



March 2006

The Honourable Diane Finley
Minister of Human Resources and Social Development
Place du Portage, Phase IV
140 Promenade du Portage
Gatineau, Quebec
K1A 0J9

Dear Minister Finley:

We are pleased to present the *2005 Employment Insurance Monitoring and Assessment Report*, the ninth in a series of annual reports submitted by the Canada Employment Insurance Commission under section 3 of the *Employment Insurance Act*.

This report focuses on the period April 1, 2004 to March 31, 2005 with analysis of the overall effectiveness of EI income benefits and active measures, comparing results with the previous reporting period as well as to longer term trends.

The 2005 report includes information from a comprehensive evaluation undertaken to assess EI income benefits as well as findings on the effectiveness of Employment Benefits and Support Measures delivered under the Labour Market Development Agreements. Detailed information on key studies and evaluations referenced in the report are included in an annex.

It should be noted that findings on the impacts and effectiveness of the EI program are based on available data. As it takes several months following the end of an EI claim before administrative information is available for analysis, the information about claims that started in the latter part of 2004/05 will only be available later. Analyses based on income tax data use the most recent information available from the tax system, for 2003.

We trust you will find the report informative.

Alan Nymark
Chairperson

Patricia Blackstaffe
Commissioner for Workers

André Piché
Commissioner for Employers

Employment Insurance 2005 Monitoring and Assessment Report

Submitted to:

***The Minister of Human Resources and
Social Development Canada***

March 31, 2006

By:

The Canada Employment Insurance Commission

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Employment Insurance (EI) reform, introduced in July 1996 and January 1997, represented a fundamental restructuring of the Unemployment Insurance program.

Accordingly, the Government of Canada included a legislative requirement for the Canada Employment Insurance Commission to monitor and assess the impacts of the reform in a series of annual reports to Parliament for 1997 to 2001. This requirement was later extended to 2006.

The sound evidence provided by monitoring and assessment activities has informed modifications to the EI program, such as enhancements to maternity and parental benefits, modifications to the rules concerning small weeks, and the introduction of a number of pilot projects to test measures designed to help seasonal workers. To ensure future directions for the EI program continue to be informed by sound evidence,¹ the Government will continue to monitor and assess the EI program on an ongoing basis.

The new Service Canada initiative, which brings many Government of Canada services and benefits together in a single delivery network, represents further progress towards improving and modernizing EI service delivery, the evolution of which has been documented in past versions of the *Monitoring and Assessment Report*. The launch of the Service Canada initiative falls outside the reference period for this ninth annual report (which focuses on the fiscal year beginning April 1, 2004, and ending March 31, 2005). Future reports will provide information on the administration of the EI program to be provided through Service Canada.

Chapter 1 of this report is an overview of the Canadian labour market in 2004/05. Chapter 2 provides an overview of EI benefits (income benefits) under Part I of the *Employment Insurance Act*. The support provided to unemployed workers through active re-employment measures, known as Employment Benefits and Support Measures (EBSMs), is discussed in Chapter 3. Chapter 4 presents information on EI program administration. Chapter 5 analyzes the impacts and effectiveness of EI, and includes details from the EI summative evaluation.

I. CANADA EMPLOYMENT INSURANCE COMMISSION

The Canada Employment Insurance Commission has four members who represent the interests of government, workers and employers. The Chairperson and Vice-Chairperson (the Deputy Minister and Associate Deputy Minister of Human Resources and Social Development Canada) represent the interests of the federal government. The commissioners for workers and employers represent the interests of workers and employers, respectively. Among its other responsibilities, the Commission has been assigned the legislated mandate to monitor and assess the impacts of EI reform. The Employment Insurance Commission must provide the Minister with the report no later than March 31. The Minister then tables the report in Parliament.

The monitoring and assessment process helps to provide a broad understanding of the effectiveness of the EI program. It reports on impacts on individuals, communities and the economy, and contributes to the evolution of

¹ The *Monitoring and Assessment Report* uses many sources of information in analyzing the effects of the changes introduced under EI reform. In addition to Human Resources and Social Development Canada (HRSDC) administrative data, Canadian Out-of-Employment Panel (COEP) studies and information from Statistics Canada, it also uses evaluation studies funded by HRSDC. As in previous reports, this report includes references to evaluation studies that touch on both Part I and Part II benefits of the *Employment Insurance Act*.

the program by providing feedback on how EI is assisting Canadians with temporary income support and re-employment measures.

II. LEGISLATED MANDATE

Specifically, section 3(1) of the *Employment Insurance Act* states the following.

“The Commission shall monitor and assess:

- a) how individuals, communities and the economy are adjusting to the changes made by this Act to the insurance and employment assistance programs under the *Unemployment Insurance Act*;
- b) whether the savings expected as a result of the changes made by this Act are being realized; and
- c) the effectiveness of the benefits and other assistance provided under this Act, including
 - (i) how the benefits and assistance are utilized by employees and employers; and
 - (ii) the effect of the benefits and assistance on the obligation of claimants to be available for and to seek employment and on the efforts of employers to maintain a stable work force.”

This is the ninth Employment Insurance (EI) *Monitoring and Assessment Report*. It continues an annual examination of EI from the perspective of the economy, communities and individual workers. The report examines the use of the program, the program's impacts and effectiveness, the use of active re-employment measures, and the interaction between EI and the workplace. The analysis focuses on the fiscal year between April 1, 2004, and March 31, 2005. Trends identified in previous reports, as they relate to more recent findings, are discussed.

Chapter 1 provides an overview of the Canadian labour market during the reporting period. The use of income benefits is described in Chapter 2. Participation in active re-employment measures, known as Employment Benefits and Support Measures (EBSMs), is discussed in Chapter 3, which provides information on EBSM use at the national, provincial and territorial levels. An overview of program administration, including initiatives to improve service delivery, is presented in Chapter 4. Finally, Chapter 5 analyzes the impact and effectiveness of the EI program from various perspectives.

Labour Market Context

In fiscal 2004/05, Canada's economic growth rebounded from the previous fiscal year, when growth was hampered by a strong appreciation in the dollar and a series of economic shocks. Gross domestic product (GDP) grew by 3.3% in 2004/05.

Employment growth of 273,300 (+1.7%) roughly matched the growth during the previous fiscal year, and the annual average unemployment rate fell to 7.1%, among the lowest rates in the last three decades. All of the employment growth over the fiscal year took place in full-time jobs, and most occurred in the services-producing sector, which

accounted for 202,700 of the added jobs. Self-employment increased by 61,400 (+2.5%), outgrowing paid employment, though self-employment's share of all jobs has declined since 1997/98.

For employees, 37.4% of the job growth in 2004/05 took place in establishments with 20 to 99 employees. These establishments accounted for about one third of total employment. Total hours worked in Canada rose by 3.0% in 2004/05, after a marginal increase the previous year.

Employment growth in 2004/05 was strongest in British Columbia (+2.7%), Nova Scotia (+2.5%), New Brunswick (+2.1%), Alberta (+2.1%) and Prince Edward Island (+2.0%), while growth in Quebec was similar to the national average (+1.6%). In Ontario, employment grew by more than 91,000 jobs (+1.5%), accounting for a third of the national total growth.

In 2004/05, the educational attainment of Canadians continued to rise, as the proportion of the working-age population with at least a post-secondary certificate or diploma increased to 46.9% (up from 32.7% in 1990/91). Job growth in 2004/05 was strongest among Canadians with a university degree (+2.8%) and those with a post-secondary certificate or diploma (+2.6%). Employment fell among individuals with less than a high school diploma.

EI and the Economy

In 2004/05, there were 1.9 million new claims for EI benefits, a decrease of 5.6% from the previous year. Income benefits paid decreased by 3.4% in 2004/05, to \$12.7 billion.

By facilitating improved matching of unemployed people and available jobs, an EI system can contribute to sustainable economic growth and higher productivity. In Canada,

among the long-term unemployed population, receiving EI is associated with a higher probability of finding work, though the same cannot be said about those who have been unemployed for a short time. EI plays a modest role in stabilizing the economy, sparing between 3.8% and 6.5% of jobs in the event of economic shocks.

The EI program also plays a redistributive role in the Canadian economy, resulting in a net redistribution of income from high earners to lower earning individuals. Income tax data also reveal that EI plays a role in redistributing income towards regions with higher unemployment and towards industries in which employment tends to be more seasonal than others.

EI and Communities

Ongoing monitoring of 14 representative communities across the country indicates the EI program responds to changes in local labour markets, despite differing economic conditions across the country, by automatically adjusting entitlement and eligibility.

EI and Individuals

Access to Benefits

Among unemployed individuals who had a recent job separation that qualified under the EI program, 80.4% were eligible to receive EI benefits in 2004, down from 84.0% in 2003. Eligibility for benefits varies across demographic groups and employment status. For instance, access among unemployed men was higher, at 89.6%, than among women, at 82.3%. Lower access to EI among women reflects their different work patterns, as women are more likely than men to work part time. Of unemployed people who had worked full time, 87.6% were eligible for EI, compared to 42.8% of those who had worked part time before becoming unemployed.

Statistics Canada's Employment Insurance Coverage Survey (EICS) found that actual EI receipt among those with a recent job separation that qualified under the program was similar for men (60.8%) and women (60.1%), and both were higher than they had been a year earlier. The ratio of EI beneficiaries to the number of unemployed people (the B/U ratio) was 43.6% for 2004. As documented in previous reports, there are important caveats associated with this measure, since it includes individuals not covered by the EI program (such as self-employed people and others who do not pay into the system). An alternative ratio comparing the number of EI beneficiaries to unemployed EI contributors (the B/UC ratio) was 63.5% in 2004.

Access to EI among youth tends to be lower than among adults, as youth are more likely to be new entrants to the work force, thus facing higher entrance requirements, and are also more likely to work part time. In December 2003, 42.5% of youth who were new entrants or re-entrants to the labour market would have had sufficient insurable hours to collect EI benefits (that is, at least 910 hours), had they needed to do so. However, among youth who were not new entrants or re-entrants to the labour market, 83.9% would have had sufficient insurable hours to collect EI.

Research shows that older workers tend to qualify for EI in roughly the same proportion as workers aged 25 to 54. Older workers, however, tend to remain unemployed longer and are more likely to use all their EI regular benefits than are other workers. In 2003/04, 37.4% of claimants aged 55 and over used all their regular EI benefits, higher than the rate for other age groups.

Among unemployed individuals previously in paid employment who had a recent job separation that qualified under the EI program,

immigrants were somewhat less likely in 2004 to be eligible for EI (75.0%) than Canadian-born workers (82.5%). Due to a relatively small sample size, these data for immigrants have a high degree of variability from year to year.

Self-employed fishers qualify for EI based on the value of the catch. Research has shown that almost 90% of self-employed fishers in Canada receive EI benefits, the largest proportion among seasonal industries. The number of fishers qualifying for benefits has not been declining, in spite of the most recent cod moratorium. It should also be noted that, since there are two distinct seasons (summer and winter) for commercial fishing, fishers are able to claim twice in a single year. In 2004/05, the number of fishers establishing two claims grew by 3.3%.

Adequacy of Benefits

In 2004/05, the average weekly benefit rate increased to \$315, from \$312 in the previous year (+1.0%). Just over 33% of regular EI claimants received the maximum weekly benefit of \$413 per week. Among claimants of special benefits, this proportion was about 29%, while almost 70% of fishing claimants received the maximum weekly benefit.

On average, regular beneficiaries collected benefits for 19.3 weeks, representing 60.9% of average entitlement, down slightly from previous reporting periods. In addition, 30.4% of regular EI beneficiaries exhausted their entitlement to EI benefits in 2003/04, a decline from the previous fiscal year. Women tend to exhaust benefits in higher proportions than men do. Since women are more likely to work part-time hours, women establishing claims are likely to do so with fewer hours of work than men, resulting in fewer weeks of benefits.

About 32% of sickness beneficiaries in 2004/05 used the entire 15 weeks of benefits to which they were entitled. This proportion has been relatively stable in recent years, suggesting that for some types of claimants or illnesses, 15 weeks of EI benefits may not be sufficient.

An analysis of maternity and parental benefits claims demonstrates that participating parents are using at least 92% of the full year of benefits available to them. The enhancements to parental benefits have provided families with increased flexibility to care for their newly born or adopted children for an extended period of time. In 2004/05, men's participation in parental benefits continued to grow, though more moderately than in past years. Findings from recent studies indicate the enhancements to parental benefits are resulting in mothers spending a longer period of time at home. Prior to 2001, approximately 64% of mothers who received EI returned to work within seven months following the birth of their child. Of mothers who gave birth in 2002 or 2003, fewer than 16% of those who received EI returned to work in the same timeframe.

Adequacy of benefits was also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families with children. The proportion of EI beneficiaries eligible for the Family Supplement has been declining, as family incomes have been increasing while the Family Supplement threshold has remained fixed at \$25,921. In 2004/05, the proportion of EI beneficiaries receiving the Family Supplement declined to 9.0%.

Promoting Work Force Attachment

The EI program has certain features that are meant to strengthen the link between work effort and benefits, including the divisor, the Working While on Claim provision and the Small Weeks provision.

When introduced in 1996/97, the divisor resulted in a considerable change in the characteristics of new claims being established, as individuals were encouraged to work two extra weeks beyond the minimum entrance requirement before establishing a claim. The proportion of regular claimants who did not work at least two weeks beyond their minimum entrance requirements dropped from 6.7% just before the divisor was introduced to 3.6% in 1997/98. Since then, this proportion has remained relatively stable and was just over 3% in 2004/05. Higher proportions of claimants in the Atlantic provinces and Quebec are affected by the divisor than in Ontario, the Prairies and British Columbia.

In 2004/05, 14.3% of EI claims established excluded small weeks from the benefit calculation, an increase of nearly two percentage points from the previous reporting period. Growth in the proportion of claims affected by the Small Weeks provision (from 9.9% in 2002/03) is probably mostly due to the increased earnings threshold. The Small Weeks provision provided affected clients, on average, with a weekly benefit that was \$11 higher in 2004/05 than it would have been had the provision not existed. Quebec had a significantly larger proportion of claims affected by the Small Weeks provision than did other regions of the country.

The proportion of claimants reporting work while on claim has steadily declined. In 2003/04, 54.9% of regular claimants reported working while on claim, down from 56.8% the previous year. This long-term decline may indicate that some claimants are hesitant to accept work while collecting EI benefits. Of those who reported working while on claim, the largest proportion (43.2%) worked fewer than five weeks. Nearly one in five claimants reported working 21 weeks or more while on claim for EI benefits.

