

## Key Studies Referenced in Chapter 5

### 1. "Four Decades of Productivity Performance in Canada," The Canadian Productivity Review

**Authors:** Tarek M. Harchaoui and Farouzi Tarkhani, Statistics Canada, Micro-economic Analysis Division

**Objective:** To contribute to the current pool of knowledge on productivity, this paper explains the concept of productivity and outlines Canada's historical performance (1961–2004) in this area.

**Methodology:** Productivity growth cannot be directly observed and measured. Rather, it is calculated as the growth in the amount of output relative to the amount of resources used to produce that output. The paper presents results for two productivity measures, labour productivity and multifactor productivity, over the 1961 to 2004 time period.

Growth in labour productivity is calculated as growth in output over a period less growth in labour inputs over the same period. Growth in multifactor productivity is calculated as growth in output less growth in a combined index of labour and capital inputs. Statistics Canada calculates these productivity measures using an integrated set of data sources produced by the National Accounts.

**Key Findings:**

- Labour productivity advanced by 2.0% annually over the 1961–2004 period.
- Productivity matters for growth. Real gross domestic product (GDP) increased by 3.9% over that period. Productivity growth has accounted for more than half of the increase in Canada's output over the past four decades.
- Productivity matters for living standards. Real GDP per person in 2004 was more than 2.9 times higher than it was in 1961. Productivity growth accounted for 80% of that increase.
- Productivity growth matters for income distribution. Over the last 40 years, real hourly compensation of workers has generally paralleled labour productivity gains closely.

**Reliability:** All papers in *The Canadian Productivity Review* go through institutional review to ensure that they conform to Statistics Canada's mandate as a governmental statistical agency and adhere to generally accepted standards of good professional practice.

**Availability:** This paper has been published and is available for free on the Statistics Canada Web site at <http://www.statcan.ca/english/research/15-206-XIE/15-206-XIE2005001.pdf>.

### 2. Literature Review of the Economic and Labour Market Impacts of Employment Insurance/Unemployment Insurance

**Author:** Alex Grey, Applied Research Branch, HRDC

**Objective:** The paper provides a balanced overview of economic research over the past two decades concerning the effects of the Employment Insurance/Unemployment Insurance (EI/UI) program on Canada's labour market and economy.

**Methodology:** There are more than 125 studies on EI/UI in Canada alone. The organizing principle of this review is to evaluate this large body of research using a framework based on three public finance criteria used to assess a public program: effect on economic efficiency, effect on the distribution of income and impact on stabilization of the economy over the business cycle.

### **Key Findings:**

#### Efficiency costs of EI/UI

- While the findings of macro-economic studies generally show that unemployment compensation programs increase the duration of unemployment and the overall rate of unemployment, precise estimates have been difficult to obtain.
- Micro-economic literature has been more precise. The principal results show that eligibility for EI/UI lengthens the duration of in-progress unemployment spells but has less of an effect on employment spells.

#### Efficiency gains from EI/UI

- The positive correlation between EI/UI and in-progress unemployment spells may support the job search model and therefore may be linked to the potential benefits of increased job search and improved job matching, leading to higher productivity.

#### Redistribution

- The majority of studies indicate that the EI/UI program plays an important income redistribution role.

#### Stabilization

- Though there have been few studies, past research has concluded that the EI/UI system has acted as an important automatic stabilizer for the Canadian economy.

**Reliability:** Most of the papers reviewed were published in academic journals or by a government department. The literature review itself is being peer reviewed.

**Availability:** This report will be released once the analysis becomes final.

### **3. "Looking, and Looking, for Work," Perspectives on Labour and Income, vol. 6, no. 5**

**Authors:** Vincent Dubé and Claude Dionne, Statistics Canada

**Objective:** This article provides information on the factors associated with long periods of unemployment.

**Methodology:** Using a duration model based on a longitudinal sample from the Survey of Labour and Income Dynamics (SLID), the article investigates the factors influencing the chances of finding a job for people who were unemployed for more than six consecutive months in the late 1990s and early 2000s.

### **Key Findings:**

- Among the long-term unemployed (more than six months) during the late 1990s and early 2000s, chances of finding a job were lower for those who were social assistance beneficiaries (-47%), aged 56 or older (-39%) or immigrants (-21%).
- On the other hand, during the same period, chances of finding a job were greater for long-term unemployed who were aged 16 to 25 (+35%), living in the Prairies (+35%) or primary household maintainers (+16%).
- The long-term unemployed had a 21% better chance of finding a job when they were receiving EI benefits; however, the opposite was true for the short-term jobless.

- As the results indicate, the overall effect of EI on unemployment duration is difficult to interpret, largely because different factors may be acting in concert or at cross-purposes.

**Reliability:** All articles in *Perspectives on Labour and Income* go through institutional review to ensure that they conform to Statistics Canada's mandate as a governmental statistical agency and adhere to generally accepted standards of good professional practice.

**Availability:** This paper has been published and is available for purchase on the Statistics Canada Web site at <http://www.statcan.ca/bsolc/english/bsolc?catno=75-001-X&CHROPG=1#v6n5>.

#### 4. The Income Redistribution Impact of Canada's Employment Insurance Program

**Authors:** Ross Finnie, Queen's University School of Policy Studies; and Ian Irvine, Concordia University

**Objective:** The objective of this research is to examine how the current EI system affects the distribution of income and earnings in Canada, and to examine how this distributive impact evolved in the 1990s.

**Methodology:** The analysis is based on Canada's Longitudinal Administrative Database (LAD). The LAD is a 20% representative sample of Canadian tax filers, constructed from Canada Revenue Agency records, which follows individuals over time and matches them into family units annually. It thus provides individual- and family-level information on incomes, taxes and basic demographic characteristics in a dynamic framework. The sample for this study is restricted to individuals aged 20 to 59 who are not full-time students. The sample is also restricted to individuals who have an observable

commitment to the labour force, which is important in the context of examining EI redistribution. The analyzed period starts in 1992 and ends in 2002.

