time.

The findings from the ROE study show that low-income and non-unionized workers are less likely to be issued a ROE than their unionized and higher income counterparts. Of workers in the bottom quartile of earnings in 2014, 53.5% were not issued a ROE upon separation. In contrast, 16.7% of workers in the top quartile were not issued and ROE. In 2014, 34.2% of non-unionized workers did not receive a ROE, while only 12.9% of unionized workers did not receive a ROE.

The study of the Compassionate Care Benefit, titled *Compassionate Care Benefits: Update* shows that paperwork also prevents caregivers from accessing compassionate care benefits.

In the 2015 fiscal year, 16.9% of people who applied for Compassionate Care Benefits did not receive benefits. Of applicants in this year, 7.3% were denied benefits because they were unable to provide an appropriate medical certificate, and 1.2% were denied because of other missing information.² Applicants caring for children or “other” types of family members were more likely to have their application denied than those caring four a spouse.

The rollback of benefits is another form of administrative barrier that prevents workers from accessing benefits. Training benefits are allocated by provinces and territories according to Labour Market development Agreements (LMDAs).The study *Descriptive Analysis of EI Regular Claimants Referred to Full-Time Training* shows that between fiscal years 2005 and 2017, training referral to non-apprentices has declined from 3.8% in fiscal year 2005 to 2.1% in 2017. In contrast, referrals to apprenticeship training have been relatively stable, fluctuating between 3.1% and 4.2% of all workers who received regular benefits between 2005 and 2017.

² However, it may be that these applicants were unable to produce the appropriate paperwork because their dependent did not need end-of-life care but would be eligible for the caregiver benefit for children or adults.

Knowledge-Based Barriers

The study *EI-Eligible Job Separators that Do Not Apply* points to the unsettling conclusion that some workers may not have access EI because they believe they are not eligible for benefits, even though they are. Using data collected in 2012 and 2013, of those who were eligible for regular benefits but did not apply, 22% believe they were not eligible. For those that were eligible for special benefits but did not apply, 18% believed they were not eligible.

Certain groups of workers are more likely to misunderstand the eligibility requirements of EI. Eligible workers who were disabled or in poor health were most likely to report not applying for regular benefits because they believed they were not eligible (30% for both groups). Of workers 24 and younger and 55 and older who did not apply for regular benefits, 38% and 30%, respectively, believed they were not eligible.

Workers that were eligible for regular benefits and with a net income less than \$20,000 were most likely to believe they were not eligible for benefits (44.3%). In contrast, workers that were eligible for regular benefits and had incomes greater than \$20,000 most commonly reported finding another job right away as the main reason for not apply for benefits.

The studies presented in this section highlight that some workers, especially low-income workers, face substantive barriers to accessing EI. These barriers are systematic in nature, and stem from failures largely outside of workers' control. These workers are less likely to receive the appropriate paperwork necessary for an EI application. Even if they do get access to the right documentation, they may misunderstand the eligibility requirements of the program, and not apply even though they are eligible. The findings point to the need to simplify the application process and eligibility criteria for benefits, and for initiatives to educate workers on what benefits they are entitled to from the program.

Poverty and Inequality

As the name suggests, Employment Insurance is a form of insurance, and workers generally receive benefits from the program that are commensurate with their earnings prior to being separated from their job. Findings from several supplemental studies show that this insurance-style of program may prevent poverty but does little to pull the working poor out of poverty. However, the program has a notable redistributive effect and EI may play a role in curbing income inequality in Canada.

The EI program prevents poverty by providing benefits to workers who lose their employment. The study *Assessment of Anti-poverty Effect of Employment Insurance Program* finds that of workers who received EI in 2015, 11.1% had incomes below the Low-Income Measure. If EI was not available, that percentage would be 25.8%. Similarly, 7.1% of EI recipients were impoverished according to the Low-Income Cut-Off, but that percentage would be 22.0% absent EI.

The study *Apprenticeships Before and After the 2008 Recession* also shows the important role EI plays in supporting workers through economic downturns, particularly apprentices. From 2007 to 2009, total EI claims made by apprentices rose by 24.4%, and the total amount of benefits paid out to apprentices during the 2008 recession was double pre-recession levels.

The EI program also prevents layoffs and the economic hardship associated with them, through the Work-Sharing Program. The study *Usage of the Work-Sharing Program* finds that from fiscal years 2007 to 2009, the average number of averted layoffs was 4,784. In 2009, the program averted 24,385 layoffs.

EI indirectly contributes to Canada's aim of reducing poverty by 50% by 2030 by preventing poverty. However, the program also does lift some out of poverty. In the study *Assessment of anti-poverty effect of Employment Insurance Program* the authors find that in 2015, EI reduced the number of people who lived in poverty by 1%. In that year, 14,600 workers who lost their jobs and who received more than \$4,000 in benefits were lifted out of poverty. Counting these workers' families, the number lifted out of poverty was 49,970.

