

Extended Employment Insurance Now Open to All

Atlantic Canada's Warning for Other Provinces

by Fred McMahon

The structure of Canada's Employment Insurance system is rapidly changing across Canada on autopilot. As unemployment grows, the generosity and accessibility of Canada's Employment Insurance (EI) increases. The number of hours of work required to collect EI declines and the number of weeks of benefits grow. With unemployment soaring in Canada, what are now regionally generous EI systems, particularly in Atlantic Canada, where EI runs a big deficit, will take hold across Canada. Higher levels of unemployment reduce the hours required to obtain EI and increase the number of weeks of benefits.

Over the long term, generous unemployment systems encourage increased levels of unemployment and weaken private-sector growth and job creation as businesses have to compete against government payments to attract employees. This happened when regionally extended insurance was introduced in Atlantic Canada in 1971: unemployment increased significantly compared to the national average and regional labour shortages developed.

EI is now as generous, on average, across Canada as it was a year ago in Atlantic Canada. For example, the EI system in Toronto in June–July 2020 is more generous than it was in St. John's, Newfoundland & Labrador, for the same period in 2019: 490 hours work to qualify for 23 weeks of payments in Toronto now compared to 630 hours for 17 weeks of payments in St. John's during the same period last year.

To put this in human terms, last June–July in Toronto anyone who worked less than 665 hours did not qualify for EI at all. If current unemployment rates hold, the EI system in Toronto will become even more generous by August/September. A person in August/September in

Toronto who works for just 420 hours will qualify for 30 weeks of EI benefits, up to 45 weeks depending on hours worked above 420.

A three-month moving average of the unemployment rate is used to calculate EI regionally. If the current levels of unemployment hold, the three-month rolling average in August/September will enable workers in: ► St. John's and Halifax to qualify for 26 weeks of EI payments after 420 hours of work, compared, respectively, to 630 hours for 17 weeks and 700 hours for 14 weeks in June–July 2019; ► Charlottetown and Fredericton–Moncton–Saint John to qualify for 24 weeks after 455 hours (665 hours for 15 weeks in both last year); ► Oshawa, Hamilton, London, and Kingston to qualify at 420 hours for 28 weeks (all were at 700 hours for 14 weeks last year); ► Winnipeg at 490 hours for 23 weeks (700 hours for 14 weeks last year); ► Regina and Saskatoon at 420 hours for 26 weeks (both 700 hours for 14 weeks last year); ► Calgary and Edmonton at 420 hours for 32 weeks (both 665 hours for 15 weeks last year); ► Vancouver at 420 hours for 28 weeks and Victoria at 455 hours for 24 weeks (both 700 hours for 14 weeks last year).

EXECUTIVE SUMMARY

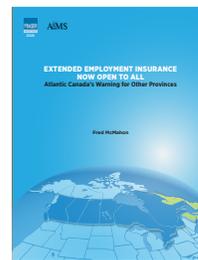
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Atlantic Canada will also be affected. The COVID crisis is increasing unemployment in Atlantic urban areas to levels typical in Atlantic rural areas. This may have a damaging effect on urban Atlantic labour markets. Urban centres in the region typically have higher levels of unemployment and thus more generous EI than urban centres elsewhere in Canada. However, they have lower levels of unemployment than rural areas of Atlantic Canada. More generous EI in urban centres will create incentives to remain unemployed and so could have a long-term negative effect.

In June-July 2019, in urban Atlantic Canada unemployment averaged 6.5%, requiring an average of 665 hours of work to collect 15.3 weeks of benefits compared to 11.3% average unemployment in rural areas, requiring an average of 507.5 hours for 22.7 weeks of benefits. If current levels of unemployment hold for the EI three-month rolling average, in urban Atlantic Canada unemployment will average 12.9%, requiring an average of 437.5 hours of work to collect 25.0 weeks of benefits compared to 15.2% average unemployment in rural areas, requiring an average of 431.7 hours for 28.0 weeks of benefits.

EI faces financial strain: decreased revenues as the number of workers generating employee and employer contributions decline and increased benefits as a result of more unemployed and the greater generosity and accessibility of the system. As well, an increased proportion of the unemployed will have lost their jobs through no fault of their own, a requirement for EI benefits. The system will likely generate billions of dollars of losses, adding to Canada's looming fiscal crisis though, at least in the initial phase, a large part of the deficit will be shifted to the Canada Emergency Relief Program. And, even if an EI financial crisis is short term, unfairness, inefficiency, and perverse incentives in the system should motivate an overhaul.



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