#### **Key Findings:**

- The EI program moved \$4.9 billion in EI net benefits (EI benefits minus EI contributions) from the top five deciles into the five bottom deciles in 2002. Individuals in the lowest decile received \$2.4 billion more in benefits than they paid in contributions.
- EI reform does not appear to have significantly changed the net benefits distribution. The first decile received \$287 million more and contributed \$20 million more in 2002 than in 1996. Similar results are available for the second decile. Total contributions fell for the top three deciles in absolute terms and as a percentage. Therefore, the percentage of benefits decreased and the percentage of contributions increased for middle deciles (fourth to seventh deciles) between 1996 and 2002.
- Analyzing the EI redistribution impact by province indicates some evidence of redistribution among provinces. For example, individuals in Newfoundland and Labrador made 1.4% of the contributions yet collected 5.9% of the benefits in 2002. The report also shows results for rural regions and urban regions. Individuals in rural regions received 31% of the EI benefits but made 18% of the contributions in 2002. The percentage distribution did not change after EI reform.
- Analysis by gender indicates women received 49% of the benefits but paid 43% of the contributions in 2002. Women have received a larger proportion of EI benefits since EI reform. However, the increase in

the proportion of EI benefits women received may be due to the recent enhancements to parental benefits. When EI is examined by age group for all individuals, results show that individuals aged 20 to 34 account for almost 12 percentage points more in benefits (41.6%) than in contributions (29.7%). This difference has remained stable, before and after EI reform.

**Reliability:** An external academic peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 5. Employment Insurance Reform and Community Mobility

**Author:** *Audit and Evaluation Directorate, HRSDC*

**Objective:** This study explores whether migration rates changed during EI reform. It was expected that there would be higher rates of migration immediately following EI reform if communities experienced any difficulty in adjusting to EI reform. The study also comments on the movements of frequent and infrequent claimants.

**Methodology:** The study uses extracts from the EI database for the 1995 to 2002 period. These extracts are done for the 100% sample, so that they comprise a complete view of mobility within each of the communities.

#### **Key Findings:**

- Mobility between communities between 1995 and 2002 remained fairly stable, with as many as 30% of claimants changing communities from one EI claim to the next. Thus, there is little evidence to suggest that EI reform had a sudden effect on mobility

in any of the 14 communities studied. This fact may indicate that communities experienced no serious difficulties in adapting to EI reform.

- In addition, larger metropolitan areas in Central Canada tend to have a greater degree of mobility than the smaller communities in Atlantic Canada.
- Finally, evidence suggests there was a decline in frequent and infrequent claimant movement into and out of communities during the period. Communities in the Atlantic region had a far higher percentage of frequent claimant movement into and out of communities.

**Reliability:** An external academic peer reviewed an earlier version of this study.

**Availability:** This report will be released once the analysis becomes final.

### 6. Employment Insurance in Canada and International Comparisons

**Authors:** *Marc Van Audenrode, Andrée-Anne Fournier, Nathalie Havet and Jimmy Royer, Analysis Group*

**Objective:** This literature review compares the Canadian EI system to unemployment insurance systems in other developed countries, primarily European countries and the United States.

**Methodology:** The study compares major aspects of the Canadian EI system and international unemployment insurance systems, such as budgeting and financing, eligibility criteria, waiting periods and benefit duration, and level of benefits. The paper also discusses unemployment assistance, a form of extended EI used in other countries. Finally, the study briefly examines methods of encouraging work attachment, such as sanctions and active measures.

### **Key Findings:**

- **Budgeting and financing:** In most countries, unemployment insurance is mandatory for workers and is managed by the government. Sometimes, management is shared with unions or employers. In most countries, unemployment insurance systems are funded primarily through a payroll tax. However, the share paid by employers, by employees and through government subsidies varies significantly among countries. Sometimes, unemployment insurance contributions are lumped in with contributions for other social programs. As a percentage of GDP, Canada spends more on EI than the U.S., but less than many European countries.
- **Eligibility and entitlement:** It is relatively easy to qualify for benefits in Canada, but the benefits last a relatively shorter period of time. A worker can qualify with as little as 420 hours of work (12 weeks), whereas most other countries require at least six months to one year of qualifying work. A Canadian worker can receive as little as 14 weeks of benefits (the maximum is 45 weeks), while in most countries, the minimum is six months and the maximum can be as long as four years.
- **Waiting periods:** In most other countries, there is a waiting period of one week after job loss before a worker can receive benefits. Some countries have no waiting period.
- **Benefit levels:** Canada's 55% replacement rate is lower than that in many European countries, but comparable to most U.S. states. Some countries have much higher maximum insurable earnings.

**Reliability:** An independent expert has peer reviewed this study. It is based on data available in international publications.

**Availability:** This paper is a technical report related to the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### **7. Employment Insurance Coverage Survey**

**Author:** *Statistics Canada*

**Objective:** The Employment Insurance Coverage Survey (EICS) is designed to provide information on unemployed individuals, whether or not they qualify to receive EI.

**Methodology:** The EICS is an annual supplement to Statistics Canada's Labour Force Survey. It identifies those individuals for whom the EI program is designed to provide coverage (also referred to as "the potentially eligible") and those who worked enough insurable hours to be eligible to receive benefits from the EI program.

### **Key Findings:**

- In 2004, 80.4% of unemployed individuals with a recent job separation that qualified under the EI program were eligible to receive EI benefits; 60.5% were receiving benefits during the survey reference week. The following table provides more detailed findings.

**Reliability:** At a confidence level of 95% (19 times out of 20), the 80.4% coverage is accurate within plus or minus 2.7 percentage points. Only estimates deemed to be reliable according to Statistics Canada's guideline of a coefficient of variation (CV) below 16.5% are used and reported.

**Availability:** Findings for the 2004 EICS are available at Statistics Canada's Web site at <http://www.statcan.ca/Daily/English/050622/d050622d.htm>.

## 2005 Monitoring and Assessment Report

### Eligibility for EI Benefits 2004 Employment Insurance Coverage Survey (EICS)

	Eligibility Rate for Unemployed with a Recent Job Separation that Qualifies Under EI <sup>1</sup> %	Receipt Rate for Unemployed with a Recent Job Separation that Qualifies Under EI <sup>1</sup> %
<b>Total Unemployed Population</b>	80.4	60.5
<b>Gender</b>		
Women	76.3	60.1
Men	83.2	60.8
<b>Age and Gender</b>		
Unemployed youth (15 to 24 years old )	48.5	31.1
Unemployed adult women (25 to 69 years old)	82.3	65.8
Unemployed adult men (25 to 69 years old)	89.6	66.5
<b>Region</b>		
Atlantic	90.5	77.5
Quebec	79.2	61.8
Ontario	78.1	54.6
Prairies	81.0	58.0
British Columbia	76.9	55.3
<b>Full-Time/Part-Time Employment Status over Last 12 Months</b>		
Unemployed who worked part time only in the last 12 months	42.8	†
Unemployed who worked full time only in the last 12 months	87.6	66.6
Unemployed who worked part time and full time in the last 12 months	80.5	63.5
<b>Work Pattern of Last Employment</b>		
Permanent		
Full time	91.5	67.8
Part time	60.4	†
Non-permanent		
Seasonal	85.7	69.1
Other non-standard	61.2	45.8
<b>Immigrant Status</b>		
Canadian-born	82.5	63.8
Immigrants	75.0	49.6

1: The unemployed with a recent job separation that qualifies under EI are individuals who have lost a job or quit a job with just cause, under current EI rules, in the previous 12 months. This figure includes all those who have done some work in the last 12 months, were not self-employed, did not leave their job to go to school and did not quit their job for a reason considered invalid according to current EI rules.