Employment Benefits and Support Measures (EBSMs)

During 2004/05, about 636,000 individuals took part in EBSMs funded through EI Part II. There were 978,000 new interventions, with each person, on average, taking part in 1.5 new interventions. The overall use of longer duration employment programs declined by 3.3% over the period, while use of shorter term employment service interventions (such as counselling and job-finding clubs) increased by 3.5%.

Based on the results of summative evaluations, EBSMs appear to yield some modestly positive net impacts for participants, depending on the program, client type and jurisdiction. Given the mixed nature of results and differences in local labour market conditions across the country, broad generalization of the results across intervention, client type and jurisdiction is difficult. Net impacts are based on findings from evaluations in British Columbia, Quebec, Alberta, Ontario, Newfoundland and Labrador, and Nunavut.

With an overall pattern of mixed net impacts on clients, the findings from the latest EBSM evaluations are not out of line with much of the international literature, though it must be noted that programming and methodologies to evaluate programming vary considerably across countries. EBSM summative evaluations confirm the importance of a combination of work experience and training, something that has been noted in much of the international literature on the topic. Evaluation results also underscore the important effect of local labour market conditions and client characteristics on the range of programming offered and on program outcomes. Tailoring programs to local needs is important.

EI and the Workplace

The Work Sharing program was evaluated during 2003/04. The program performs largely as intended and does avert a considerable number of temporary layoffs. The program has proven particularly useful in supporting the labour market through times of unexpected labour market interruptions. Firms that participated in the Work Sharing program were generally very supportive of the program, and evidence suggests firms believe the program fosters employee morale and helps firms retain skilled employees through temporary business slowdowns.

During 2004/05, clients established 11,521 new Work Sharing claims and Work Sharing agreements averted an estimated 3,282 temporary layoffs, although some layoffs averted by the program may occur after the agreement expires.

In most industries, the pace of research and development evolves rapidly, making ongoing skills training a condition of staying competitive. Apprentices acquire new skills, during short but frequent training sessions, which are immediately applicable in the workplace. In support of apprentices and to encourage ongoing skills development, the Government of Canada announced in the 2001 budget that apprentices collecting EI while away from work for training would be subject to only one waiting period, though there may be multiple separate training segments of one course stretched over a number of years. In 2004/05, there were 31,620 apprentice EI claims. Of these, 11,300 were not subject to a waiting period.

Trends in Contributions and Expenditures

Since 1996, there have been considerable annual changes in EI contributions and

expenditures, due to a combination of decreasing EI premiums, increased expenditures from program enhancements and major shifts in the Canadian labour market. A summative evaluation study has tracked the evolution of EI Part I expenditures as they relate to total contributions to the program through premiums. In 1993, total expenditures were higher than total contributions. As a proportion of total contributions, expenditures began a downward trend in 1994/95 and reached a low in 2000/01, when total expenditures represented about 60% of revenues. The downward trend was reversed with enhancements to maternity and parental benefits, increased expenditures on Skills Development interventions, and other increased spending.

Violations

As of January 1997, EI claimants who knowingly misuse EI receive a "violation," in addition to a financial penalty. Having received a violation, an individual must then have additional insured hours of work to qualify for benefits in future claims. In 2004/05, there were 7,730 instances in which a benefit period was not established due to the higher entrance requirements resulting from violations. As a result, the program avoided costs of just over \$40 million.

Program Administration: Service Delivery

In 2004/05, the government continued to focus on improving the quality of service to Canadians to better meet their needs and expectations by making programs and services client-centered, seamless, timely, integrated and accessible through multiple channels. This process included modernizing and transforming the way benefits and services are delivered, by expanding and enhancing electronic service offerings that are easy to

access and simple to use, and developing new service standards while improving the quality of claims processing.

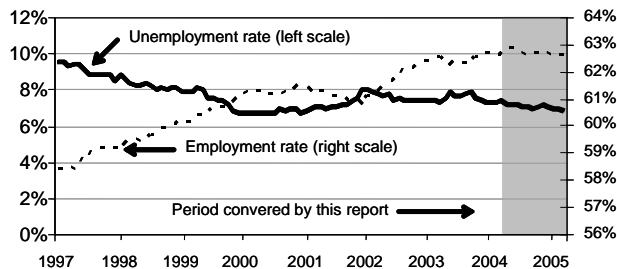
In 2004/05, two million claimants filed their applications via Application for Employment Insurance Benefits on the Internet, with 51% of these people using a Citizen Access Workstation in a Human Resources and Social Development Canada office. Over 98% of claimants used electronic reporting services—the Automated Telephone Reporting System and the Internet Reporting Service—to complete more than 18 million reports.

Employers can also use a Web-based reporting system called ROE Web to file Records of Employment (ROEs). In 2004/05, employers produced 562,000 ROEs using ROE Web and 9,526 employers registered as ROE Web users.

The accuracy rate of EI claim payments was 95.5% in 2004/05, exceeding objectives. This achievement was largely due to the stabilization of program changes, a focus on measures to improve the effectiveness of program delivery, and a commitment to examining the way errors are defined and reported for improvement. Quality results are expected to continue to improve with the implementation of a national quality management action plan and a three-year quality assurance plan aimed at assessing performance.

This chapter outlines key labour market developments and the economic context in which the Employment Insurance (EI) program can be assessed for fiscal 2004/05. Unless otherwise stated, data used in this chapter are from Statistics Canada's Labour Force Survey (LFS).¹ More detailed information on various elements discussed in this chapter appears in Annex 1.

**Chart 1:
Economic Context Since EI Reform**



Source: Labour Force Survey.

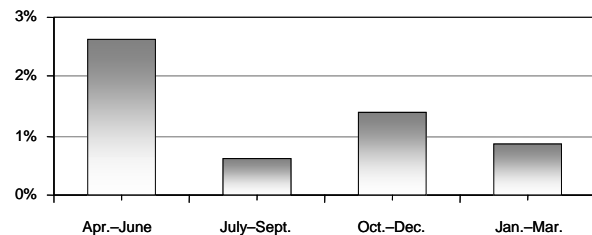
1. Overview

Canada's economic growth rebounded in fiscal 2004/05, as the economy recovered from an unusual series of economic shocks² in 2003/04 and entered a period of near-capacity production.³ GDP grew by 3.3% in 2004/05, after advancing by only 1.6% in the previous fiscal year.⁴ Canada led the G7 nations in GDP growth between 2000 and 2004, as its output increased at an annual average rate of 3.1%.⁵

GDP grew much faster in the first six months of 2004/05 than in the second half of the year, when the value of the Canadian dollar rose more sharply.⁶ GDP growth was fuelled by consumer and investment demand, but partially offset by a strong increase in imports.

In 2004/05, employment grew by 273,300 (+1.7%) full-time jobs. Part-time employment was relatively stable over the year. Job growth of 1.7% in 2004/05 roughly matched the 1.9% gain the previous fiscal year. Employment growth was concentrated between April and December 2004, with little growth between January and March 2005 (Chart 2). The annual average unemployment rate fell to 7.1%, from 7.6% the previous year.

**Chart 2:
Employment Growth by Quarter,
2004/05
(annualized rates)**



Source: Labour Force Survey.

2. Employment

In 2004/05, employment rose by 273,300 (+1.7%), bringing gains since 1999/00 close to 1.5 million. While the 2004/05 gain was modest, the annual average employment rate reached a new high of 62.7% for persons aged 15 and older, compared to 62.5% the previous year and 60.8% in 1999/00. Among G7 countries, Canada had the second highest employment rate growth between 1990 and 2004 among persons aged 15 to 64 (+2.3 percentage points). Italy had the highest growth (+4.8 percentage points), but its employment rate was considerably lower than Canada's in 2004 (57.4% vs. 72.6%).⁷

¹ The reporting period analyzed in this report is the fiscal year from April 1, 2004, to March 31, 2005. Job growth and unemployment measures are calculated using annual averages of seasonally adjusted data from Statistics Canada's Labour Force Survey (LFS). Unadjusted estimates from the LFS are used if seasonally adjusted data are not available.

² These economic shocks included the sudden acute respiratory syndrome (SARS) outbreak, the bovine spongiform encephalopathy (BSE) crisis, Ontario's major power failure of August 2003 and a series of unusually severe storms in the Atlantic provinces.

³ Bank of Canada, *Monetary Policy Report Update*, July 2005.

⁴ Data on GDP and other non-labour-market economic aggregates are from Statistics Canada's National Accounts.

⁵ Katherine Marshall, *How Canada compares in the G8*, Statistics Canada, Perspectives on Labour and Income, catalogue no. 75-001-XIE, June 2005.

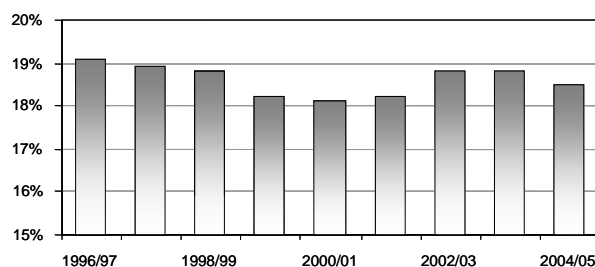
⁶ The value of the Canadian dollar was on average US\$0.75 in the first half of 2004/05 and close to US\$0.82 in the second half.

⁷ The G7 comparison is based on OECD data.

The Canadian labour force grew by 1.2% in 2004/05, its smallest increase since 1996/97. The participation rate declined slightly to 67.5% from its peak of 67.6% the previous fiscal year.

Full-time employment grew by 273,300, accounting for all net job growth in 2004/05. Since 1999/00, full-time work has accounted for almost 80% of all job growth. The number of part-time workers remained unchanged in 2004/05, slightly reducing the part-time share of total employment, to 18.5%. The part-time share of total employment has been relatively stable over the last 10 years (Chart 3).

**Chart 3:
Part-Time Share of Total Employment**



Source: Labour Force Survey.

Most of the employment growth in 2004/05 was in paid employment, which grew by 211,800 (+1.6%). Paid employment grew faster in the public sector than in the private sector.

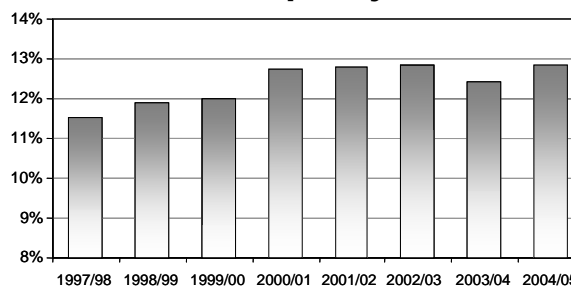
Table 1: Annual Growth Rates and Share of Self-Employed			
	Annual Growth Rates (%)		Share of Self-Employed in All Employment (%)
	Employees	Self-Employed	
1994/95	2.9	0.9	15.5
1995/96	0.8	3.4	15.8
1996/97	0.4	4.3	16.3
1997/98	1.4	8.1	17.2
1998/99	2.6	1.7	17.1
1999/00	3.0	0.9	16.8
2000/01	3.5	-4.5	15.7
2001/02	1.9	-2.6	15.1
2002/03	3.0	3.1	15.2
2003/04	1.7	3.0	15.3
2004/05	1.6	2.5	15.5

Source: Labour Force Survey.

In 2004/05, self-employment increased by 61,400 (+2.5%). As in the two previous years, self-employment proportionally outgrew paid work, but the share of self-employment in total employment has declined since 1997/98 (Table 1). The vast majority of self-employed workers are not covered by the EI program.

In 2004/05, 12.9% of all workers had temporary work arrangements (Chart 4). Temporary work arrangements, which include seasonal work, have accounted for 12 to 13% of total employment in recent years. Seasonal work accounted for just 3.0% of total employment in 2004/05. Still, seasonal work is an important aspect of many local labour markets in Canada, and seasonal workers are an important client group for the EI program.

**Chart 4:
Employment Share of Workers
with Temporary Jobs**



Source: Labour Force Survey.

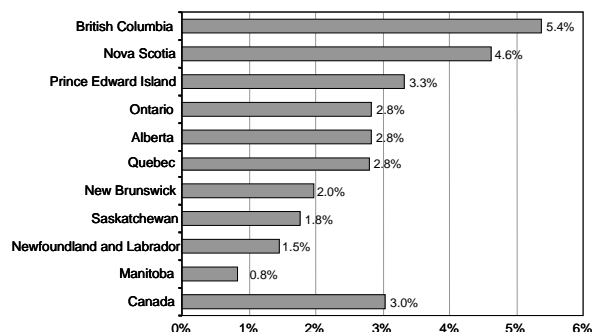
Hours

EI entrance requirements are based on hours worked. Total hours worked in Canada rose by 3.0% in 2004/05, after having increased by only 0.1% in the previous year. Hours worked increased in every province, with the largest gains in British Columbia (+5.4%) and Nova Scotia (+4.6%).

In 2004/05, the average weekly hours worked increased slightly to 36.9 per week, from 36.5 per week in 2003/04, following three years of decline. The average work week for men was 40.1 hours in 2004/05, while on average women worked 33.1 hours per week. Average

weekly hours were 41.0 for full-time workers and 18.8 for part-time workers in 2004/05.

**Chart 5:
Change in Actual Hours Worked in
2004/05**



Source: Labour Force Survey.

Income

Average weekly wages rose by 2.6% in 2004/05, from \$667.14 to \$684.32, attributable mainly to an increase in hourly wages rather than to a longer average work week. Weekly wages grew faster for women (+2.9%) than for men (+2.4%). However, during 2004/05, the average weekly wages of women were 72% those of men (up from 68% in 1996/97). Combined with the gains in paid employment in the fiscal year, total wage payments grew by 4.2%. Wages help determine both the weekly benefits that EI claimants receive and the premiums employers and employees pay.

Low-income workers

In 2003, 536,000 Canadians were identified as low-income workers,⁸ according to Statistics Canada's Low-Income Cutoffs–Income After Tax (LICOs-iat) measure.⁹ Low-income workers showed strong attachment to the labour

market. In 2003, 71% of them worked for pay 1,500 hours or more. A large proportion (43%) of low-income workers were self-employed. Among salaried workers, average wages among low-income workers were \$11.70 per hour, compared to \$20.50 per hour for salaried workers who were not in a low-income situation.