While the program's effect on overall poverty is minimal, the study *The Redistributive Impact of Employment Insurance 2007-2009* shows that EI has a striking redistributive effect. The top 30% of individuals along the income contributed 43.0% of total contributions to the program in 2007 and claimed just 5.4% if all benefits issued in that year. In contrast, the bottom 30% of individuals contributed 9.9% of all contributions and claimed 62.7% of all benefits. However, examining families rather than individuals, the redistributive impact is less pronounced. In 2017, families in top 30% of the income distribution made 47.4% of all contributions to the program and claimed 26.3% of all benefits. Families in the bottom 30% of the distribution claimed 26.0% of all benefits and contributed 12.3% to total contributions.

Some may argue that the function of EI is not to correct poverty because EI is an insurance program, not a poverty-reduction program. However, EI plays an important role in regulating the Canadian economy and ensuring economic fairness. The program may prevent poverty and redistributes income from high-income Canadians to those with less. However, as the previous section discussed, the equity benefits of the program are only useful for workers that can access the program, and many low-income workers cannot access EI for structural reasons.

Precarity and the changing nature of work

Several of the supplemental studies speak to the increasing precarity and instability of employment in Canada. The studies give insight into who is precariously employed, the nature of worker precarity, and how precarious workers engage with the EI program.

Precarity is characterized by unstable and non-standard work arrangements like temporary contract positions, self-employment and contract work, non-voluntary part-time work, and juggling more than one job (multiple-job holding).

There is little data on the current state of worker precarity in Canada, but some data suggests that precarity is becoming more common. For example, self-employment has been slowly, yet steadily, increasing since the mid-1970s; from 1976 to 2019, the percentage of workers who are self-employed increased from 12.2% to 15.2%.³ Furthermore, some research has shown that the characteristics of

³ <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410002701>

precarious work may compound on each other. For example, in the post-secondary sector, there is an increasing portion of workers who are both temporarily employed and hold multiple jobs.⁴

Two programs within EI offer a window into precarious work in Canada: the Special Benefits for Self-Employed program, and the Working While on Claim program. Both will be discussed in the sub-sections that follow. The last subsection will discuss the interaction between worker precarity and knowledge-based barriers to EI.⁵

Special Benefits for Self-Employed Program

The supplemental study *Enhance Understanding of Self-Employed Workers' Participation in EI Special Benefits* provides some insight into worker precarity that manifests through self-employment. The study examines the Special Benefits for Self-Employed (SBSE) program. Workers can opt into the program to get access to special benefits and must continue to pay premiums as long as they remain self-employed.

Data from the SBSE program from years 2009 to 2015 shows that many participating self-employed workers were also multiple job holders. That is, these workers were both self-employed and had paid employment. By participating in the program, workers can claim hours accumulated in both their self-employed work and paid employment when applying for benefits, rather than depending on just those hours accumulated through paid employment.

Of workers who participated in SBSE, 62% were multiple-job holders at the time they registered for the program. The median earnings from paid employment for these workers ranged from \$14,000 to \$18,000 between 2009 and 2015. Of workers who continued to participate in the program and pay premiums, about one-fifth were both self-employed and had paid employment.

In contrast to those that participate in the SBSE program, only 42.7% of self-employed workers that did not participate in the program also had paid employment. Furthermore, these workers tend to make more from their paid employment, with median earnings ranging from \$24,300 to \$27,500 between 2009 and 2015.

The study also provides demographic information about workers that participate in the SBSE program. The vast majority of participants were women (95.3%) and 62.3% of participants claimed both maternity and parental benefits. Many participants do work that requires a university degree (38.6%) or college/apprenticeship training (30%). The main sectors that program participants work in are "Other services" (37%), Health care and social assistance (27%), Professional, scientific, and technical (13%), Management and administrative (8%), and Finance, insurance, real estate, rental, and leasing (5%).

The fact that about one-fifth of people who participate in the SBSE program continue to hold both paid employment and are self-employed suggests that some workers who use the program are

⁴ Shaker, Erika & Shaban, Robin. (2018). *No Temporary Solution: Ontario's shifting college and university workforce*. Canadian Centre for Policy Alternatives.

precariously employed. These workers may use the program to access special benefits because they would be unable to do so through conventional employment. The data also reinforce the finding that factors of precarity may compound on each other in that many self-employed workers that participate in the program are also multiple-job holders by virtue of also having paid employment.

Working while on claim

Analysis of the Working While on Claim program also sheds light on worker precarity and how precarious workers may be using EI. The program allows workers receiving EI benefits to also work, and benefits are reduced based on the recipient's earnings. Administrative data from the program provides insight into how common it is for a worker to have multiple jobs after being separated from their job.