†: This estimate has a high level of variability and is not considered reliable.

## 8. The Deteriorating Economic Welfare of Immigrants and Possible Causes: Update 2005

**Authors:** Garnett Picot and Arthur Sweetman, Statistics Canada and Queen's University School of Policy Studies

**Objective:** This paper examines the economic welfare of immigrants in Canada.

**Methodology:** The paper reviews the increase in the earnings gap between immigrants and Canadian-born individuals during the 1980s and 1990s, and the current explanations for this labour market deterioration among recent immigrants in particular. Also reviewed are the explanations in the literature for the deterioration of immigrant economic outcomes. This paper is a revised version of a previously released study (July 2004) that incorporates more recent findings.

### **Key Findings:**

The economic welfare of immigrants deteriorated through the 1980s and 1990s. Reasons for this decline are numerous and are not necessarily independent of each other, but some issues have been found to be empirically important.

- The changing composition of source countries, mother tongues or languages used at home, visible minority status and other related issues are associated with about one third of the decline.
- There has been a substantial decline in the economic return to pre-immigration potential labour market experience for those from countries that have not traditionally been important sources of immigrants to Canada. This explains about another third of the decline for men and slightly less for women.

- There has been a very general decline in labour market outcomes for new entrants to the labour market, especially males. Immigrants, regardless of their age at arrival, appear to be treated like new entrants by the labour market. This factor accounts for at least another third of the observed decline.
- Related issues are the long-term labour market impact of immigrants arriving during a recession, and the fact that immigrants' labour market outcomes appear to be more sensitive to the business cycle than those of Canadian-born individuals.
- There is no evidence of a decline in the economic returns from education. For some sub-groups of the immigrant population, the economic value of a graduate degree appears to have increased in the last two decades. Immigrants educated in Canada have economic returns from education at least as great as those for Canadian-born individuals.

**Reliability:** Statistics Canada has peer reviewed and published this paper.

**Availability:** This published paper is available for free on the Statistics Canada Web site at <http://www.statcan.ca/cgi-bin/downpub/listpub.cgi?catno=11F0019MIE2005262>.

### 9. Potential EI Eligibility of Employed Canadians in December 2003, Using the Survey of Labour and Income Dynamics (SLID)

**Authors:** Constantine Kapsalis and Pierre Tourigny, Data Probe Economic Consulting Inc.

**Objective:** The objective of this report is to provide an estimate, using the SLID, of the proportion of paid employees who would have sufficient insurable hours to be eligible for EI benefits if they were to lose their job or quit with just cause. The report also provides the data used in Chapter 5 on potential access to special benefits among the employed population.

**Methodology:** The SLID is a longitudinal Statistics Canada survey that follows individuals over six consecutive years. Every three years, a new panel of individuals is added to the survey. The SLID provides information on people and their jobs, including weekly labour force activity; characteristics of each job held in a year; and personal, family and household characteristics. Coverage measures from the SLID are determined using a simulated scenario on the paid employed population.

#### **Key Findings:**

- Simulations suggest that 88.1% of individuals who were working as paid employees in December 2003 would have been eligible for EI regular benefits if they had lost their job at the end of that month. The proportion of individuals with sufficient hours to claim EI benefits was consistent across the country, with coverage rates ranging from 85.9% in British Columbia to 89.5% in the Atlantic. The following table provides more detailed findings.

**Reliability:** At a confidence level of 95% (19 times out of 20), the 88.1% coverage is accurate within plus or minus 0.8 percentage points. Only estimates that are deemed to be reliable according to Statistics Canada's guideline of a coefficient of variation (CV) below 16.5% are used and reported.

**Availability:** This report is being peer reviewed and will be published soon.



## Annex 5 – Key Studies Referenced in Chapter 5

### Simulated EI Eligibility<sup>1</sup> as a Proportion of Individuals Working in Paid Employment in December, Using the Survey of Labour and Income Dynamics (SLID), Various Groups, December 2002 and December 2003

	December 2002 %	December 2003 %
<b>Total Employed Population</b>	88.4	88.1
<b>Gender</b>		
Women	84.5	84.8
Men	92.3	91.1
<b>Age and Gender</b>		
Employed youth (15 to 24 years old )	64.1	65.6
Employed adult women (25 years old and over)	90.0	89.4
Employed adult men (25 years old and over)	96.1	95.3
<b>Region</b>		
Atlantic	90.0	89.5
Quebec	89.5	89.3
Ontario	88.0	88.1
Prairies	86.8	87.0
British Columbia	88.6	85.9
<b>Full-Time/Part-Time Employment Status over Last 12 Months</b>		
Employed who worked part time only in the last 12 months	54.4	52.3
Employed who worked full time only in the last 12 months	95.9	95.9
Employed who worked part time and full time in the last 12 months	82.0	83.7
<b>Gender and Full-Time/Part-Time Employment Status over Last 12 Months</b>		
Employed who worked full time only in the last 12 months		
Women	95.0	95.6
Men	96.7	96.1
Employed who worked part time only in the last 12 months		
Women	56.5	55.0
Men	47.6	43.5
Employed who worked part time and full time in the last 12 months		
Women	80.8	81.5
Men	83.6	86.6

1: Simulated scenario: Individuals with paid employment in December 2003 are all laid off at the end of the month. The longitudinal segment of the SLID is used to calculate insurable employment under EI. Rules in effect in December are used to calculate eligibility for regular benefits under EI.

### 10. Record of Employment-Based Measures of Eligibility

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** The purpose of this paper is to look at workers' ability to meet the Variable Entrance Requirement (VER) and to look at take-up of EI benefits across provinces, unemployment rates and economic regions.

**Methodology:** The analysis uses Record of Employment (ROE) data files for 1991 to 2004. The study focuses on the percentage of ROEs meeting the VER. It combines weeks and hours from ROEs in the previous 52 weeks to determine whether workers had accumulated enough weeks and hours in multiple jobs to meet the VER.