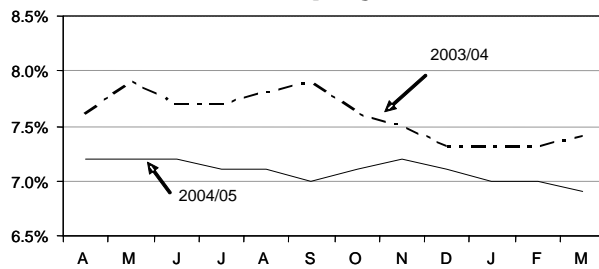
For individuals working at least 910 hours in a year, family characteristics were closely associated with having a low family income in 2003. Workers who were the only breadwinner in their family¹⁰ were far more likely to have a low family income than other workers and, regardless of the number of earners in a couple, the probability of being poor increased with the number of children. In fact, holding all other characteristics constant, the probability of a Canadian worker having low income was only 2% if that individual was part of a two-earner couple without children. This probability increased to 10% if this individual was the sole earner in a couple with no children and to 20% if the family included three children or more. The gender of workers did not appear to be an important determinant of low income. However, other factors, such as being self-employed, being young (18 to 24 years old), being a recent immigrant or an Aboriginal person living off-reserve, and working in the sales and services sector were associated with increased incidence of risk of low income among workers. Further, among low-income workers (regardless of hours worked), 37% reported some unemployment during 2003.

⁸ Low-income workers are individuals aged 18 to 64 who have worked for pay for at least 910 hours in the current year, who are not full-time students and whose family income falls under a low-income threshold—Low-Income Cutoffs–Income After Tax (LICOs-iat) or Market Basket Measure (MBM). For more information on the LICOs-iat, see <http://www.statcan.ca/english/research/75F0002MIE/75F0002MIE2004002.pdf>.

⁹ Depending on the measure of low income used, the number of low-income individuals varies. For instance, 460,000 individuals were identified as low-income workers using LICOs-iat in 2001, while 653,000 individuals were identified as such using the MBM. As 2003 MBM thresholds are not yet available, results for 2003 are based only on LICOs-iat. However, in other publications, low-income workers are presented using the MBM—in particular, "Canada's Working Poor," *Horizons*, Policy Research Initiative, vol. 7, no. 2, December 2004, pp. 51–57.

¹⁰ This definition includes unattached individuals, lone parents and sole earners living in a couple.

**Chart 6:
National Unemployment Rate**

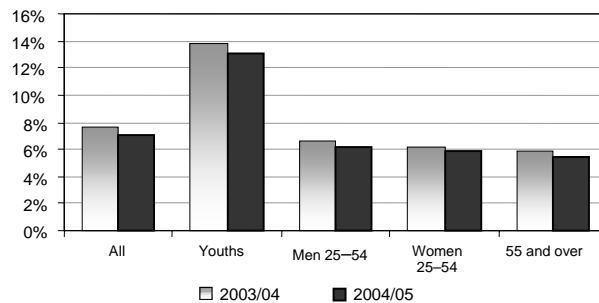


Source: Labour Force Survey.

3. Unemployment

Canada’s annual average unemployment rate fell to 7.1% in 2004/05, from 7.6% the previous fiscal year. This unemployment rate is among the lowest in the last three decades. The unemployment rate fell among all demographic groups in 2004/05, to 13.0% for youths, 6.1% for men aged 25 to 54, 5.9% for women of the same age, and 5.5% among men and women aged 55 and over (Chart 7).

**Chart 7:
Unemployment Rate by Age and Gender**



Source: Labour Force Survey.

In 2004/05, annual average unemployment fell by 68,800 (-5.3%) to 1.22 million (from 1.29 million in the previous fiscal year). Declines were widespread across demographic groups and provinces.

The reasons that people become unemployed have an impact on eligibility for EI benefits, and these changed little during 2004/05. Job losers accounted for nearly half (45.6%) of all the unemployed, job leavers for 22.4%, and people

entering or re-entering the labour market after a year or more of inactivity for 31.9%.

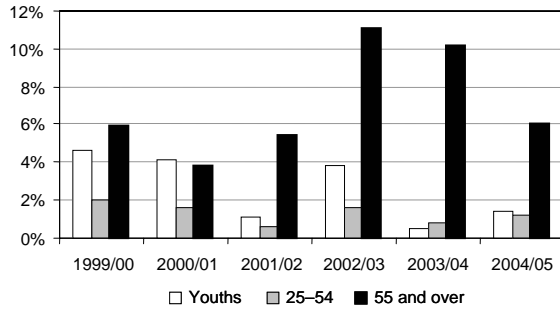
People who were unemployed for more than a year (long-term unemployed) accounted for 4.8% of total unemployment in 2004/05, down from 5.0% in the previous year. Over 63% of the long-term unemployed were men. Youths (aged 15 to 24) accounted for 6.5% of the long-term unemployed, while those aged 25 to 54 made up nearly three quarters of those who had been without work for more than a year. Those aged 55 and over accounted for about 19% of the long-term unemployed (though they represented just 10% of total unemployment). When people establish an EI claim, their eligibility for benefits depends on their having had insured work (and thus having paid premiums) within the previous 52 weeks.

4. Demographic Groups

Job gains in 2004/05 were split almost evenly between men (+139,600) and women (+133,700). Employment growth was also shared across all age groups: employment grew by 29,200 for youths, comprising about 11% of total employment growth. For those aged 25 to 54, employment increased by 126,500 (46% of total growth). For workers aged 55 and over, employment grew by 117,600 (43% of total growth).

Older workers have experienced faster job growth than either youths or those aged 25 to 54 in recent years (Chart 8). In 2004/05, the employment level for older workers grew by 5.9%, more than three times faster than the national average. This growth has raised the share of employment held by older workers to 13.2%, from 9.5% in 1995/96.

**Chart 8:
Employment Growth by Age**



Source: Labour Force Survey.

Job gains over the past decade have pushed the employment rate to its highest level on record (62.7%) in 2004/05. Among youths, 58.1% of the population was employed, their highest employment rate since 1990/91. The employment rate for adults aged 25 to 54 reached a record level of 81.3%, and that of those 55 and older reached 29.2%, their highest rate since the end of the 1970s.

Immigrants

In general, getting access to the labour market tends to be more difficult for recent immigrants than for other workers. Nonetheless, immigrants experience labour market outcomes that move towards national averages as their time in Canada increases. A recent study by Statistics Canada¹¹ concluded, “At 26 weeks after arrival, 50% of immigrants aged 25 to 44 were employed. This was 30 percentage points lower than the employment rate among all persons aged 25 to 44 in Canada over the same period of time [...] This gap is not surprising given that immigrants had a limited amount of time to get established in the labour force and many settlement activities to deal with.”

The study also stated, “At 52 weeks after arrival, the employment rate among prime working-age immigrants was 58%—

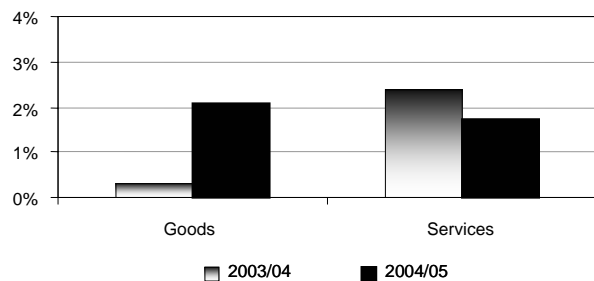
23 percentage points lower than the national rate among this age group over the same period (81%). At 104 weeks after arrival, the employment rate among prime working-age immigrants was 63%, 18 percentage points lower than the national rate over the same period (81%).”

The study concluded that 80% of prime working-age immigrants found employment during their two first years in Canada. Of these immigrants, 42% found a job in their intended occupation.

5. Labour Markets by Sector and Establishment Size

In 2004/05, employment grew by 202,700 (+1.7%) in the services-producing sector and by 70,600 (+1.8%) in the goods-producing sector. Growth in the goods sector was spurred by strong demand for residential housing. The construction industry experienced a net gain of 57,700 jobs (+6.3%). Despite the rise in the Canadian dollar, manufacturing experienced a slight increase in average employment (+12,100 or 0.5%) over the fiscal year.

**Chart 9:
Employment Growth by Industry**



Source: Labour Force Survey.

In the services-producing sector, employment in finance, insurance, real estate and leasing increased by 49,800 (+5.4%) in 2004/05, consistent with the strong growth in construction. Other service industries with large employment gains included trade

¹¹ Statistics Canada, *Longitudinal Survey of Immigrants to Canada—Progress and Challenges of New Immigrants in the Labour Force*, Statistics Canada, catalogue no. 89-615-XIE, October 2005.

(+46,700), health care and social assistance (+41,400), and business, building and other support services (+20,200).

Establishments of more than 500 employees (+3.5%) and establishments of 20 to 99 employees (+1.8%) had the fastest employment growth. On the other hand, employment in small establishments (fewer than 20 employees) grew by just 0.6%.

In 2004/05, 12.8% of paid employment was in establishments of more than 500 employees and 21.4% was in establishments of 100 to 500 employees. Although establishments of 20 to 99 employees accounted for 32.7% of paid employment in 2004/05, they were responsible for 37.4% of all net job creation. Conversely, establishments of fewer than 20 employees accounted for 13.0% of the job growth, though they represented 33.0% of all paid employment. Overall, shares of paid employment by establishment size have remained relatively unchanged since 1996/97.

6. Provincial Labour Markets

In 2004/05, employment gains were spread across all provinces. Ontario generated the most new jobs (+91,100), followed by Quebec (+57,400), British Columbia (+54,200) and Alberta (+36,500). British Columbia, Nova Scotia, New Brunswick and Alberta had the fastest growth rates in employment.

In British Columbia, employment increased by 2.7% during the year. The province's construction industry experienced the largest job growth (+30,500), which may be related to strong residential construction and healthy investment growth, and possibly the preparations for the 2010 Olympic Games. British Columbia's unemployment rate fell to 6.9%, its lowest level since 1980/81.

In Nova Scotia, employment grew by 10,800 (+2.5%). The construction and accommodation and food services industries had the largest job gains in the province. Nova Scotia's annual average unemployment rate in 2004/05, at 8.8%, was the province's lowest since the mid-1970s.

**Table 2:
Employment Growth, 2004/05**

	(000s)	(%)
British Columbia	54.2	2.7
Nova Scotia	10.8	2.5
New Brunswick	7.3	2.1
Alberta	36.5	2.1
Prince Edward Island	1.3	2.0
Quebec	57.4	1.6
Ontario	91.1	1.5
Saskatchewan	6.9	1.4
Manitoba	6.4	1.1
Newfoundland and Labrador	1.5	0.7
Canada	273.3	1.7

In 2004/05, employment in New Brunswick increased by 7,300 (+2.1%). New Brunswick had been the only province in which employment had not increased in 2003/04. Educational services, trade, health care and social assistance, as well as transportation and warehousing, had the largest job gains in 2004/05. The province's unemployment rate fell to 9.7%, from 10.2% the previous year.

During the year, employment in Alberta rose by 2.1%. The largest job gains were in construction and in the non-agricultural primary industries (including oil and gas). Alberta's unemployment rate fell to 4.4%, its lowest level since 1981/82.

7. EI Economic Regions

National and provincial labour market trends do not always reflect important and differing labour market conditions in EI economic regions, which influence EI entrance requirements and benefit entitlement.

EI divides the country into areas of similar labour market conditions, such as census metropolitan areas (e.g., Québec City, Halifax and Toronto) or areas with comparable labour market characteristics, to determine representative unemployment rates that affect access and entitlement to the program in each region. The responsiveness of the program to regional fluctuations in the unemployment rate is examined in Chapter 5. Under the Employment Insurance Regulations, the boundaries of the EI regions must be reviewed every five years. The latest review of economic regions should be completed in fall 2006.

Of the 58 EI economic regions, 36 experienced a decrease in the unemployment rate between 2003/04 and 2004/05, which is consistent with the decline in the national rate (Annex 1.1 provides information on EI regional unemployment rates on a monthly basis).¹²

The unemployment rate decreased in all EI regions in British Columbia and Alberta. In Saskatchewan, the unemployment rate fell in one region, increased in another and was relatively constant in the two remaining regions. The unemployment rate rose in all EI regions in Manitoba.

Among the 17 EI regions in Ontario, the unemployment rate fell in nine and rose in the other eight. Among Quebec's 12 EI regions, the unemployment rate decreased in eight, remained stable in one and rose in the remaining three.

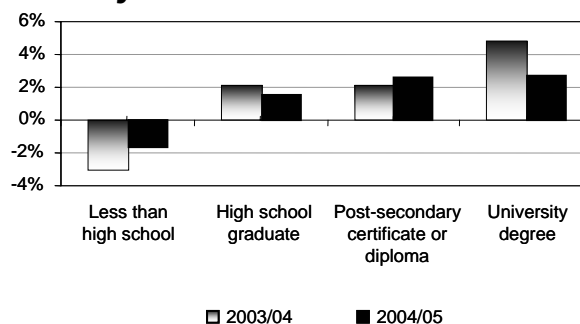
The unemployment rate rose in just one of the nine EI regions in Atlantic Canada, Prince Edward Island, and was relatively constant in Western Nova Scotia. The other seven regions in Atlantic Canada experienced decreases in their unemployment rate.

8. Education

In 2004/05, the educational attainment of Canadians continued to rise. The proportion of the working-age population with at least a post-secondary certificate or diploma increased to 46.9%, from 46.2% in 2003/04. This proportion was 32.7% in 1990/91 and has followed an upward trend since then.

The number of employed Canadians with a post-secondary certificate or diploma grew by 2.6% in 2004/05. There was a 2.8% increase among those with a university degree and a 1.6% growth among high school graduates. People with less education are increasingly less likely to be employed. In 2004/05, employment for those without a high school diploma declined by 1.6%.

**Chart 10:
Employment Growth
by Educational Attainment**



Source: Labour Force Survey.

At 4.8%, the unemployment rate for those with a university degree was the lowest of any educational grouping. In comparison, the unemployment rate was 7.3% for high school graduates and 5.5% for those with a post-secondary certificate or diploma. The unemployment rate among those who had not completed high school was 13.2%.

¹² The unemployment rate in three of the 58 regions—Yukon, the Northwest Territories and Nunavut—is set at 25% for EI purposes, since the territories are not included in the Labour Force Survey.

