



The Federal Budget and Employment Insurance (EI)

If you qualify for EI, then you will get five more weeks of benefits to try and find a job in this recession.

But right now, only 40% of the unemployed qualify for EI benefits.

This budget tweaked the system, but did nothing to solve the structural EI issues that would help cushion workers and their families in this recession. Labour and other groups have been lobbying for years to rejuvenate the EI system. Successive governments have allowed the system to deteriorate in the good economic times so it is no longer sufficient to meet the needs of Canada's unemployed in this crisis.

Recessions mean that more workers lose their jobs, and find it much harder to find a new one. In the last two recessions, the early 1980s and early 1990s, Canada's national unemployment rate rose sharply, from about 7.5% to over 11%. In December 2008, Canada's unemployment rate stood at 6.6 per cent and was close to a 30-year low. But it won't stay that way. That rate has been steadily rising since September when it was 6.1 per cent. New layoffs are announced every day. RBC Economics, for instance, predicts that the Canadian unemployment rate will rise 20 per cent in the year to 7.3 per cent from the 2008 average of 6.1 per cent.

Does this budget fix the EI system to help laid off workers cope with the recession? No.

1) What's in the Budget

The Conservatives tweaked the EI system slightly to:

- Allow claimants 5 additional weeks of benefits for the next two years.

- On average, claimants qualify for just 32 weeks of benefits - much less than the theoretical maximum of 50 weeks. Some unemployed workers qualify for a maximum of just 14 weeks of benefits. So, the 5 weeks will be added on to, anywhere from 14 to 50 weeks, depending on where you live.
- The government's own numbers don't anticipate unemployment rates declining until 2011, so these 5 weeks will not get many workers through the recession.
- In recent months, before the recession, one in four claimants could not find jobs and exhausted their benefits.
- Contrast this with Barack Obama's stimulus package which extended benefits for up to two years to unemployed workers.

- Boost work sharing agreements where workers receive EI benefits and work fewer hours while their employers recover. Work Sharing Agreements will be extended to a maximum of 52 weeks.

- Right now the limit is 26 weeks, that can be extended by 12 weeks. This Budget adds a further extension of 14 weeks.
- The Budget assigns \$200 million over two years to Work Sharing projects. For perspective, in the last six weeks alone, applications for work sharing agreements totaled an anticipated \$30 million.

- Freeze EI premiums for the next two years.

- This effectively eliminates the job of the "Employment Insurance Financing Board", set up by the Conservatives in their February 2008 Budget. We'll have to wait

and see if the Conservatives use the money set aside for the EIFB to fund the Budget initiatives.

- Premiums will rise though, because of the recent increase to maximum insurable earnings by \$1,200 to \$42,300 so higher earners pay more.

- Set up an 'Expert Panel' to review ways to extend EI parental benefits to self employed workers. This follows up on a Harper election promise. His proposal could mean EI benefits are used to subsidize self-employed workers.

- Training:

- Increase of \$1B in EI Part II funds to go to the provinces and territories to expand training opportunities.
- An additional \$500M, over 2 years, to extend EI Part I benefits to workers participating in long-term training.
- Additional funding to help younger, older, aboriginal and immigrant workers find jobs.
- Canadian Graduate Scholarships will receive funding targeted at science, professional and business students excluding those pursuing education in social science and the arts.
- More funding for apprenticeship programs

2) What does it mean?

These things won't change:

- Today, only about 38% of unemployed workers receive EI benefits compared to 75% who qualified prior to the cutbacks of the '90s.
- The existing level of benefits paid is inadequate to support families and children. Average weekly benefits were \$315 compared to average weekly industrial earnings of \$728 in 2003.
- The current patchwork of qualifying hours required for different benefits and different situations that is inequitable and unreasonable, especially for new claimants and those re-entering the workforce after 12 months.

- The length of benefit period is roughly half what it was 15 years ago. On average, claimants received only 19.3 weeks of regular benefits. Women are more likely to exhaust their benefits because due the nature of their jobs, they generally have fewer hours of insurable earnings. Adding 5 weeks will not bring claims to levels claimants received during past recessions.

As claimants exhaust their EI benefits, the Social Assistance rolls will grow, shifting costs from the federal government to the provinces, and in Ontario to overextended municipalities, who administer welfare programs. Combined with the infrastructure requirement to match funding, Ontario municipalities will face even more costs added to their existing tax base.

Unemployed workers will continue to be trained but in a recession where will the jobs come from for these newly trained workers? And the age old question continues to daunt centrally administered training - "training for what?"

Without a repaired EI system, claimants who do qualify for EI will receive poverty level wages. We will see poverty grow and with it, violence, crime, increased health care and social assistance costs.

Five more weeks of benefits will not fix the EI system enough to cushion workers and their families from the impact of this recession.

3) What would be better choices?

CUPE's agenda for economic recovery highlighted EI reform as key to re-establishing income security programmes. The National Executive Board passed a resolution advocating:

- Revise EI legislation such that all mandatory EI premiums are returned as benefits to workers.
- Basic entrance requirement of 360 hours.
- Benefits based on 60% of earnings over the best 12 weeks.
- Benefit coverage for 50 weeks.

- Training for laid-off workers to access the new jobs created through public investment.
- Cancel plans for EI office closures.

The EI system needs major investment of dollars and energy to help unemployed workers, their families, and their communities weather this recession. This Budget did not do that. By not fixing EI, the Harper government has again overlooked the vulnerable.

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