#### **Key Findings:**

- The impact of the VER was measured by comparing the percentage of workers who meet the VER to the percentage who meet a fixed requirement across different unemployment rates. Before EI reform, the VER compensated for fewer insured weeks in regions of high unemployment, so that the percentage of workers meeting the entrance requirement was fairly even across regions. After EI reform, the VER increased the percentage of workers meeting the entrance requirement in regions of higher unemployment above the percentage meeting the entrance requirement in regions of lower unemployment.
- The overall percentage of workers meeting the VER decreased between 1991 and 2004, ranging from 84.8% in 1991 to 74.5% in 2004. The decrease in the percentage of workers with enough hours to meet the VER could be due to the drop in the unemployment rate from 10.3% in

1991 to 7.2% in 2004. Employment increases as the unemployment rate decreases. However, the VER also becomes more stringent as the unemployment rate falls, making it more difficult for workers to meet requirements. The decrease in the EI beneficiaries to unemployed ratio over time is steeper than the decrease in the percentage of workers with enough hours to meet the VER.

- The percentage of workers that meet the VER varies occasionally among economic regions. In 2004, it ranged from 89.5% in eastern Nova Scotia to 64.6% in St. Catharines, Ontario.

**Reliability:** This paper uses the ROE files and an academic has peer reviewed it.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 11. A Note on the Characteristics of Unemployed Older Workers Using the Canadian Out-of-Employment Panel

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** This note is designed to provide additional information on the characteristics of unemployed older workers.

**Methodology:** For this note, cohorts 22 to 29 (October 2000 to September 2002) of the COEP survey are linked to EI administrative data. The sample for this analysis is the ROEs in COEP for individuals 25 years of age and older (in other words, younger workers are excluded from the sample). This sample permits a comparison between prime-age workers (25 to 54 years of age) and older workers (55 and older) who left employment.

### **Key Findings:**

- There was no difference between the percentages of older workers and prime-age workers qualifying for or collecting EI between October 2000 and September 2002.
- The percentage of older workers exhausting their benefits is larger than the percentage of prime-age workers.
- In general, older workers tend not to take training courses during job search, have lower education levels, and are more likely to be in part-time or seasonal work than prime-age workers.
- When the duration of unemployment is examined more closely, differences in weeks of unemployment of older workers versus prime-age workers are small at lower levels of education but increase as education level increases.

**Reliability:** This brief note is based on tabulations from the COEP survey.

**Availability:** This paper is a technical report to be used in the *2005 Monitoring and Assessment Report*.

## **12. Employment Insurance and the Canadian Fishing Industry**

**Author:** *Audit and Evaluation Directorate, HRSDC*

**Objective:** This study examines the Canadian fishing industry and the use of EI benefits by self-employed fishers. It starts with a brief overview of the fishing industry. It also examines the sources and distribution of income of self-employed fishers.

**Methodology:** The primary data source for this analysis is the Longitudinal Administrative Database. The database is a 20% sample of the T1 Family File. It thus

provides annual income tax data for tax filers and their families. Using data from 1992 to 2002, this study focuses on those who reported at least \$1 of self-employed fishing income.

### **Key Findings:**

- Over the past decade, the total number of fishers has steadily declined. In 1992, 47,425 Canadians reported self-employed net fishing income. In 2002, this number declined to 35,625. P.E.I. is the only region that has not seen a decline in the number of fishers.
- Fishers are primarily male (80 to 85%) and of prime age (70 to 75%). The percentage of women has increased slightly in recent years. Also, in recent years, there has been a slight increase in family-based fishing (that is, families in which more than one family member reports fishing income).
- Over 80% of those reporting self-employed fishing income also report EI income. This results in a ratio of benefits to premiums that is roughly 10 times higher than that for the rest of the labour force.
- Fishing income represents about 45% of an average fisher's total income.

**Reliability:** An independent expert has peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 13. The Analysis of Employment Insurance Fishing Benefits for Self-Employed Fishers and the Relation to Labour Market Aspects of the Fishing Industry

**Author:** Acton White Associates Inc.

**Objective:** This study examines the Canadian fishing industry, focusing on those whose primary income source is self-employed fishing. It focuses on the extent of EI use in this industry, as well as related labour and productivity issues.

**Methodology:** The study uses a number of different data sources to survey fishing industries in Canada and other developed countries. It also briefly compares the fishing industry to other seasonal Canadian industries.

#### Key Findings:

- In 2002, there were slightly more than 25,000 fishers whose primary income source was self-employed fishing. The number of fishers has been steadily declining over time, as has the size of the fleet.
- A large majority (over 85%) of self-employed fishers receive EI in a given year, a figure considerably higher than for other seasonal industries. EI makes up roughly one third of total income, on average, for these fishers.
- The total dollar value of the catch has increased steadily in Atlantic Canada. Significant increases in catches of shellfish have offset declines in groundfish.
- The Pacific Coast has seen overall declines in catch value, due primarily to a decline in pelagic species such as salmon and herring.

- Fishing income in 2002 varied significantly by species fished and therefore, by province. The highest average income from fishing was in Nova Scotia (\$32,500), while the lowest was in Newfoundland and Labrador (\$15,000).
- Canada subsidizes its fishing industry heavily compared to other nations. It ranks highest among 19 OECD countries for direct payments to the industry as a percentage of total landed value.
- Productivity of labour and capital has grown more slowly in Canada compared to many other OECD countries.
- Canada's fishing industry is highly labour intensive compared to that in other countries.

**Reliability:** An independent expert has peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 14. Family Supplement

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** This study examines two issues related to the Family Supplement (FS). The first is its impact on the incentive to work. The second is the declining share of FS claims relative to all EI claims since 1999/00, as noted in recent editions of the *Monitoring and Assessment Report*. It has been suggested this drop is due to the frozen threshold level for receiving the FS, which has led to a fall in receipt of the FS as wage rates have increased.

**Methodology:** The Status Vector (SV) provides information on the characteristics of individual claimants and is used to measure

the incentive to work. To test the possible impact of the FS threshold's indexation and the consequences for accessibility, two surveys are used: the SLID and the COEP survey. The databases are used to create two models to replicate the FS calculation.

### **Key Findings:**

- Overall, there appears to be no evidence that the FS has created a significant disincentive to return to work, as shown by the fact that there was only a marginal increase of 1.6 weeks between 1994 and 2002 in the average total number of weeks that affected individuals claimed UI/EI benefits. This change in the average total weeks has been constant since 1998.
- The share of EI claims that involve the FS has decreased each year relative to all EI claims since 1999/00. This situation can be explained by the rising average annual family net income combined with an FS threshold that has remained at \$25,921. Indexing the FS threshold would maintain access to the FS for the target population of low-income families who receive EI and have children.