This chapter provides an overview of Employment Insurance (EI) benefits under Part I of the *Employment Insurance Act*. The first section, “Employment Insurance Clients,” outlines changes to claims and benefits in 2004/05.¹ “Assisting Canadians in Facing the Risk of Unemployment,” the second section, examines income support provided through EI regular benefits to individuals who lose their jobs. The third section, “Supporting Working Canadians and Their Families,” examines the role EI plays in assisting Canadians to balance work commitments with family responsibilities and personal illness through special benefits such as maternity, parental, sickness and compassionate care.

The analysis in this chapter uses EI administrative data and is based on a 10%² sample of claims as of August 2005.³ Throughout the chapter, data for 2004/05 are compared to 2003/04 data. Some longer term trends are also discussed. More detailed information on the various elements discussed in this chapter can be found in Annex 2.

I. EMPLOYMENT INSURANCE CLIENTS

In 2004/05, the number of EI claims established decreased by 5.6% (-110,870) to 1.86 million. Total benefits paid decreased by 3.4% to \$12.7 billion and average weekly benefits increased to \$315, up from \$312 in 2003/04. The fall in the number of EI claims comes primarily from a reduction in the number of regular EI claims (-99,500).

Overall, between 1996/97 and 2000/01, total EI benefits paid declined, in the context of the strong growth in the economy and labour market over the period. However, in 2002/03 and 2003/04, total EI benefits paid increased, as unemployment fluctuated monthly, the economy grew moderately and EI parental benefits were enhanced. In 2004/05, total EI benefits paid decreased, as the number of unemployed fell by 5.0%.

**Table 1:
Total Income Benefits (Part I), 2004/05**

Type of Benefits	Benefits Paid (\$M)	As a %
Regular	8,219.1	64.5
Special		
Parental	2,106.1	16.5
Maternity	916.2	7.2
Sickness	813.2	6.4
Compassionate	7.7	0.06
Employment Benefits ⁴	385.0	3.0
Fishing	288.7	2.3
Work Sharing	10.5	0.1
Total	\$12,746.5	100%

In 2004/05, about two thirds of all EI income benefits paid were regular benefits, over 30% were special benefits and the remaining 5% were related to employment benefits, fishing and Work Sharing (Table 1). This distribution is similar to that of 2003/04. The proportion of all regular and fishing claims accounted for by frequent claimants increased slightly during the reporting period, from 35.4% to 37.1%.⁵

¹ “Claims” refers to new claims established in 2004/05. Some of the benefits paid in 2004/05, however, are associated with claims established in the previous fiscal year.

² Due to the relatively small number of fishing and compassionate care claims, 100% of these claims established during fiscal year 2004/05 are used, to ensure reliability.

³ Administrative data in this report provide a snapshot of claims in August 2005. A snapshot based on a different time period would provide a different picture.

⁴ Some Employment Benefits and Support Measures (EBSM) participants receive Part I income benefits.

⁵ Frequent claimants are defined as claimants who have made three or more claims in the five years prior to their current claim.

Together, Ontario and Quebec accounted for 59.8% of all EI claims established in 2004/05, while these provinces together accounted for 63.6% of paid employment (Table 2). The proportion of new claims in the four Atlantic provinces was 16.4%, in comparison to a 6.9% share of paid employment. The Prairie provinces accounted for 12.3% of new EI claims, while British Columbia represented 11.1% of claimants. The Prairie provinces represented 17.1% of paid employment in 2004/05, and British Columbia accounted for 12.4%.

Table 2: New EI Claims, Paid Employment and Average Weekly Benefit by Province/Territory, (2004/05)			
Province/ Territory	% of All EI Claims	% of Paid Employment	Average Weekly Benefit (\$)
Newfoundland and Labrador	5.2	1.4	313
Prince Edward Island	1.3	0.4	301
Nova Scotia	4.8	2.8	297
New Brunswick	5.1	2.3	299
Quebec	31.4	23.7	310
Ontario	28.5	39.9	326
Manitoba	3.0	3.6	300
Saskatchewan	2.4	2.9	307
Alberta	6.9	10.6	329
British Columbia	11.1	12.4	318
Nunavut	0.1	N/A	346
Northwest Territories	0.1	N/A	372
Yukon	0.1	N/A	356
Canada	100%	100%	\$315

Average weekly benefits varied by province and territory, from a low of \$297 in Nova Scotia to a high of \$372 in the Northwest Territories, reflecting variations in insurable earnings. Higher average weekly benefits in all three territories may be a reflection of the higher cost of living there, as well as higher wages.

About 62% of new claims were established in the services-producing sector and 38% were in

the goods-producing sector, a slight change from previous reporting periods, in which this division was 61% for the services sector and 39% for the goods sector. Manufacturing and construction (goods sector) represented 29% of all new claims established in 2004/05. In contrast, the two most important industries in terms of EI claims in the services sector—the retail trade and educational services industries—accounted for 15% of all new claims.

The share of EI claims established by women remained relatively stable, at about 47% in 2004/05. The number of claims decreased for both women and men, by 3.4% and 7.5%, respectively. Benefits paid also decreased for men (-6.9%), while they increased slightly (+0.5%) for women. The increase in benefits paid to women is predominantly due to an increase in special benefits paid (+3.6%), while their regular benefits paid fell by 2.9%. Regular benefits paid fell more sharply for men (-7.9%), while special benefits paid to men grew slightly more (+4.2%) than special benefits paid to women. The initial effects of enhanced parental benefits, which resulted in large increases in the take-up of parental benefits for men beginning in 2000/01, appear to have slowed over this reporting period, as parental benefits increased modestly for men in 2004/05 (+6.6%), by far the smallest increase since benefits were enhanced effective December 31, 2000.

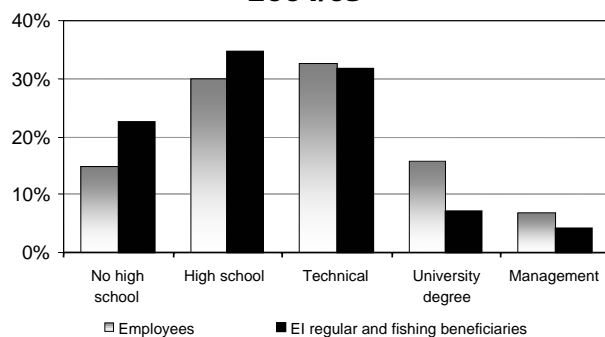
In 2004/05, youths experienced a decrease in their unemployment rate (from 13.8% to 13.0%) and a decrease of 7.9% in EI claims. The number of claims by almost all age groups decreased (down by 7.7% for individuals aged 25 to 44, and by 2.6% for those aged 45 to 54). The exception was older workers, for whom claims increased by 1.9%.⁶

⁶ "Youths" are defined as workers under the age of 25 and "older workers" are those 55 years of age and older.

A total of 167,370 clients from low-income families with children received higher weekly benefits as a result of the Family Supplement.⁷ The number of EI claims with the Family Supplement decreased (-7.6%) relative to 2003/04, and total benefits paid decreased by 6.0% to \$175.8 million in 2004/05. The average weekly top-up provided by the Family Supplement remained relatively stable (+0.6%) at \$43. Chapter 5 provides additional analysis of Family Supplement trends.

In Chapter 1, the important relationship between education and labour market outcomes was noted. It was also noted that higher levels of education were associated with higher employment growth. A comparison of the occupational profile of EI regular and fishing clients with that of all paid employees is consistent with these findings. Chart 1 indicates that employees in occupations usually requiring less formal education are more likely to receive EI benefits than those in occupations usually requiring a university degree and those in managerial positions.

**Chart 1:
Distribution of All Employees with
Salaries and EI Beneficiaries, by the
Educational Attainment Usually
Required for their Occupation,
2004/05**



EI Contributors

In 2003, 15.4 million workers received at least one T4 with employment income.⁸ They paid \$7.7 billion in EI premiums, while employers paid close to \$10.8 billion,⁹ for a total of \$18.5 billion. Annex 2.16 indicates that provincial shares of total EI premiums were consistent with the provincial distribution of workers in Canada.

II. ASSISTING CANADIANS IN FACING THE RISK OF UNEMPLOYMENT

A key objective of EI is to provide temporary income support to insured Canadians who involuntarily lose their jobs. The EI program is specifically designed to respond to changes in local labour markets, by adjusting entrance requirements and the duration of entitlement to regular benefits when regional unemployment rates change in any of the 58 designated EI economic regions. This is known as the Variable Entrance Requirement (VER). See Annex 1.1 for a breakdown of unemployment rates by EI region.

1. Regular Benefits

In 2004/05, the number of new regular EI claims¹⁰ decreased by 6.7% to 1.39 million. Benefits paid to regular beneficiaries decreased by 6.3%, from \$8.8 billion to \$8.2 billion. The fall in benefits paid was attributable to several factors: the decrease in the number of new regular claims (-6.7%), a small increase in the average weekly benefit (+1.0%) from \$312 to \$315 and a small decrease in average weeks paid (-0.6%) from 17.6 to 17.5 weeks.

New claims decreased in every province and territory, particularly in the Northwest Territories (-22.7%), Alberta (-14.6%),

⁷ Refer to Annex 1 of the *2000 Monitoring and Assessment Report* for detailed information on the Family Supplement provision.

⁸ The most recent tax data available are for 2003.

⁹ Employer contributions are 1.4 times employee contributions.

¹⁰ "New claim" refers to a claim established during the April 1, 2004, to March 31, 2005, reference period.

British Columbia (-13.4%), Nunavut (-9.2%) and Manitoba (-8.9%), with more modest decreases in Saskatchewan (-3.7%), Prince Edward Island (-3.5%), New Brunswick (-2.2%), Newfoundland and Labrador (-1.5%), and Nova Scotia (-0.5%). The decreases in Ontario (-6.5%) and Quebec (-5.5%) were closer to the national average.

In 2004/05, the number of new regular claims fell for almost all industries. Claims in the goods-producing sector and in the services-producing sector decreased by 8.2% and 5.6%, respectively. Within the goods sector, claims in manufacturing decreased by 12.6%, claims in utilities decreased by 7.0%, claims in the agriculture, forestry, fishing and hunting industry decreased by 6.5%, and claims in mining and oil and gas extraction decreased by 6.1%. Service industries that experienced large decreases were the information and cultural industries (-18.4%), professional, scientific and technical services (-14.2%), transportation and warehousing (-8.6%), finance and insurance (-8.4%), and accommodation and food services (-8.3%), while claims in educational services increased by 1.8%.

Regular claims decreased for both women (-4.7%) and men (-8.0%) in 2004/05. The larger decline in the number of regular claims for men can be attributed to differences in gender composition across industries, as men are more prevalent in the goods-producing sector, which experienced a greater decline in the number of claims than the services-producing sector.

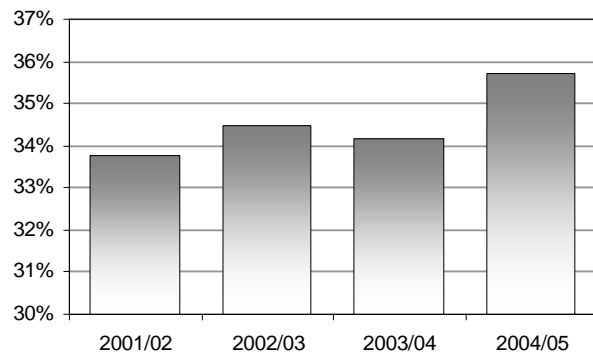
The average number of insurable hours worked by individuals who accessed regular benefits decreased slightly (-0.4%) in 2004/05.

The average number of hours worked by regular claimants has increased by 10.5%

since 1995/96 (from 1,220 in 1995/96 to 1,348 in 2004/05).

The proportion of frequent claimants accessing regular benefits increased slightly during the reporting period, from 34.1% to 35.7% (Chart 2).¹¹ Frequent claims are largely associated with seasonal work, an important aspect of the Canadian labour market. In previous reports, it was noted that the volume of frequent claims tends to be less influenced by fluctuations in economic cycles than that of other claims. Evidence in this report supports this notion, as frequent claims decreased moderately (-2.3%) in 2004/05, while first-time and occasional claims decreased by 10.7% and 7.0%, respectively. As mentioned in previous reports, seasonal work and frequent claims are most common among men.

**Chart 2:
Frequent Claims as a
Percentage of Regular Claims**



An analysis of seasonal patterns of claims indicates a lot of variation across the country. As indicated in Table 3, a greater proportion of EI regular beneficiaries file seasonal¹² claims in provinces where seasonal industries play a more important role in the economy. Seasonal claims varied from a low of 11.2% in Nunavut to a high of 54.3% in Prince Edward Island.

¹¹ "First-time claimants" are individuals who did not have a claim in the five years prior to their current claim. "Occasional claimants" are individuals who have had fewer than three active claims in the five years prior to their current claim. "Frequent claimants" are individuals who have had three or more active claims in the five years prior to their current claim.

¹² A "seasonal claimant" is a frequent claimant whose claim history has a seasonal pattern—that is, the current claim starts at about the same time of year as have previous claims.

**Table 3:
Seasonal Claims as a Percentage of
All Regular Claims by
Province/Territory, 2004/05**

Province/Territory	Seasonal Claims as a %
Prince Edward Island	54.3
Newfoundland and Labrador	51.7
New Brunswick	48.5
Nova Scotia	39.3
Quebec	32.9
Saskatchewan	28.5
Yukon	26.4
Manitoba	26.3
Northwest Territories	24.8
British Columbia	21.8
Ontario	19.0
Alberta	15.0
Nunavut	11.2
Canada	29.1%

Among seasonal claimants, some individuals who have a work period followed by a benefit period that together total less than 52 weeks per year use all their EI benefits, resulting in a possible “gap” in their income stream. Such claimants are often referred to as “EI gappers.”

In 2004/05, there were 22,760 seasonal gappers in Canada. They represented about 1.6% of all regular claimants. More than half (59%) experienced a gap of five weeks or less. Approximately 30% experienced a gap of six to 11 weeks and 10%, a gap of 12 to 19 weeks. Almost two thirds of all seasonal gappers (62.7%) were men and just over half (53.9%) were aged 45 and over. A large proportion (42.7%) were aged 25 to 44 and only 3.4% were 24 or younger.

Seasonal gappers came from every province but were more prevalent in Quebec and Atlantic Canada. In 2004/05, 32.3% were from Quebec, 27.9% were from Atlantic Canada, 17.3% from Ontario, 11.5% from British Columbia and the territories, and 11.1% from the Prairies.

