



NEWS RELEASE

Automatic increases in generosity of Canada's Employment Insurance program will add to Ottawa's deficit and risks discouraging work long-term

June 23, 2020

For immediate release

HALIFAX—As unemployment rates soar, Canada's Employment Insurance (EI) program automatically becomes much more generous and accessible, which will add to Ottawa's financial pressures and risks increasing long-term unemployment, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"Already, vastly more people qualify for EI and are eligible to receive many more weeks of benefits with fewer hours of work than just a few weeks ago, and we know this increasingly generous coverage can lead to harmful long-term effects in the labour force," said Fred McMahon, resident fellow at the Fraser Institute and author of *Extended Employment Insurance Now Open to All: Atlantic Canada's Warning for Other Provinces*.

The study finds that in April and May of this year, workers across Canada (on average) had to work a minimum 627.5 hours to qualify for EI benefits. That minimum amount of hours translated into 17.3 weeks of benefits.

But by June, workers on average need only 491.3 hours of work to qualify for 23.5 weeks of benefits.

If current levels of unemployment hold, that trend will continue with the minimum number of qualifying hours by August/September dropping further to 453.1, which will qualify an unemployed worker for 25.6 weeks of benefits.

(The study provides comprehensive data on the changing EI qualifications and coverage for the country's 56 provincial Employment Insurance regions.)

Crucially, previous research has found that overly generous employment insurance can discourage workers from rejoining the workforce, even creating worker shortages when unemployment is high, since the work they may find might provide less income than EI payments.

"Employment insurance should be there to help workers affected by the recession—it shouldn't deter people from going back to work," McMahon said.

"Given the potential damage our EI program could cause to the labour market and deficit, and the system's inherent regional inequities, policymakers should review the program with an eye on reform."

(30)

MEDIA CONTACT:

Fred McMahon, Resident Fellow
Fraser Institute

To arrange media interviews or for more information, please contact:

Bryn Weese, Fraser Institute
(604) 688-0221 ext. 589
bryn.weese@fraserinstitute.org

Follow the Fraser Institute on [Twitter](#) and [Facebook](#)

The Fraser Institute is an independent Canadian public policy research and educational organization with offices in Vancouver, Calgary, Toronto, and Montreal and ties to a global network of think-tanks in 87 countries. Its mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being. To protect the Institute's independence, it does not accept grants from governments or contracts for research. Visit www.fraserinstitute.org