**Reliability:** The effect of the FS on the incentive to work has been reported in previous versions of the *Monitoring and Assessment Report*. This report reflects similar results of earlier studies. However, it was the first time that the non-indexation of the FS threshold was monitored. Two SLID and COEP surveys provided corroboration from multiple sources.

**Availability:** The results of this study will be used as input to the summative evaluation of EI Part I.

## **15. International Comparison of Maternity/Parental Benefits**

**Authors:** *Shelley Phipps and Lynn Lethbridge, Dalhousie University*

**Objective:** The focus of this study is a comparative analysis of Canada's maternity and parental EI benefits with systems in other countries. A similar study was conducted in 1995 with an update in 1998. However, since that time, Canada has considerably extended the duration of the combined special benefits (maternity, parental and sickness benefits) and reduced the eligibility requirements, making the program considerably more flexible.

**Methodology:** Canada is compared with other members of the G7 group (France, Germany, Italy, Japan, the United Kingdom and the U.S.) as well as the Nordic countries (Finland, Norway and Sweden). The major part of the report involves an institutional survey of currently available maternity and parental benefits in those countries. Specific details include eligibility, total duration of benefits and benefits amount, as well as who operates the program and how it is financed. The second part of the report includes simulations, which use program information to calculate entitlements for five sample cases. The last part of the report uses the most recent micro data available in the Luxembourg Income Study (LIS) to compare the financial well-being of families with very young children in the countries studied.

### **Key Findings:**

- Since 2001, the total duration of Canadian benefits has compared relatively favourably to international standards. Most countries with a longer benefits duration eventually move to a flat-rate benefit or a lower replacement rate

towards the end of the extended period. However, the level of benefits offered in Canada is rather low, particularly in comparison with first-stage maternity benefits available elsewhere. Canada also imposes a two-week waiting period before benefits can begin. This form of deductible is not evident in other countries.

- Maternity or parental benefits are not available to self-employed new parents in Canada. However, such benefits do exist in several other countries, such as the U.K., Sweden, Norway, Finland and Italy.
- The ceilings on maximum benefits payable (in Canada, France and Sweden) or flat-rate benefits for some part of the covered period (in Germany and France) mean that the effective replacement rate for men is usually lower than that for women. Men generally have higher earnings. Some countries have implemented inducements for men to take parental leave by allocating a portion of the leave for men (in Sweden and Norway) or by adding to the total entitlement if men take part of the leave (in Finland). The fact that men taking a parental leave after their partners do not have to serve a second waiting period may help in this regard in Canada.
- Scandinavian countries are particularly flexible about allowing parents to choose whether to take full-time leave, or to receive the same total payment spread out over a longer time by returning to work part time. In Canada, new parents receiving parental leave are now able to earn up to 25% (or \$50) of their weekly benefit without any deduction in that benefit, though they are not able to extend their benefits period in this way.

**Reliability:** The study is an update of studies conducted in 1995 and 1998. An external academic peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 16. The Other Face of Working Poverty

**Authors:** *Myriam Fortin and Dominique Fleury, Social Development Canada*

**Objective:** This report provides information on low-income individuals who were active in the labour market in 2001 but for whom work was not the main activity (i.e. those who worked fewer than 910 hours). It also provides information on the population of all active low-income Canadians, independent of the number of hours they worked in 2001, to create a fuller picture of "active poverty" in Canada.

**Methodology:** Using data from Statistics Canada's SLID master files for years 1996 to 2001, the authors prepare descriptive profiles, conduct logistic regressions and do longitudinal analysis of the various populations under study.

#### **Key Findings:**

- In 2001, in addition to 653,000 working poor Canadians, another 261,000 Canadians who were active in the labour market had low family incomes, for a total of about one million active poor Canadians that year. Including dependants, close to two million individuals lived in a low-income family including at least one active member.
- Regression analysis shows that by far the most important factor in avoiding poverty is to work, even if only a few hours per

year. However, once an individual has secured a number of hours, family structure and low wages become the most important factors in explaining low family income.

- Longitudinal analysis indicates that active poor individuals who work have an attachment to the labour market similar to other active individuals over a six-year horizon, but poor individuals are more likely to experience either unemployment or a reduction in their hours of paid work.

**Reliability:** The paper has been reviewed internally and externally. The Policy Research Initiative published it in fall 2005.

**Availability:** This paper is available on the Policy Research Initiative Research Web Site at [http://policyresearch.gc.ca/page.asp?pagenm=pub\\_req&surveyid=21&q442=The%20Other%20Face%20of%20Working%20Poverty%20](http://policyresearch.gc.ca/page.asp?pagenm=pub_req&surveyid=21&q442=The%20Other%20Face%20of%20Working%20Poverty%20).

### 17. Did the Exhaustion of Unemployment Insurance/Employment Insurance Benefits and the Take-Up of Social Assistance Change After Employment Insurance Reform?

**Author:** *Audit and Evaluation Directorate, HRSDC*

**Objective:** This study examines the impact of changes under EI reform on the extent to which EI claimants exhaust their benefits and the rate at which EI claimants seek social assistance (SA). It had been suggested that the cut to the maximum entitlement from 50 to 45 weeks might have caused an increase in the exhaustion rate and subsequent take-up of SA.

**Methodology:** The study uses the COEP survey linked with data from the EI databank to examine the rate of exhaustion of EI and

the subsequent take-up of SA. The analysis compares data from just prior to EI reform (the third quarter of 1995 to the second quarter of 1996) to three years of data collected after EI reform.

**Key Findings:**

- Following EI reform, there has been a slight downward trend in the percentage of claimants exhausting their entitlement to EI benefits. The take-up rate of SA has also followed a downward trend since EI reform. Although the drops in the claim exhaustion rate and the take-up rate of SA were likely due to economic factors, the report concludes that it would be difficult to argue that EI reform had caused an increase in either.

**Reliability:** An external academic reviewed a previous version of this study before its release. The study confirms the research of several other evaluation studies.

**Availability:** An earlier version of this study is posted on HRSDC Web site at <http://www11.hrdc-drhc.gc.ca/pls/edd/EISA.shtml>.

### 18. Employment Insurance and Social Assistance: Evidence on Program Interaction

**Author:** *Alex Grey, Applied Research Branch, HRDC*

**Objective:** The goal of the working paper is to examine patterns of receipt of EI and SA.

**Methodology:** The study used two data sources: the EICS for 1999 and the Survey of Consumer Finances for 1987 and 1997.