Likewise, there were seasonal gappers in every industry. In fact, 18.6% of all seasonal gappers were employed in construction, the highest proportion. Agriculture (13.1%) and government services (11.5%) also employed important shares of all seasonal gappers.

2. Work Sharing

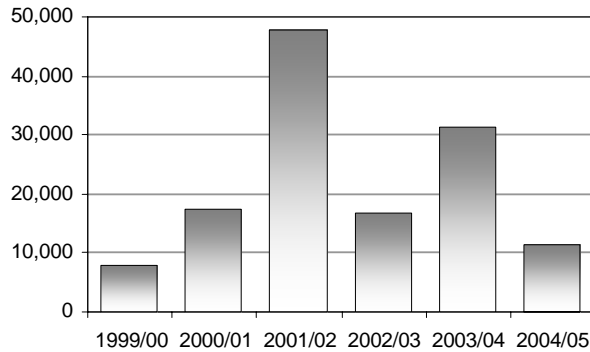
The Work Sharing provision is designed to help employers and workers avert temporary layoffs. The measure provides income support to workers eligible for EI benefits who are willing to work a temporarily reduced work week when there is a reduction in the normal level of business activity that is beyond the control of the employer.¹³ Work Sharing agreements must be approved by both employee and employer representatives and by the EI Commission. They can range in duration from six to 26 weeks, with the possibility for extension up to a maximum of 38 weeks.

Work Sharing agreements benefit employers by allowing them to stabilize their work force, retain skilled employees, and avoid the costly process of recruiting and training new employees when business returns to normal levels. Employees benefit by retaining their jobs and receiving EI income benefits for the days without work. If a worker is laid off following Work Sharing, his or her entitlement to EI regular benefits is unaffected by the receipt of Work Sharing benefits.

EI administrative data show that use of Work Sharing decreased in 2004/05, reflecting the low level of unemployment during the reporting period. There were 11,521 new Work Sharing claims in 2004/05, a decrease of about 63% from the previous reporting period (Chart 3). Total Work Sharing benefits paid decreased by 62% to \$9.5 million in 2004/05.

¹³ Information on the Work Sharing program is available on the Human Resources and Social Development Canada Web site at http://www.hrsdc.gc.ca/en/epb/sid/cia/grants/ws/desc_ws.shtml.

**Chart 3:
New Work Sharing Claims**



In 2004/05, the average Work Sharing claim lasted 14.2 weeks, compared to 16.3 weeks in 2003/04, and paid an average weekly benefit of \$58, up from 2003/04 (\$49). Average work reduction was about 28.5%, or 1.5 work days per week for a full-time employee.

The Work Sharing program was used most in the manufacturing sector (84.3%). The vast majority of Work Sharing claims were made in Ontario (43.6%) and Quebec (35.8%), though all regions participated. In 2004/05, the Work Sharing program averted approximately 3,282 layoffs.¹⁴

3. Fishing Benefits

Fishing benefits are regulated either directly or indirectly by three federal organizations: Fisheries and Oceans Canada (DFO), Human Resources and Social Development Canada (HRSDC), and the Canada Revenue Agency (CRA). DFO grants fishing licences, CRA determines qualification as a self-employed fisher, and HRSDC administers the qualification for and payment of EI fishing benefits, which are based on insured earnings rather than on insured hours. For further details, please refer to the *2003 Monitoring and Assessment Report*.

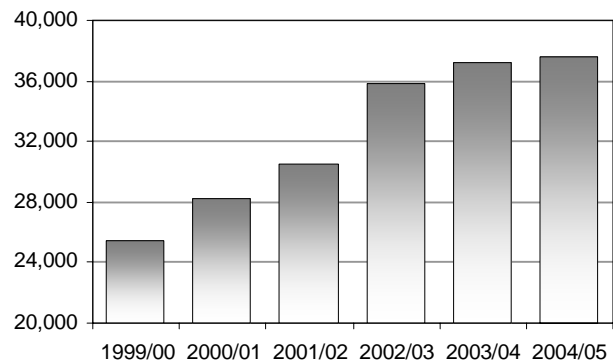
Claims

Although fishing claims represent only 2.0% of all EI claims, they play an important role in supporting communities that depend on the fishing industry. The Canadian fishing industry is generally located in communities where there are limited employment opportunities.

In 2004, primary fisheries production generated \$2.2 billion in revenues for fishers, unchanged from the previous year. The value of commercial landings had been steadily increasing over the previous several years, indicating that a plateau may have been reached in 2004. Total landings for 2004 were slightly higher than in the previous year at 1.2 million tonnes.

In 2004/05, the number of fishing claims increased by 1.1% over 2003/04 to 37,631 (Chart 4). This represents the smallest increase in five years. Regionally, claims grew in the Atlantic provinces (+3.0%), while they decreased in Quebec (-4.6%) and British Columbia (-4.2%), the other two major fish-producing provinces in Canada. Among the Atlantic provinces, New Brunswick (+3.9%) had the largest increase over the previous reporting period, followed by Nova Scotia (+3.3%), Newfoundland and Labrador (+2.9%), and Prince Edward Island (+2.0%).

**Chart 4:
New Fishing Claims**

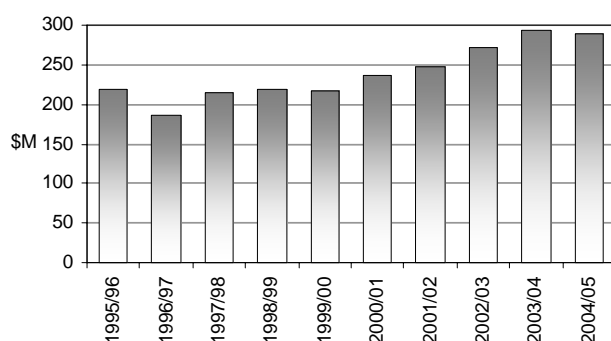


¹⁴ Some layoffs averted by Work Sharing may occur after the end of the agreement.

Nationally, fishing claims by men increased modestly from 30,987 to 31,237 (+0.8%), while claims by women increased from 6,229 to 6,394 (+2.6%). Frequent claimants comprised 88.4% of fishing claims in 2004/05, compared to 87.1% in 2003/04.

In 2004/05, 36.3% of fishing claimants (10,018) had established two claims during the reporting period,¹⁵ compared to 35.3% of fishing claimants in 2003/04. The number of men establishing multiple claims was 8,727 in 2004/05 (38.8% of male fishers), while 1,291 women (25.3% of women fishers) had multiple claims over the same period. Nationally, Newfoundland and Labrador accounted for 55.4% of the total number of multiple claimants. Within Newfoundland and Labrador, 45.5% of all fishing claimants made two claims in the reference period. As reported last year, British Columbia continues to be the only major fish-producing province in which few fishers opt to make two claims in the same year. Only 3.7% of British Columbia fishers, even fewer than in the previous year, made two claims in 2004/05.

**Chart 5:
Fishing Benefits Paid**



Benefits

Fishers received \$288.7 million in EI fishing benefits in 2004/05, a 1.6% reduction from 2003/04 (Chart 5). Total fishing benefits paid

increased slightly in Nova Scotia (+3.0%), remained unchanged in New Brunswick and decreased in every other major fish-producing province.

Quebec had the highest reduction in fishing benefits (-10.7%), followed by British Columbia (-6.0%) and Prince Edward Island (-3.3%).

In 2004/05, average weekly benefits for fishers in each major fish-producing province remained relatively stable, at \$384. As the fishing industry is one in which revenues are earned in short timeframes, benefit rates for this industry are typically much higher than regular benefit rates. In 2004/05, average weekly benefits were 21.3% higher for fishers than for regular claimants.

Average duration on claim for fishing benefits remained 21 weeks, unchanged over several reporting periods. Among the major fish-producing provinces, average durations were 22 weeks in British Columbia, 21 weeks in Newfoundland and Labrador, 20 weeks in New Brunswick, Prince Edward Island and Quebec, and 19 weeks in Nova Scotia. Among multiple claimants, average duration was 18 weeks for the first claim and 19 for the second. Assuming multiple claimants return to the industry after the second claim, this translates into an average of 37 weeks of benefits per year for multiple claimants.

III. SUPPORTING WORKING CANADIANS AND THEIR FAMILIES

1. Overview

The EI legislation has evolved to provide four types of special benefits to support workers when they experience a potential interruption of earnings due to illness,

¹⁵ Under the EI program, self-employed fishing is separated into two distinct qualifying periods: summer and winter fishing. Fishers who are active in both seasons have the opportunity to establish two claims for EI fishing benefits in a single year. See Chapter 5 for further details.

childbirth, parenting, or the provision of care or support to a gravely ill family member. Sickness benefits are payable to claimants who are unable to work due to illness, injury or quarantine, to a maximum of 15 weeks. For biological mothers who need to recuperate after childbirth and to care for their newborn infants, the EI program provides maternity benefits to a maximum of 15 weeks. To help biological and adoptive parents balance work and family responsibilities by staying at home with their newly born or adopted child, parental benefits are payable to a maximum of 35 weeks. Since January 2004, six weeks of EI compassionate care benefits are payable to workers who need to take a temporary leave from work to provide care or support to a family member who is gravely ill with a significant risk of death.

Bill C-49, introduced on March 27, 2002, changed both the period for claiming special benefits and the maximum number of combined weeks of special benefits from 50 to 65 weeks under certain circumstances.¹⁶ With the introduction of compassionate care benefits, the maximum number of combined weeks of special benefits is now 71 weeks under certain circumstances.

In 2004/05, there were 514,100 new special benefits claims, a small increase of 0.1% from 2003/04. Similar to previous reporting periods, women accounted for more than two thirds (69.9%) of all special benefits claims. However, women's share has been declining in recent years, from 75.4% in 1995/96.

Total special benefits payments increased by \$135 million or 3.7% to \$3.8 billion in 2004/05. In 2004/05, annual growth of 3.7% in special benefits payments was lower than the 8.2% growth in 2003/04 and 22.0% growth in

2002/03. Taken together, the 0.1% increase in new claims and the moderate increase in benefits paid suggest a maturation of the changes made to parental benefits in 2000. The proportion of special benefits in relation to total income benefits was 30.2%, compared to 28.1% in 2003/04 and 27.8% in 2002/03. This figure is much higher than the pre-reform level of 13.6% in 1995/96. Average weekly benefits for all special benefits claims increased by 1.5% to \$304.

2. Maternity Benefits

Claims for maternity benefits decreased somewhat (-1.1%) to 199,360 in 2004/05. On the other hand, the average weekly benefit rate (\$312) for maternity claims increased by 1.4% over 2003/04. As a result, total maternity benefits payments remained relatively stable (+0.6%) at \$916.2 million. The average number of weeks for which maternity benefits were paid also remained stable (+0.1%), at 14.6 weeks or 97.0% of the maximum entitlement of 15 weeks.

3. Parental Benefits

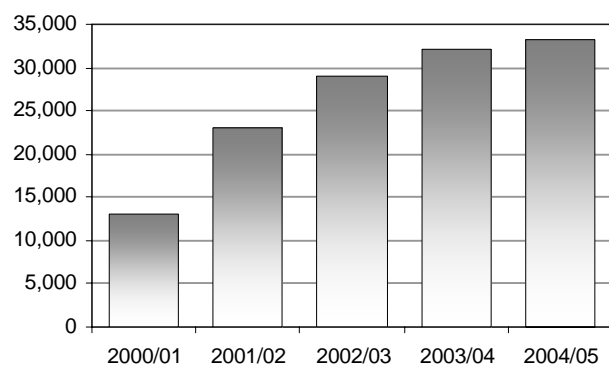
Claims for parental benefits decreased by 0.4% to 227,820 in 2004/05, the first year since parental benefits were enhanced that the number of claims has decreased. However, this is the fifth consecutive year that parental claims have exceeded maternity claims.

Biological parental claims by men increased by 3.3% in 2004/05, to 33,210 (Chart 6). Following strong annual increases since 1997/98, the number of biological parental claims by women decreased by 1.0% to 191,510 in 2004/05. The reduction in biological parental claims by women reflects the decrease in maternity claims. It is also noteworthy that in 2004/05, the number of parental claims by

¹⁶ Prior to Bill C-49, claimants could receive a maximum of 50 weeks of special benefits. Effective March 3, 2002, these provisions ensure full access to special benefits for biological mothers who claim sickness benefits prior to or following maternity or parental benefits.

adoptive parents decreased by 2.8% from 2003/04, to 3,100, representing the first year since 2000/01 that parental claims for adoption have fallen.

**Chart 6:
Number of Fathers Claiming Parental
(Biological) Benefits**



This is the fourth reporting period that allows a full account of benefits expenditures for the enhanced parental benefit. After tremendous growth of 43.9% in 2002/03 and 167.3% the year before, expenditures in this reporting period have grown more modestly. Total parental benefits payments increased by 4.4% to \$2.1 billion in 2004/05. The average weekly benefit for biological parents was \$324, an increase of 1.2%, while the average weekly benefit for adoptive parents was \$375, up by 2.4% from the previous reporting period.

The number of weeks of parental benefits in 2004/05 for both biological and adoptive parents remained relatively unchanged from the 2003/04 reporting period, with only a slight decrease from 28.0 weeks to 27.9 weeks for biological parents and a slight increase from 27.2 to 27.5 weeks for adoptive parents.¹⁷ Biological and adoptive parents used about 80% and 79% of their entitlement in 2004/05, respectively.

The parental benefits enhancements, effective December 31, 2000, included several changes designed to improve benefit flexibility and to promote an increased take-up rate among men. The 35-week entitlement can be used by one parent or shared by both. Increasingly, couples are deciding to share parental benefits. The proportion of parental (biological) claims made by men increased from 14.2% in 2003/04 to 14.8% in 2004/05. However, the majority of new parental claims (85.2%) continue to be established by women.

In 2004/05, 12.6% (24,120 out of 191,510) of women who claimed parental (biological) benefits shared them with their partner, a slight increase from 11.9% in 2003/04. In comparison, 71.3% (23,680 out of 33,210) of men shared parental benefits with their spouse, up from 69.0% in the previous reporting period. In 9,530 cases, the man was the only recipient of parental benefits in the family. One in five adoptive mothers in receipt of parental benefits shared them with their partner (510 out of 2,490), up from 18.4% in 2003/04. In addition, 62.3% (380 out of 610) of men shared the parental (adoption) benefits with their spouse, down from 65.5% in the previous reporting period.