The study *Who are Workers Working for When Working While on Claim?* found that for workers who worked on claim and began their claim in 2010 (about 784,000 workers), 73.8% worked for a single employer, 19.7% worked for two employers, and 6.6% had three or more employers. While a claimant may work for multiple employers, most (91.3%) of all the hours worked while on claim are for a single employer.

The longer a worker is on claim, the more likely they are to work for multiple employers. For workers that were on claim for 1-14 weeks (161,400 total), 13.8% had two or more employers. In contrast, of workers that were on claim for more than 45 weeks (473,000 total), 21.5% had more than one employer.

Interestingly, the vast majority (96.0%) of claimants who worked while on claim worked for an employer that had hired them within the previous year. About 80% of claimants worked for the employer they had prior to receiving EI.

The data on working while on claim shows the prevalence of multiple-job holding for workers on EI. The majority of workers who work while on claim do so temporarily, and typically work for one employer. However, workers that are on claim for longer periods are slightly more likely to work for multiple employers. It is important to note that these numbers depict the state of the program ten years ago.

Precarious work and knowledge-based barriers

Precarious work is a problem because it does not provide workers decent, secure work that is protected by labour laws. However, precarious work may also present a knowledge-based barrier to accessing EI. The study *EI-Eligible Job Separators that Do Not Apply* suggest that precarious workers – those that are temporary, hold multiple jobs, or are involuntarily working part-time – are less likely to apply for regular benefits even though they are eligible. Furthermore, these workers are most likely to report not applying because they believed they were not eligible.⁶⁷

Conclusion

The supplemental studies provide thought-provoking information about the state of EI and its intersection with poverty, inequality, and worker precarity.

Some of the supplemental studies highlight the needs that workers have in relation to EI, and the possible diversity of those needs. The duration of some benefits – like the Compassionate Care Benefit and, in future, the Sickness Benefit – have been extended to meet the needs of workers. However, a notable number of workers still exhaust both regular and special benefits (recognizing that it is not unusual for workers to exhaust some benefits, like maternity benefits).

It would be useful to understand who exhausts their benefits and why. A study on this topic would help identify gaps in EI benefits and support policy change that makes the program more inclusive and relevant. Such a study could link administrative data with census or other survey data to generate demographic profiles of workers who exhaust their benefits.

The studies that speak to poverty and inequality show that while EI may do little to correct poverty, it does have a strong redistributive effect that could play a part in addressing income inequality. However, administrative and knowledge-based barriers hamper EI's usefulness as a social policy tool. If low-income and precarious workers are unable to access the program, the program can do little to help these workers (as well as the young, senior, ill, and disabled workers who may also misunderstand the eligibility requirements of the program).

Qualitative research, such as interviews and surveys, that investigates the administrative and knowledge-based barriers to the EI program would offer meaningful insight. In fact, previous evaluations of EI that integrate qualitative methods may provide this information. As a next step, a literature review should be done that summarizes all evaluations done of EI over the last ten years. Through this summary, we can identify gaps for further research and gain a deeper understanding of these barriers.

Some of the supplemental studies provide a novel perspective on the state of worker precarity in Canada and the interplay between precarity and EI. Precarious workers may greatly benefit from newer programs within EI that accommodate unconventional work arrangements, like the SBSE program or Working While on Claim. However, is there a downside to these programs?

In the case of SBSE, is it that entrepreneurs who also work for someone else use the program to help support their, hopefully successful, self-employment? Or, are employees turning to self-employment as a second job to supplement their income or insurable hours?⁸ If the latter is true, then the SBSE program may be fulfilling a need that a single employer would have traditionally met.

⁸ A summary document from statistics Canada shows that, in 2018, workers report being self-employed for various reasons: to make more money (3.2%), because they could not find suitable employment (5.0%), because they had to be self-employed in their occupation (15.2%), and work-family balance (8.6%). (<https://www150.statcan.gc.ca/n1/pub/71-222-x/71-222-x2019002-eng.htm>)

The Working While on Claim program essentially supplements workers in precarious work situations with the hope that they will ultimately land a permanent position. But are employers leveraging this program too, and if so, how? For example, employers may use the Working While on Claim program in the same way as the Work-Sharing program, releasing an employee so they can work on claim while still working for the firm on a temporary or part-time basis.

Worker precarity is an important problem that should be addressed through policy. EI may be able to support precarious workers in finding stable employment. But do these same programs also support and reinforce precarity?

To better understand these issues, researchers should update the study *Who are Workers Working for When Working While on Claim?* The findings from this report are ten years old, and likely do not represent the current state of the program or work quality in Canada.

In future, researchers should also undertake supplemental studies and evaluations with worker precarity in mind. Variables that denote factors of precarity like multiple-job holding, temporary positions, self-employment, and non-voluntary part-time work should be included in quantitative analysis. This can be done by linking EI administrative data with data from the Labor Force Survey, or other surveys that contain this information. By considering these factors in research, we can gain a better understanding of the quality of work in Canada and how EI promotes or undermines work quality.