**Key Findings:**

- This study confirms a finding of other HRDC/HRSDC studies—namely, that only a small proportion of individuals who

exhaust their EI entitlement move on to SA in the short term (for example, within a year).

- However, it also shows that individuals ineligible for EI benefits, or no longer eligible, may not appear as SA clients until some time has passed. This raises the possibility that the move from EI exhaustion to SA, and the impact of EI ineligibility on SA in general, is a longer term process than previously realized. One potential reason is the fact that individuals have to exhaust other sources of income and a share of their assets before being entitled to SA benefits. This longer term transition to SA also implies that there is a significant period where many jobless individuals are left without income support.
- The fact that few individuals combined SA and short-term work suggests that there are barriers, once someone is on SA, to reintegrating into the labour market. This fact underlines the importance of programs such as the National Child Benefit that are designed to reduce or eliminate these barriers.

**Reliability:** The estimates of the interaction of EI and SA are statistically reliable. The paper has been peer reviewed.

**Availability:** This study is available on the HRSDC Web site at <http://www11.hrsdc.gc.ca/en/cs/sp/hrsdca/arb/publications/research/2002-001271/page00.shtml>.

### 19. Evaluation of EI Parental Benefits

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** The evaluation examines the results of the legislation that, starting on

December 31, 2000, extended and enhanced the provisions of the parental benefits program. The focus is on the effects of the change relative to previous EI parental benefits. This new regime extended the weeks of parental benefits from 10 to 35 weeks, expanding the total maternity/parental benefits duration from 25 weeks to 50 weeks. The new legislation also reduced the number of insurable hours of employment required for eligibility from 700 to 600 hours. The mother and father could share parental benefits without a second two-week waiting period, and parents could earn up to 25% of their parental benefits per week without a reduction in their benefits.

**Methodology:** The evaluation report is based on three different data sources: surveys of participants, HRSDC administrative data and a survey of employers.

#### **Key Findings:**

- The program changes increased the number of eligible workers, as those with between 600 and 700 insured hours became eligible in 2001. Other eligible workers increased their usage due to the longer maximum duration and the sharing of benefits. The overall participation rate went up to 48.8% under the enhanced program, relative to 44.4% under the pre-2001 program.
- Male and female participation rates both increased, as did rates in most categories of marital status, age group, occupation and level of education.
- Participants under the enhanced program substituted seven weeks of unpaid parental leave for 18 weeks of EI paid leave. This suggests that, on balance, the enhanced program encouraged parents to



take approximately 11 weeks of extra total leave. However, participants under the enhanced program received the same amount in weekly benefits as participants under the pre-2001 program. Furthermore, 18.5% of dual-earner couples reported that they shared benefits, compared to 8.1% under the pre-2001 program.

- Survey respondents said the enhanced program's two main strengths were that it allowed them to spend more time with their child/children and improved the parent/child relationship. When asked to suggest improvements, respondents generally indicated that they were not looking for major changes, except perhaps a higher fraction of income replacement.
- On another point, mothers indicated they breastfed their babies for a longer period under the enhanced program: 32.1 weeks, compared to 28.6 weeks under the pre-2001 program.
- Finally, most of the surveyed employers felt that the program changes had no impact on their profitability, growth, ability to attract new workers and ability to retain employees.

**Reliability:** An external academic peer reviewed this evaluation.

**Availability:** This study is available on the HRSDC Web site at [http://www11.hrdc-drhc.gc.ca/pls/edd/SP\\_AH\\_674\\_01\\_05.shtml](http://www11.hrdc-drhc.gc.ca/pls/edd/SP_AH_674_01_05.shtml).

### 20. Evaluation of the Employment Insurance Pilot Project No. 5 (Preventative Withdrawal)

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** The evaluation of the preventative withdrawal pilot tests a

modification to the EI program that allows some women to extend their parental leave to better combine their EI benefits with benefits they may receive from a form of workers' compensation known as preventative withdrawal. The evaluation concentrates on issues surrounding the take-up of the pilot and the extent to which it addresses these women's perceived needs.

**Methodology:** The evaluation report is based on four different data sources: surveys of participants, case studies, HRSDC administrative data and an intranet survey of HRSDC employees.

#### **Key Findings:**

- The pilot project attained its objective for most claimants, enabling them to extend their benefits period and avoid reduction of EI benefits due to simultaneous application of the EI program and the preventative withdrawal program.
- However, the project would have been more successful if more claimants had obtained information about it. Respondents said the major negative elements of the project were lack of information and understanding of it. The case study showed that some women who had chosen to receive partial benefits would have made a different choice had they understood the consequences of it.
- Moreover, a larger proportion of low-income women elected to receive partial benefits rather than to extend their benefits period, perhaps due to an urgent need for cash. These women were thus unable to enjoy fully the benefits of the pilot project. Before the pilot project came into effect, all claimants received partial benefits, regardless of their income level.

**Reliability:** An external academic peer reviewed this evaluation.

**Availability:** The final report of the evaluation of the EI pilot project will be released in the near future.

### 21. Repeat Use of Unemployment Insurance/Employment Insurance Benefits in Canada

**Authors:** Rick Audas, Memorial University of Newfoundland; David M. Gray, University of Ottawa; and Ted McDonald, University of New Brunswick

**Objective:** This study updates existing literature regarding repeat use of the UI/EI system. The first part of this study looks at general trends in repeat use of UI/EI at aggregated levels. The second part is based on individual-level data and covers two main issues: the event of filing a UI/EI claim in any given year (that is, incidence of UI/EI use); and the extent to which UI/EI use patterns evolve as an individual files more claims.

**Methodology:** This study uses two separate, linked data sets (one for the aggregate-level analysis and one for the individual-level analysis) drawn from HRSDC's ROE and SV files for the period from 1979 through 2003.

#### **Key Findings:**

- From 1984 to 1996, there was an upward trend in repeat use of UI/EI, which was interrupted only by the recession of the early 1990s. Since 1996, there has been a downward trend, but this is likely not due to the 1996 EI reforms.
- The level of repeat use was significantly higher in the Atlantic provinces and in Quebec than in Ontario, the Prairies or British Columbia, likely due to the types of industries located there.