In 2004/05, the average duration of parental (biological) benefits leave taken by parents who shared the benefits increased by 1.5 weeks, to 32.5 weeks or 92.7% of entitlement. The average duration of parental benefits for parents sharing the benefits was 9.7 weeks for men and 22.7 weeks for women. The average duration of parental benefits in families where only one parent used the benefits was lower than the combined duration for parents

¹⁷ To ensure analysis of weeks paid is based on completed claims, the data cover claims beginning in the first half of the reporting period.

sharing benefits, at 31.3 weeks or 89.3% of entitlement. When combined with maternity benefits and the waiting period, it can be said that biological parents are using about 94% of the full year available to them when they share benefits, and 92% when they do not.¹⁸

Adoptive parents in receipt of parental benefits and sharing these benefits were on claim for an average of 31.2 weeks or 89.1% of their 35-week entitlement, a decrease of 5.1% from 2003/04. The average duration was 9.9 weeks for men and 21.3 weeks for women. Adoptive parents not sharing parental benefits were on claim for an average of 31.8 weeks or 90.8% of entitlement, an increase of 2.4% from the previous reporting period.

4. Sickness Benefits

The number of sickness claims increased by 0.1% to 294,350 in 2004/05. Total payments for sickness benefits increased by 4.5% to \$813.2 million, while the average weekly benefit for sickness claims was \$285, an increase of 1.7% over 2003/04. The average number of weeks for which sickness benefits were paid remained relatively stable (+0.9%) at 9.5 weeks or about 63% of entitlement.

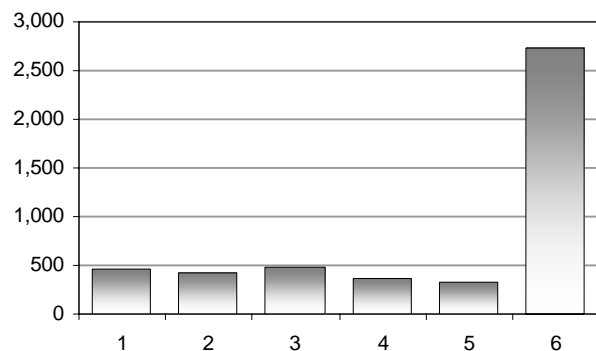
During the reporting period, sickness claims decreased for men (-1.2%) and increased for women (+1.1%). While women’s share of total sickness claims remained relatively stable (+0.6 percentage points) in 2004/05, women continued to account for the majority of sickness claims, at 59.0%. Sickness claims decreased by 2.8% for youths aged 15 to 24, and by 2.9% for those between the ages of 25 and 44, while they increased by 3.5% for those between the ages of 45 and 54 and by 7.1% for older workers (aged 55 and up).

5. Compassionate Care Benefits

As noted above, effective January 4, 2004, six weeks of EI compassionate care benefits were introduced. Since this new benefit was only in effect during the last three months of fiscal 2003/04, year-over-year comparisons of compassionate care benefits to 2004/05 are not possible. However, 2004/05 is the first year in which compassionate care benefits were available during the entire reporting period.

In 2004/05, 4,782 claimants received compassionate care benefits with an average weekly benefit of \$314. Overall, \$6.9 million was paid in benefits and the majority of new compassionate care claims was established by women (73.7%). In 2004/05, 39.4% of all claimants were from Ontario, followed by Quebec and British Columbia, with about 17% of compassionate care claims each. Workers aged 25 to 54 accounted for 79.0% of claims. Just over half (57.3% or 2,740) of compassionate care claimants used all six of their available weeks of benefits (Chart 7).

**Chart 7:
Compassionate Care Claims
by Weeks Used, 2004/05**



EI claimants can receive two or more types of benefits under one claim. Among the 2,740 claimants who used all six weeks of compassionate care benefits, about 460 subsequently received sickness benefits, while 410 subsequently received regular benefits.

¹⁸ The percentage of entitlement used is calculated as the average of maternity and parental benefits weeks paid combined with the two-week waiting periods expressed as a proportion of 52 weeks (the maximum duration of a maternity/parental EI claim).

Like parental benefits, compassionate care benefits can be shared among eligible family members. However, the vast majority of compassionate care claimants (96.9%) did not share their benefits in 2004/05. An evaluation has been undertaken and findings will be made available in future reports.

Chapter 3 – Employment Benefits and Support Measures, and National Employment Service

Activities funded under Part II of the *Employment Insurance Act* help enhance the skills Canadians need to prepare for, obtain and maintain employment. These activities include services provided by the National Employment Service (NES) and Employment Benefits and Support Measures (EBSMs). EBSMs are delivered through Labour Market Development Agreements (LMDAs) with provinces and territories, with the exception of Ontario, where the recently signed LMDA will take effect in January 2007; see Annex 3.1 for details. A full explanation of eligibility and interventions is provided in annexes 3.2 and 3.3. In addition to LMDA activities, support for sector councils and Aboriginal programming is funded through pan-Canadian activities.

Specific EBSM programs and interventions are examined in the first section of this chapter, providing a national overview of expenditures, participants, benefits and support measures usage, and impacts at the national level. A discussion of pan-Canadian activities and support measures follows in section two, and the third section summarizes provincial and territorial EBSM activity.

I. NATIONAL OVERVIEW

National policy priorities during the reporting period were addressed by the following:

- enhancing EBSM delivery through partnerships with sector councils, unions and employers to encourage skills upgrading;
- piloting essential skills upgrading activities with selected Employment Assistance Services (EAS) providers to test integration of essential skills training into the scope of EBSM activities;

- testing new approaches to programming and services, and identifying best practices using the Research and Innovation measure (this work resulted in the new Pan-Canadian Innovation Initiative, described later in this chapter); and
- helping local offices in co-managed regions¹ improve program delivery of EAS and Labour Market Partnership (LMP) interventions to increase the skills and knowledge of participants and support participants' integration into the labour force.

Table 1: Key Facts

Canadian Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employment	16,011,400	286,800 ↑
Unemployment Rate	7.1%	0.5% ↓

Client Type and Age² Distribution		
Active	Former	Non-Insured
61.8%	14.0%	24.2%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
18.7%	74.0%	7.3%

Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services³
New Interventions	3.3% ↓	3.5% ↑
Expenditures	4.8% ↑	0.3% ↓

¹ See Annex 3.1.

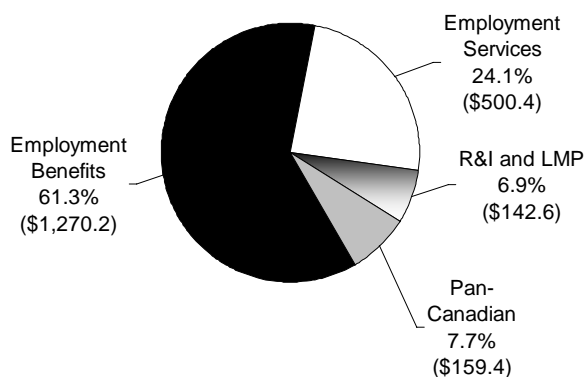
² Client age data exclude records missing age values.

³ Includes the Supplément de retour au travail. See the Quebec section for more details.

1. Expenditures

During 2004/05, 635,860⁴ people accessed EBSMs. These individuals participated in 977,680⁵ new interventions, with each person taking part in 1.5 new interventions, on average. The \$2.07 billion national total for EBSM expenditures in 2004/05 comprised investments in Employment Benefits, Employment Services, pan-Canadian activities, and expenditures on support measures not delivered directly to clients through LMP and Research and Innovation (R&I) (see Chart 1). Compared to the previous reporting period, total expenditures for all EBSMs were 2.5% higher. Please refer to Annexes 3.11 to 3.13 for expenditure details on all EBSMs.⁶

**Chart 1:
EBSM Expenditures, 2004/05
(\$ millions)**



A re-prioritization of the 2004/05 budget for pan-Canadian activities resulted in a decrease in expenditures of 16% to \$159.4 million. Combined expenditures for R&I and LMP measures decreased by 7.7% to \$142.6 million.

The regional distribution⁷ of EBSM expenditures closely reflects the regional distribution of Employment Insurance (EI) claims reported in Chapter 2. Quebec and Ontario accounted for 54.4% of expenditures

and 51.4% (502,730) of interventions. Provinces and territories west of Ontario claimed a 26.4% expenditure share, and the Atlantic provinces accounted for 15.9%.

EBSM programming delivered directly to participants has two components: Employment Benefits and Employment Services.

Employment Benefits—which include Skills Development (SD), Targeted Wage Subsidies (TWS), Self-Employment Assistance (SE) and Job Creation Partnerships (JCP)—are available to eligible participants (active and former EI claimants). They generally involve long-term interventions lasting anywhere from a few months to over a year. Employment Benefits expenditures increased by nearly 5% to \$1.27 billion and accounted for most of the overall EBSM expenditure increase in 2004/05. Factors contributing to this increase include expenditures for interventions initiated in the previous reporting period, a larger number of long-term interventions, and active claimants starting benefits late in their Part I eligibility period, requiring more incremental Part II support (see the following subsection, “Participants”).

Any unemployed person in Canada who needs assistance to enter or return to the work force is eligible for Employment Services, including active or former EI (Part I) claimants. Overall, expenditures for Employment Services declined by 0.2% to \$500.4 million in 2004/05, compared to 2003/04.

Returns to work and unpaid benefits results are key performance indicators for EBSMs. Unpaid benefits for SD–Apprentices (\$271 million) and Group Services (\$157 million) are calculated according to a specific methodology and

⁴ Client data reported exclude self-serve options.

⁵ New interventions are activities started between April 1, 2004, and March 31, 2005, and include pan-Canadian activities.

⁶ All subsequent expenditure and intervention comparisons are to the 2003/04 fiscal period unless otherwise noted.

⁷ Of total EBSM expenditures, 3.3% are pan-Canadian funds not attributed to a specific province.

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reported separately; the combined amount for all other interventions was \$415.3 million, 1.9% less than in the previous reporting period (Annex 3.14). In this reporting period, a decrease of more than 30,000 active clients and a different method of calculating results⁸ led to lower values than in previous years.

The share of Employment Benefits interventions relative to total EBSMs decreased by 1.0 percentage point, with a corresponding increase in Employment Services, compared to the previous reporting period. These changes are linked to prevailing positive labour market conditions and recovery from recent labour market shocks, resulting in the highest employment rate on recent record.

Strengthened labour markets offered greater opportunities for unemployed people to return to work without re-employment benefits, such as skills training. This factor influenced both the use of EBSMs and the cost of interventions. Former clients often have longer absences from the labour market, so they need more and longer interventions to become job ready than people with recent labour market experience do. Generally higher intervention costs in 2004/05 can be attributed in part to the increased share of former clients participating in Employment Benefits.

2. Participants

Approximately 5% fewer people used EBSMs in 2004/05. Compared to the previous reporting period, 7% fewer active claimants and 3.7% more former claimants participated in EBSMs. This is consistent with the decrease in new regular EI claims (-6.7%) noted in Chapter 2 and represents the first decline in the overall number of individuals using EBSMs since 2000/01.

Active claimants are those clients in receipt of EI Part I benefits during their participation in an EBSM intervention. Active claimants have a more recent labour force attachment than former clients do. They are also more likely to choose a quick return to work rather than to invest in longer term interventions. In 2004/05, active claimants' longer term interventions decreased by 3.4% to 139,354, lowering their share of interventions marginally. This client group increased its share of short-term Employment Assistance interventions by 0.7 percentage points to 235,860 interventions, 14.9% more than in the previous reporting period.

Former EI claimants are those clients who are re-entering the work force following an EI claim that ended in the preceding three years. Those who are re-entering the work force following a maternity or parental claim in the preceding five years also qualify for EBSMs. These participants are also eligible for basic living and participation expenses, which are covered as incremental EI Part II expenditures in some interventions, increasing the cost per intervention.

Former claimants participated in 144,859 EBSM interventions, increasing their share of EBSM usage (Employment Benefits by 1.1 percentage points, and Employment Services by 5.6 percentage points) compared to the previous reporting period.

Non-insured clients (not active or former EI claimants) are eligible for Employment Services only. These clients may have been absent from the labour market for an extended period of time or may be new to the Canadian labour market. Compared to 2003/04, non-insured clients' use of Employment Services increased by 5.1%, with a total of 240,754 interventions.

⁸ Returns-to-work results were limited to 24 weeks post-intervention, lowering results by about 4%.

However, their share of short-term Employment Services interventions dropped slightly, with active and former claimants increasing their share.

In support of equity principles, HRSDC collects information on the participation of women, persons with disabilities, Aboriginal people and members of visible minorities. Participation for all groups showed little variation from previous reporting periods. For example, women's participation increased in all interventions and remained the same for SD–Apprentices. Overall, women's participation in EBSMs increased by 7.5% with 413,232 EBSM interventions.

Detailed data for designated group participation in each province and territory are found in annexes 3.7 to 3.10.

Because these data are based on voluntary self-identification, under-reporting may affect accuracy and year-to-year comparisons. Nevertheless, the participation levels reported for each intervention provide an important overall indication of designated group participation.

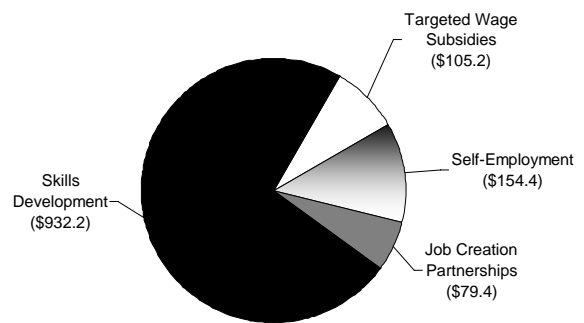
There was little change between 2003/04 and 2004/05 in the age distribution of clients across different interventions. Overall, adults between the ages of 25 and 54 continue to access the largest share (57%) of Employment Benefits. Older participants (55 and up) have increased their participation in EBSMs over the past two years to 5%.

3. Employment Benefits

Employment Benefits expenditures increased by nearly 5% to \$1.27 billion and accounted for most of the overall EBSM increase in 2004/05. The fact that 3.3% fewer participants (169,712) accessed Employment Benefits overall in 2004/05 supports the analysis that many unemployed Canadians took advantage of

increased employment opportunities, or participated in shorter term support measures, rather than investing time in longer interventions.