- Analysis of individual claim histories suggests that the longer people went without making a subsequent claim, the lower the probability they would make a claim in the future.
- In addition, as individuals filed more claims, they appeared to learn from their claim experience. For example, individuals tended to reduce the number of work weeks exceeding the minimum UI/EI entry requirements as they gained experience. Repeat users of UI/EI benefits were more likely to work the minimum number of weeks or hours to qualify for UI/EI benefits than were non-repeat users, particularly before the 1996 EI reforms; and more likely to work just enough hours or weeks to ensure that their entire year would be covered by either UI/EI benefits or employment income.
- Some of the policy changes in the 1990s greatly affected the percentage of repeat users experiencing a gap in either UI/EI benefits or employment income. For example, the share of repeat users experiencing a gap declined by 50.2% in 1991 under Bill C-21, which introduced longer benefits durations.

**Reliability:** Two external academics peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 22. The Dynamics of Reliance on EI Benefits: Evidence from the SLID

**Authors:** Shawn de Raaf, Anne Motte and Carole Vincent, Social Research and Demonstration Corporation (SRDC)

**Objective:** This study investigates long-term EI dependency.

**Methodology:** The study relies on data from the SLID to examine the work and EI reliance patterns of a cross-section of Canadian workers who had at least one work interruption in the 1993 to 1995 period or the 1996 to 1998 period. The study analyzes the factors that contributed to a worker being an intense relier in the first period (1993 to 1995), defined as receiving regular benefits in at least two of the three years, and then examines the factors that contributed to a worker being an intense relier again in the following period (1996 to 1998).

**Key Findings:**

- Only a minority (one third) of claimants who made repeated claims in 1993 to 1995 did so again in 1996 to 1998. The other two thirds claimed EI only once or not at all in the second period.
- The examination of the factors that led to repeated claims in two consecutive periods reveals that the employment opportunities of the region in which the worker lived, the lack of a high school diploma and the type of job the worker held all contributed significantly to long-term EI dependency.
- The factors commonly identified as key contributors to frequent EI reliance, namely gender and province of residence, did not contribute to a worker being

reliant on EI in the long term once the worker's past reliance was accounted for.

**Reliability:** An external academic peer reviewed this study.

**Availability:** SRDC has published this study, which is available at <http://www.srdc.org>.

### 23. The Five-Week Seasonal Pilot Project and Gappers

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** This paper investigates some of the preliminary findings of the pilot project—namely, the impact on the weeks of benefits entitlement for both seasonal and non-seasonal workers in the pilot project regions, as well as for “gappers” (seasonal workers in areas where the lack of available employment limits their ability to obtain enough work to qualify for sufficient EI benefits to cover their annual periods of unemployment). In addition, the paper analyzes some early cost estimates of the impact of the pilot project on the EI system.

**Methodology:** This monitoring report uses HRSDC administrative data, specifically the SV and ROE databases. The analyses in this report are based on a randomly selected sample of 200,000 individuals who had a job separation on or after January 1, 2000.

**Key Findings:**

- Almost 97% of gappers were entitled to the full five weeks of extra benefits available under the pilot project. This figure is higher than the percentages of either seasonal claimants (72.1%) or non-seasonal claimants (65.4%) who were entitled to the full five weeks of extra benefits. The latter two groups, particularly non-seasonal claimants, were more likely to have been entitled to 40 to

45 weeks of benefits without the pilot project. Since individuals cannot collect more than the maximum 45 weeks of regular benefits, these groups would receive fewer than the five extra weeks available under the pilot project before reaching the maximum.

**Reliability:** An external academic peer reviewed this study.

**Availability:** HRSDC will release this report once the analysis becomes final.

### **24. Understanding Employment Insurance Claim Patterns: Final Report of the Earnings Supplement Project**

**Authors:** Shawn de Raaf, Anne Motte and Carole Vincent, SRDC

**Objective:** This report provides the main findings from a series of six working papers analyzing EI claim patterns and the circumstances and barriers faced by workers who make repeated claims.

**Methodology:** The Earnings Supplement Project (ESP) began as a demonstration project to test the effectiveness of financial incentives in encouraging re-employment among unemployed workers. Between March 1995 and June 1996, ESP enrolled more than 11,000 claimants from nine local offices across Canada in a randomized trial.

In 1998, a second phase of ESP research began. Statistics Canada conducted the Survey on the Repeat Use of Employment Insurance (SRUEI). The SRUEI surveyed a nationally representative sample of 1996 claimants to obtain information on the characteristics of frequent claimants and to better understand their needs and motivations.

In the third and final phase of ESP, the SRDC sponsored a number of studies to examine EI reliance based on the best data available, a range of methodological approaches and a variety of data sources that included, most notably, the SLID.

#### **Key Findings:**

- Those who claim EI the most also know how to benefit the most from its rules.
- Employers may play a role in their employees' EI claim patterns.
- EI claim patterns should be examined in the context of household decisions.
- EI does not appear to be a consistent influence on individuals' decisions to move between or within provinces.
- Seasonal workers are not by definition frequent claimants of EI.
- A minority of frequent claimants remain frequent claimants over time.

**Reliability:** An external academic peer reviewed this study.

**Availability:** The SRDC has published this study and it is available at <http://www.srdc.org>.

### **25. Employment Insurance and Working on Claim Behaviour: A Preliminary Analysis of the Data**

**Author:** Brian McCall, University of Minnesota

**Objective:** The major focus of the study is to describe the behaviour of people who work while on claim and the observed patterns over a period spanning the EI reform of 1996. The study investigates how the patterns relate to worker characteristics, including gender and age; job characteristics, including

industry and province; and selected EI reform program features.

**Methodology:** The primary data used in this analysis come from the COEP survey. For each individual in the COEP survey, all associated ROEs are obtained. For each ROE—or, in some cases, multiple ROEs—in which a claim was filed, the SV data are added. From these administrative data, a weekly work history is derived, starting from the employment date listed on the earliest available ROE. For each week, it is then determined whether the individual was “working on claim” and, if so, the extent of the benefits reduction that an individual incurred for that week. After excluding observations with missing or incomplete data, the sample of claims is 201,425 for men and 131,347 for women.

**Key Findings:**

- There are considerable industry, province, age and gender differences in the behaviour of people working while on claim. For example, women with children under three were less likely to work while on claim than were women without children. The characteristics of the claim—including benefit rate, weeks of entitlement and allowable earnings amount—significantly influenced behaviour among people working while on claim.

**Reliability:** An external academic peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC’s Web site.

## 26. Evaluation of the Work Sharing Program

**Author:** *Audit and Evaluation Directorate, HRSDC*

**Objective:** HRSDC’s Work Sharing program provides pro-rated EI benefits to workers who voluntarily reduce their work week to avoid the layoff of a portion of the work unit. The program has existed since 1977 and was evaluated in 1984 and 1993. This evaluation assesses the program in terms of its rationale, objectives and achievements, program impacts and effects, potential alternatives and selected program delivery issues.