**Chart 2:
Employment Benefit Expenditures
by Intervention, 2004/05 (\$ millions)**



Skills Development (SD)

Both components of SD, SD–Regular and SD–Apprentices, help participants obtain employment skills through direct financial assistance that enables them to select, arrange and pay for training.

Of all Employment Benefits, only SD increased in the number of interventions, to 128,721 nationally, an increase of 0.2% over the previous year. SD accounts for the largest proportion of participants (75.8%) and Employment Benefits expenditures (73.3%). These expenditures accounted for \$932.2 million in 2004/05, an increase of 6.5% over the previous reporting period.

The share of interventions for former claimants increased by more than two percentage points to 18.3%, resulting in higher participant costs for SD compared to the previous reporting period. At the same time, fewer active claimant interventions (66,901) were delivered.

While members of visible minorities increased their participation share in overall EBSMs by 0.8 percentage points to 54,739 interventions,

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the most significant share increase (1.2 percentage points) was in SD.

SD–Apprentices involves an on-the-job component where many participants return to work for the same employer. In the reporting period, 32,761 apprentices were employed before using all the EI income support to which they were entitled, a 3% increase over the previous year. In total, 44,078 clients participated, and this figure includes a 45% increase in the number of Aboriginal clients. This is particularly noteworthy, as there was an overall 4% decrease in the number of Aboriginal participants in EBSMs, compared to the previous reporting period.

Targeted Wage Subsidies (TWS)

TWS helps individuals obtain on-the-job work experience by providing employers with financial assistance for the wages of participants they would not normally hire without a subsidy.

In 2004/05, 21,000 participants accessed TWS, representing a 12.4% share of all Employment Benefits interventions. At \$105.2 million in expenditures, TWS represented 8.3% of Employment Benefits expenditures compared to 9% in the previous reporting period. The overall decrease of 11.8% in the number of participants compared to the previous reporting period varied greatly between provinces and territories.

Self-Employment (SE)

SE provides financial assistance and business planning advice to participants to help them in the initial stages of starting their own business.

SE interventions assisted 12,020 participants, representing 7% of Employment Benefits participants and 12.1% of expenditures at \$154.4 million. Compared to the previous year, 6.4% fewer clients participated in SE, and the

share of Employment Benefits expenditures increased marginally from 11.5% to 12.1%.

The share of former claimants accessing SE increased by 1.0 percentage point, with a corresponding decrease in the share of active claimants.

Job Creation Partnerships (JCP)

JCP provides participants with an opportunity to gain work experience in community-developed projects that also benefit the community and local economy.

In 2004/05, 7,971 participants accessed JCP, representing 4.6% of Employment Benefits participants and 6.2% of all benefits expenditures at \$79.4 million. JCP has maintained a stable share of Employment Benefits expenditures but has had the largest decrease in interventions among all EBSMs.

4. Support Measures and Services

Support measures comprise three components: Employment Services, which assist individual participants through Employment Assistance Services; and “other” support measures (LMP and R&I), which address partnerships and research in the labour market.

Overall, the number of Employment Services interventions in 2004/05 increased by 3.5% to 790,906. Employment Services expenditures declined by 0.2% to \$500.4 million in 2004/05, compared to 2003/04.

Employment Assistance Services (EAS)

EAS offers a wide range of job-entry activities, including return-to-work action plans, which eligible clients and case managers develop together as the first step in accessing Employment Benefits.

The number of EAS interventions increased by 13.1% compared to the previous year to 514,548, reflecting the trend for increased use

of short-term interventions in positive labour markets. This figure includes EAS interventions for non-insured clients (199,592), which increased by 7% over the previous reporting period. This is an important shift, as many more active and former claimants are accessing services, with the relative share of non-insured participants decreasing by 2.1 percentage points.

Employment Group Services are EAS services that focus on short-term job search and re-entry activities for EI eligible clients. Interventions are tracked for active claimants only. In 2004/05 the number of interventions fell by 17.8% to 92,366, reflecting the overall reduction in active clients. Despite fewer interventions, returns to work increased by 8.6%, and unpaid benefits also increased by 7% to \$156.8 million in 2004/05.

Individual Counselling is an EAS service that addresses more complex issues in the case management process. Interventions declined by 7% to 175,053, and returns to work also declined compared to the previous reporting period. This change is partly attributable to the fact that services were provided to participants facing greater barriers to employment.

Labour Market Partnerships (LMP) and Research and Innovation (R&I)

These two measures support the National Employment Service (NES). LMP is used to encourage, support and facilitate partnerships that enable human resources planning and labour market adjustments. It provides funding to assist employers, employee/employer associations and communities to improve their capacity to deal with human resources requirements and implement labour force adjustments. For example, skills gaps and training needs in the British Columbia home building industry were analyzed to develop a long-term strategic plan involving key industry

stakeholders, training providers and government agencies. Objectives of this LMP project included strengthening partnerships between industry and education/training providers, and recruiting designated groups or disadvantaged individuals into the sector.

R&I projects identify better ways of helping clients obtain and keep employment, and may involve activities related to labour market studies. R&I was used in only four provinces in 2004/05 and expenditures dropped substantially compared to the previous reporting period. The new Pan-Canadian Innovations Initiative will redirect R&I activities to strengthen research partnerships with provinces and territories in support of labour market innovation.

Self-serve options

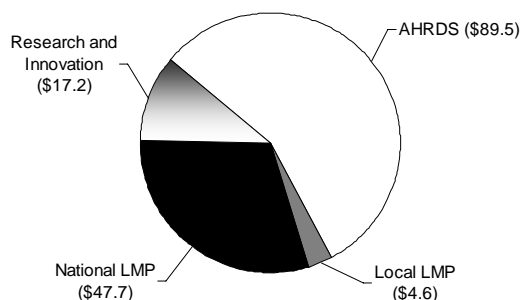
Employment services also include self-serve options (labour market information and Job Bank). As a central function of the NES, these activities support insured, non-insured and self-employed individuals. Because of the nature of these services, data on usage and results for individuals are challenging to collect or attribute to specific interventions (see Annex 3.2 for descriptions).

As of May 2004, a new feature of the Job Bank called the Job Matching Service has allowed both employers and job seekers to match skills demand with skills supply using the National Occupational Classification (NOC). Job seekers can create personal skills profiles based on the NOC and advertise to those employers who select a matching function for postings. For 2004/05, Job Bank for Employers had 237,721 approved employer accounts, 119,815 job seeker accounts, and 155,223 successful job matches.

II. PAN-CANADIAN ACTIVITIES

Pan-Canadian activities comprise activities or interventions that are national or multi-regional in scope, or respond to special situations that affect the country on a similar scale. These activities operate under the same terms and conditions as EBSMs but are not included in LMDAs.

**Chart 3:
Pan-Canadian Expenditures,*
2004/05 (\$ millions)**



* Does not include National Headquarters expenditures of \$271.5 million for JCP.

Key activities carried out under pan-Canadian programming relate to the Aboriginal Human Resources Development Strategy (AHRDS) program, the Sector Council Program under National LMP, Youth Awareness under Local LMP, and R&I.

National LMP may address national labour market issues by supporting partnerships between key players in the labour market. It responds to situations such as industry downsizing or growth, adaptation to new technologies, shortage of year-round job opportunities, labour shortages, or lack of community and organizational capacity for human resources planning. For example, *learn\$ave*⁹ is a nationwide R&I project designed to test whether financial incentives that match the savings of low-income people with bank

credits can improve their long-term economic prospects.

Total expenditures for pan-Canadian activities were \$159.4 million in 2004/05, representing a 7.7% share of all EBSM expenditures, a reduction of 1.7 percentage points compared to the previous reporting period.

Aboriginal Human Resources Development Strategy (AHRDS)

Since 1999, the AHRDS has helped Aboriginal communities and organizations develop and implement their own employment and human resources programs. The AHRDS was renewed in 2004 for a second five-year period with a total budget of \$1.64 billion, of which approximately \$90 million per year is funded through the EI account.

In 2004/05, HRSDC entered into 80 agreements with Aboriginal organizations that secured \$89.5 million of pan-Canadian funding to help them design and deliver employment and human resources programs to their communities.

Sector Council Program

Pan-Canadian activities under the National LMP measure support the sector councils, which are led by industry partners (employers and workers) in a defined area of economic activity.

The councils seek to identify and address current and anticipated human resources, skills and learning challenges in the Canadian labour market. Sector councils represent industry and labour partnerships that span a variety of economic sectors across Canada, from child care and biotechnology to the textile industry. Innovative sector council projects link the education sector to industry needs and increase access to and opportunities for continuous learning. The Sector Council Program also

⁹ A description of *learn\$ave* is posted on the SRDC Web site at <http://www.srdc.org/english/projects/learnsave.htm>.

supports the development and distribution of a number of career information products aimed at facilitating labour market entry, including foreign credential recognition and career progression for young Canadians.

With the creation of the police and voluntary sector councils in 2004/05, the current network of 30 councils represents 47.4% of occupational sectors in the Canadian labour market.

Youth Awareness

Pan-Canadian funding supports the Youth Awareness initiative, using a regional allocation of the LMP support measure (Local LMP) to fund projects designed to address particular labour market issues for people aged 15 to 30.

The goal of Youth Awareness is to mobilize employers and communities to consider youth employment as a viable solution to their human resources requirements. Skills Canada, the main Youth Awareness recipient, works in partnership with employers, educators, labour groups and governments to reposition trade and technical careers as a first-choice career option for Canadian youth. Through domestic and international competitions, Skills Canada promotes awareness of trades as career options for youth and shows employers the variety of skills acquired through education in the trades.

Research and Innovation (R&I)

Pan-Canadian projects funded through R&I conduct experimental research that helps improve EBSM program design. The goal of the research is to increase labour market participation by examining issues from the perspectives of government priorities, program participants and society as a whole.

The new Pan-Canadian Innovations Initiative will support ongoing program development work with the provinces and territories by funding the development of new approaches

to labour market programming. Pilot projects and experiments will generate knowledge in six priority areas: Aboriginal people, literacy, workplace training, apprenticeship, under-represented groups and immigrants.

III. PROVINCIAL AND TERRITORIAL EBSM ACTIVITY

Aggregate data for participation and expenditures at the national level permit analysis of overall benefits and services activity. However, a more in-depth understanding of EI Part II activity is made possible by presenting information by individual province and territory.

At this level, year-to-year variations and trends are more closely linked to provincial and territorial priorities, responses to local labour market conditions and differences in program delivery.

Analysis of EBSM activity within provinces and territories reveals differences in results, expenditures and client access, in part because EBSMs are delivered through discrete agreements (LMDAs), and because labour markets differ across provinces and territories. In the following pages, the presentation of data and analysis is consistent with EBSM activities and definitions, though in some jurisdictions these activities are delivered under different names through provincial or territorial programming.

The source of labour market data for provinces is Statistics Canada's Labour Force Survey, and for territories, the Territorial Bureau of Statistics. HRSDC administrative data are also used. Detailed information on client type, interventions and expenditures by province and territory are provided in annexes 3.5, 3.6 and 3.12.

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NEWFOUNDLAND AND LABRADOR

Newfoundland and Labrador experienced a strengthened labour market in 2004/05.

While labour force participation remained steady compared to the previous year, employment levels improved and the unemployment rate declined.

The province's main priority for employment programming in 2004/05 was to address labour and skills shortages, particularly in the apprenticeship trades.

Newfoundland and Labrador also promoted interventions that have proven effective in building longer term attachment to the labour force among high-risk clients and in reducing barriers to employment.

interventions, with expenditures totalling \$120.7 million. The distribution of interventions between Employment Benefits and Employment Services shifted: the share for Services rose by 11.1 percentage points, with a corresponding decrease in Benefits.

Employment Benefits

There were 11,170 Employment Benefits interventions delivered in 2004/05, representing 35.6% of all EBSMs. Interventions decreased by 11.7% from the previous year, when 12,648 Employment Benefits interventions were delivered, representing 46.7% of total EBSM activity.

Associated expenditures increased by 1.9% to \$109 million. The fact that there were fewer active claimants and more former claimants increased the average Part II cost per Employment Benefits intervention. A shift from JCP towards higher cost interventions that encourage longer labour force attachment also pushed up expenditures. In areas of higher unemployment, clients typically require longer term interventions.

A robust construction sector resulted in fewer SD-Apprentices, as workers took advantage of improved employment opportunities. Fewer skilled construction workers were available to fill supervisory positions on some JCP projects. The slight decline in SD-Regular interventions can be attributed to fewer participants in short-term training specific to the fishing industry, as most fishers had completed required certification.

Employment Services

Overall, 20,173 Employment Services interventions were delivered, representing 64.4% of all EBSMs. This is a 39.6% increase from the previous year, when 14,451 Employment Service interventions

Table 2: Newfoundland and Labrador Key Facts		
Co-managed Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	215,000	1,800↑
Unemployment Rate	15.3%	0.8%↓
Client Type and Age Distribution		
Active	Former	Non-Insured
74.2%	17.4%	8.4%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
24.1%	69.5%	6.4%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	11.7%↓	39.6%↑
Expenditures	1.9%↑	2.0%↓

In 2004/05, 18,372 individuals accessed Employment Benefits and Employment Services, participating in 31,343 new

were delivered, representing 53.3% of total EBSM activity. Expenditures for Employment Services decreased to \$11.7 million, down from \$11.9 million in the previous reporting period.

The shift in interventions between Employment Benefits and Services may be a result of improved documentation. Use of third-party service delivery increased throughout Newfoundland and Labrador, as more counselling and case management services were provided externally. This change resulted in more rigorous documentation of all client service interventions.

PRINCE EDWARD ISLAND

The unemployment rate rose slightly on Prince Edward Island in 2004/05, due to significant labour force expansion throughout the year. Overall employment levels improved, as did the province's labour force participation rates.

A key employment priority on P.E.I. was to address increased skills imbalances, particularly in the trades and health care sectors. A related challenge was to promote career potential in these sectors to ensure future labour supply.

P.E.I. identified five priority sectors for the delivery of employment benefits: tourism, health, construction, technology (including aerospace and information technologies), and manufacturing and primary industries (including agriculture, forestry/wood products and fisheries sectors). Working groups were established to assess labour and skills supply and demand issues for each of these sectors and to identify potential actions to correct current and future imbalances.