**Methodology:** The evaluation uses expert consultants to provide multiple lines of evidence, including analysis of administrative data, review of agreements files and documents, case studies, key informant interviews and focus groups. Analysis performed in-house by evaluation officers includes a literature review, a monitoring report on the basic use of the program, a survey of project officers who deliver the program and an analysis of the “incrementality” of the program. Each of these studies forms a technical report, all of which are synthesized in the final report.

**Key Findings:**

- Overall, the rationale for the program continued to be relevant, and the program achieved its primary goal of averting layoffs.
- In an average year, there were 36,219 Work Sharing participants, although this number varied widely with the business cycle. Of these, an average of 10,302 workers would have been laid off without the program. However, within six months of the end of the program, on average 5,218 participants were laid off.

Thus, the program simply delayed their layoffs.

- Both companies and workers were highly supportive of the program. In particular, they noted that the application process was efficient.
- While the cost of the Work Sharing program is slightly higher than the cost of the averted layoffs, this cost is offset by non-monetary benefits for participants and companies, particularly decreased stress for participants and increased employee morale.
- There are, however, areas where the program could be improved.
  - Monitoring of employment outcomes for participants after the end of the Work Sharing agreement could be improved.
  - Some business recovery plans may have insufficient detail to permit an informed assessment of the likelihood of the firm's recovery before the end of the Work Sharing agreement.
  - Work Sharing participants would appreciate advice about the income tax implications of Work Sharing benefits.

**Reliability:** An independent academic expert reviewed each technical report, as well as the final report.

**Availability:** This report is available on the HRSDC Web site at [http://www11.hrdc-drhc.gc.ca/pls/edd/SP\\_AH\\_212\\_02\\_04.shtml](http://www11.hrdc-drhc.gc.ca/pls/edd/SP_AH_212_02_04.shtml)

### 27. Usage of the Work Sharing Program: 1989/90 to 2004/05

**Author:** Audit and Evaluation Directorate, HRSDC

**Objective:** The Work Sharing program provides partial EI benefits to employees who voluntarily reduce their work week in order to avoid layoffs for a portion of the work unit. This study examines the use of the Work Sharing program over time.

**Methodology:** The study uses data from the EI databank for the period 1989/90 to 2004/05.

#### **Key Findings:**

- Use of the Work Sharing program is highly counter-cyclical—it is used heavily in periods of economic downturn and lightly during periods of economic boom. Participation ranged from a high of 125,262 new participants in 1990/91 to a low of 7,995 new participants in 1999/00. Roughly two thirds of all Work Sharing participants work in the manufacturing industry. As a result of the concentration of participation in manufacturing, participants are likely to be male (66%) and likely to be of prime age (80%). Participation is highest in Ontario and Quebec.
- Based on an average work reduction of 29%, it was estimated that the program averted or postponed as many as 36,319 layoffs in 1990/91 and as few as 2,253 layoffs in 1990/00. The recent *Evaluation of the Work Sharing Program* takes this analysis further, by correcting for post-program layoffs.

**Reliability:** An external academic peer reviewed an earlier version of this study.

**Availability:** The 2003 version of this report will be released shortly on HRSDC's Web site.

### 28. Savings Attributable to Employment Insurance Reform

**Author:** *Informetrica Limited*

**Objective:** In 1995, it was estimated that EI reform would generate \$2.0 billion in annual savings by 2001/02. These savings were to be achieved through reduced income benefits, increased sanctions for fraud, enhanced services to help individuals find work and simplification of program administration. This study examines trends in EI expenditures to determine whether these predicted savings were realized. It also compares the savings under the EI reform legislation, Bill C-12, to the savings and costs of other bills over the past decade.

**Methodology:** The study analyzes aggregate data on EI expenditures. To find the true impacts of the program changes, it uses regression analysis to control for the effects of a changing economy on program expenditures.

#### **Key Findings:**

- Bill C-12 resulted in estimated annual savings of \$1.4 billion. This figure was found to be "middle of the road" when compared to savings from other bills during the 1990s. For example, bills C-113 and C-17, in 1993 and 1994, led to savings of \$3.1 billion and \$2.5 billion, respectively. On the other hand, Bill C-32, which made EI parental benefits more generous, increased annual EI expenditures by an estimated \$1.1 billion since 2001.

**Reliability:** An independent expert has peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.

### 29. Cost-Effectiveness of Employment Insurance

**Author:** *Audit and Evaluation Directorate, HRSDC*

**Objective:** This paper provides an overview of the EI account's revenues and expenses during the fiscal years 1993/94 to 2002/03.

**Methodology:** The analysis uses data prepared by the Financial Research Branch of Social Development Canada, as well as data from the Public Accounts of Canada. Expenditures are expressed in terms of the percentage of premium revenues collected from Canadian workers.

#### **Key Findings:**

- The percentage of total EI revenue returned in the form of income benefits began declining in 1993/94 (from 94.0% in 1993/94 to 53.5% in 2000/01). This drop coincided with the introduction of Bill C-113, the *Government Expenditures Restraint Act*. This trend continued through 2000/01, due to the expenditure-reducing measures of EI reform and an improving economy. The percentage then increased to 74.8% by 2002/03.
- One cause of the recent increase in income benefits as a proportion of revenue was an increase in the amount of special benefits paid since 2001/02. For example, parental benefits increased from 2.4% of EI premiums in 2000/01 to 9.7% in 2002/03.

This increase in special benefits was due to the introduction of Bill C-32 on December 30, 2000, and Bill C-49 on March 3, 2002, both of which extended special benefits.

- The percentage of total EI revenue returned in the form of EI Part II expenditures increased in 2001/02 (to 10.9%, from 8.7%) and continued to rise through 2002/03 (when it reached 11.2%). The largest increase in EI Part II program expenditures was associated with Skills Development, likely due to the introduction of the Innovation Strategy in 2001. Federal spending in this area has declined dramatically since EI reform, due to provincial transfers related to Employment Benefits and Support Measures activities.
- Administration costs have remained fairly stable for the last 10 years. If the total administration costs are adjusted for inflation, they actually declined by 1.4% between 1993/94 and 2002/03.

**Reliability:** An independent expert has peer reviewed this study.

**Availability:** This paper is a technical report from the summative evaluation of EI. Once approved, it will be released on HRSDC's Web site.