Table 3: Prince Edward Island Key Facts		
Co-managed Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	67,300	1,000↑
Unemployment Rate	11.0%	0.2%↑
Client Type and Age Distribution		
Active	Former	Non-Insured
70.2%	12.3%	17.5%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
26.5%	67.5%	6.0%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	6.6%↓	30.0%↑
Expenditures	3.2%↓	3.7%↑

During 2004/05, 4,193 individuals accessed Employment Benefits and Employment Services, participating in 6,845 new interventions, with expenditures totalling \$23.8 million. The distribution of interventions for Employment Benefits and Employment Services shifted: the share for Services rose by eight percentage points, with a corresponding decrease in Benefits.

Employment Benefits

There were 2,535 Employment Benefits interventions delivered in 2004/05, representing 37.0% of all EBSMs. Interventions decreased by 6.6% from the previous year, when 2,714 Employment Benefits interventions were delivered, representing 45.0% of total EBSM activity. Expenditures for Employment Benefits decreased to \$20 million, down from \$20.7 million in the previous reporting period.

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In light of the key priorities, SD programming accounted for the majority of Employment Benefits interventions (69%) delivered in P.E.I. in 2004/05, increasing by 3% compared to the previous year. The number of SE interventions increased by 15%.

Employment Services

Overall, there were 4,310 Employment Services interventions delivered in 2004/05, representing 63.0% of all EBSMs. This is a 30.0% increase from the previous year, when 3,315 Employment Services interventions were delivered, representing 55.0% of total EBSM activity. Expenditures for Employment Services increased to \$3.8 million, up from \$3.7 million in the previous reporting period.

The increase in Services interventions was due in part to improved methods of data capture by external service providers contracted in 2003/04 to deliver Employment Services in P.E.I. As these organizations were better established in 2004/05, they delivered more interventions.

NOVA SCOTIA

Nova Scotia experienced significant employment growth in 2004/05. The unemployment rate fell only marginally as a result of labour force expansion.

Key priorities for EBSM programming in Nova Scotia for 2004/05 were to develop and distribute high-quality labour market information and to address current and projected skills imbalances.

Continued employment growth throughout the year heightened concerns about skills shortages, particularly in the information technology, construction, health, education and offshore energy sectors.

Other priorities included the provision of improved career and employment-related

services to help workers develop their skills, increase their employability and find sustainable jobs.

**Table 4:
Nova Scotia
Key Facts**

Strategic Partnership Agreement		
Labour Market		
		Change, 2003/04– 2004/05
15 years +	2004/05	
Employed	443,400	10,300↑
Unemployment Rate	8.8%	0.4%↓
Client Type and Age Distribution		
Active	Former	Non-insured
64.2%	16.6%	19.2%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
23.8%	71.6%	4.6%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	2.6%↓	6.9%↑
Expenditures	2.7%↑	0.9%↓

During 2004/05, 11,091 individuals accessed Employment Benefits and Employment Services, participating in 15,100 new interventions, with expenditures totalling \$74.1 million. The distribution of interventions between Employment Benefits and Employment Services shifted: the share for Services rose by 2.3 percentage points, with a corresponding decrease in Benefits.

Employment Benefits

There were 5,972 Employment Benefits interventions delivered in 2004/05, representing 39.5% of all EBSMs. Interventions decreased by 2.6% from the previous year, when 6,132 Employment Benefits interventions were delivered, representing 41.8% of total

EBSM activity. Expenditures for Employment Benefits increased to \$56.2 million, up from \$54.7 million in the previous reporting period.

SD programming represented the majority (79%) of Employment Benefits interventions delivered in the province during the year. Job creation programming declined in 2004/05, due largely to the improved labour market and increased availability of employment opportunities.

With job-ready clients facing more favourable labour market conditions, the proportion of clients requiring longer term interventions and more assistance increased. This fact contributed to greater use of SD-Regular programming and increased the overall costs of employment benefits delivered.

In addition, online EI application processing reduced client traffic in Human Resource Centres of Canada (HRCCs), and fewer EI clients participated in group information sessions for Employment Benefits and Services.

Employment Services

Overall, 9,128 Employment Services interventions were delivered in 2004/05, representing 60.4% of all EBSMs. This is a 6.9% increase compared to the previous year, when 8,537 Services interventions were delivered, representing 58.2% of total EBSM activity. Expenditures decreased to \$17.9 million, down from \$18.1 million in the previous reporting period.

The increase in Services interventions is due in part to additional counselling interventions that were carried out in order to document participants for the national Prior Learning and Assessment Recognition pilot project in Nova Scotia. Greater use of external service providers and improved data capture practices during the year increased the number of new interventions that were recorded.

NEW BRUNSWICK

Employment levels increased significantly in New Brunswick during 2004/05, particularly in the services-producing sector. Though labour force participation rose steadily throughout the year, the province's unemployment rate fell slightly.

**Table 5:
New Brunswick
Key Facts**

Transfer Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	350,700	6,100 ↑
Unemployment Rate	9.7%	0.4% ↓
Client Type and Age Distribution		
Active	Former	Non-Insured
66.3%	16.1%	17.6%
(15-24) Youth	(25-54) Core Age	(55+) Older Workers
23.6%	70.5%	5.9%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	5.4% ↓	16.6% ↑
Expenditures	0.1% ↓	2.4% ↓

New Brunswick's primary employment priority, developed as part of the province's long-term Prosperity Plan, was investing in people through skills training and retraining. SD plays a pivotal role in supporting the development of an educated, well-trained, skilled and adaptable work force engaged in a culture of lifelong learning. The plan's strategic framework highlights the need to build a quality learning agenda, improve worker recruitment and retention, and reduce barriers to work.

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During 2004/05, 18,562 individuals accessed programming similar to Employment Benefits and Employment Services, participating in 35,021 new interventions, with expenditures totalling \$87.1 million. The distribution of interventions between Employment Benefits and Employment Services shifted: the share for Services rose by 4.8 percentage points, with a corresponding decrease in Benefits.

Employment Benefits

There were 11,531 Employment Benefits interventions delivered in 2004/05, representing 32.9% of all EBSMs. Interventions decreased by 5.4% from the previous year, when 12,191 Employment Benefits interventions were delivered, representing 37.7% of total EBSM activity. Expenditures for Employment Benefits decreased slightly to \$76.4 million, down from \$76.5 million in the previous reporting period.

While the number of SD-Regular interventions declined in comparison to 2003/04, the province committed over half of its 2004/05 EBSM budget to SD programming. The reduction in the number of Employment Benefits interventions delivered in the province can be attributed to increased employment opportunities, declining unemployment rates during the year, and New Brunswick's focus on longer term interventions.

Both TWS and SD-Apprentices interventions increased in 2004/05, compared to the previous year.

Employment Services

Overall, 23,490 Employment Services interventions were delivered in 2004/05, representing 67.1% of all EBSMs. This is a 16.6% increase compared to the previous year,

when 20,154 Services interventions were delivered, representing 62.3% of total EBSM activity. Expenditures for Employment Services decreased to \$10.7 million, down from just under \$11 million in the previous reporting period.

Employment Services in New Brunswick have steadily increased since 2002/03, a reflection of increased demand.

QUEBEC

The number of persons employed in Quebec rose significantly in 2004/05. Even as the labour force continued to expand throughout the year, employment levels improved and the province's unemployment rate declined by almost 1%.

Table 6: Quebec Key Facts		
Transfer Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	3,701,300	65,700↑
Unemployment Rate	8.3%	0.8%↓
Client Type and Age Distribution		
Active	Former	Non-Insured
68.0%	13.4%	18.6%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
17.5%	74.7%	7.8%
Interventions and Expenditures,¹⁰ % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	5.5%↓	2.7%↑
Expenditures	4.1%↓	9.2%↑

¹⁰ Includes Supplément de retour au travail expenditures. Supplément de retour au travail provides EI active or former claimants with a supplement of up to \$500 to help cover expenses related to returning to work (such as new tools, office materials or clothing).

Most of the province's employment growth over the next five years is expected to occur in the services sector, particularly in the following industries: health care and social assistance; trade; and professional, scientific and technical services.

In 2004/05, 184,453 individuals accessed programming similar to Employment Benefits and Employment Services in Quebec, participating in 214,054 new interventions, with expenditures totalling \$499.4 million.

Employment Benefits

There were 46,797 Employment Benefits interventions delivered in 2004/05, representing 21.8% of all EBSMs. Interventions decreased by 5.5% from the previous year, when 49,527 Employment Benefits interventions were delivered, representing 23.3% of total EBSM activity. Expenditures for Employment Benefits decreased to \$383.2 million, down from \$399.5 million in the previous reporting period.

A rebalancing of fewer Benefits interventions and increased Services interventions reflects the strategic priority Emploi-Québec initiated in 2003. As outlined in the province's action plan for 2004/05, Emploi-Québec serves as the gateway for job seekers with fewer employment barriers, to enable better matching of skills to employer demand and more efficient re-entry to the work force.

In Quebec, JCP data are included with TWS, and SD-Apprentices is not offered, as these types of benefits are provided through other provincial funding mechanisms.

Employment Services

Overall, 167,257 Employment Services interventions were delivered in 2004/05, representing 78.1% of all EBSMs. This is an increase of 2.7% compared to the previous

year, when 162,896 Employment Services interventions were delivered, representing 76.7% of total EBSM activity. Expenditures for Employment Services increased to \$116.1 million, an increase of just over 9% compared to \$106.4 million in the previous reporting period.

Compared to 2003/04, the number of Supplément de retour au travail interventions increased by 12% to 8,939 in 2004/05.

ONTARIO

Ontario's labour market improved in 2004/05, with employment levels increasing steadily throughout the year. The unemployment rate, however, declined only marginally, as employment gains were offset by similar increases in labour force participation.

**Table 7:
Ontario
Key Facts**

No Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04- 2004/05
Employed	6,332,000	100,800 ↑
Unemployment Rate	6.8%	0.1% ↓
Client Type and Age Distribution		
Active	Former	Non-Insured
72.2%	10.1%	17.7%
(15-24) Youth	(25-54) Core Age	(55+) Older Workers
11.4%	79.8%	8.8%
Interventions and Expenditures, % Change, 2003/04-2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	2.0% ↑	6.1% ↑
Expenditures	24.5% ↑	4.8% ↓

In 2004, as the primary delivery agent, HRSDC in Ontario Region completely reviewed all EBSM agreements and the agreement approval process.

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The resources dedicated to this activity displaced resources available for program delivery.

A total of 163,477 individuals accessed Employment Benefits and Employment Services, participating in 284,405 interventions, with expenditures totalling \$494.3 million. There was little change in the relative share between Employment Benefits and Services interventions.

Employment Benefits

There were 37,358 Employment Benefits interventions delivered in 2004/05, representing 13.1% of all EBSMs. Interventions increased by 2.0% from the previous year, when 36,608 Employment Benefits interventions were delivered, representing 13.6% of total EBSM activity. Expenditures for Employment Benefits increased this year to \$305.7 million, up from \$245.4 million last year.

Ontario Region placed greater emphasis in 2004/05 on the use of SD, resulting in increased SD-Regular interventions and slightly fewer TWS and JCP interventions. In fact, SD accounted for 76% of all Employment Benefits delivered. The number of SD-Apprentices interventions increased marginally, with the province introducing a number of measures in April 2004 to expand apprenticeship programs in Ontario. Less emphasis was placed on marketing TWS to employers and on working with communities to develop JCP projects.

The 24.5% increase in Employment Benefits expenditures could be attributed in part to the significant increase in the percentage of participants who were former EI claimants, which contributed to increased average intervention costs. SD-Regular, for example, experienced an increase of 37% in the number of participants who were former EI claimants. For all EBSMs, the percentage increase in

former EI recipients was 31.5% from the previous reporting period.

Employment Services

Overall, 247,047 Employment Services interventions were delivered in 2004/05, representing 86.9% of all EBSMs. This is an increase of 6.1% compared to the previous year, when 232,901 Employment Services interventions were delivered, representing 86.4% of total EBSM activity. Expenditures for Employment Services decreased to \$188.6 million, down from \$198.2 million last year.

The introduction of new data capture systems in 2004 resulted in the improved entry of data on Employment Services activities, so more EAS interventions were recorded.

In addition, the Region changed its use of group information sessions in 2004, as a result of revised program directives. It delivered significantly fewer group sessions in 2004/05. This fact, in addition to the use of online EI applications, reduced contact with active claimants. The Region is developing strategies to increase its contact with active claimants.

MANITOBA

Manitoba experienced continued low unemployment rates in 2004/05, an expanding labour force, significant employment growth and job creation, and increased skills and labour shortages.

Above-average growth until 2012 is expected to occur in several sectors, including health, construction, aerospace, post-secondary education and training, mining, oil and gas exploration, and regional/urban services related to immigration.

Manitoba's key priority for EBSM programming in 2004/05 was to help workers obtain skills aligned with current and emerging local labour market needs and opportunities. A main challenge was to ensure that workers displaced from employment were able to obtain the skills required to re-enter the labour market and to fill skills shortages.

Table 8: Manitoba Key Facts		
Transfer Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	577,700	6,100↑
Unemployment Rate	5.3%	0.3%↑
Client Type and Age Distribution		
Active	Former	Non-Insured
52.6%	11.9%	35.5%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
24.5%	68.9%	6.6%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	17.4%↓	10.1%↓
Expenditures	0.8%↑	2.5%↓

In response to this tight labour market, the Manitoba Training Strategy was developed to address key priorities. It identified the need to encourage all workers, including those traditionally under-represented in the labour market (Aboriginal people, visible minorities and persons with disabilities) to upgrade their skills for long-term labour market attachment.

In 2004/05, 29,230 individuals accessed programming similar to Employment Benefits and Employment Services, with expenditures totalling \$42.1 million. There was little change

in the relative share between Employment Benefits and Services interventions.

Employment Benefits

There were 5,576 Employment Benefits interventions delivered in 2004/05, representing 14.2% of all EBSMs. Interventions decreased by 17.4% from the previous year, when 6,753 Employment Benefits interventions were delivered, representing 15.3% of total EBSM activity. Expenditures for Employment Benefits increased slightly to \$33.7 million, up from \$33.4 million in the previous reporting period.

Through efforts to address key priorities, Manitoba made extensive use of programming similar to SD-Regular and SD-Apprentices, accounting for over 80% of all Employment Benefits interventions. Overall, however, the number of Employment Benefit interventions declined, as many workers chose to take advantage of increasing employment opportunities.

Employment Services

Overall, there were 33,609 Employment Services interventions delivered in 2004/05, representing 85.8% of all EBSMs. This is a decrease of 10.1% compared to the previous year, when 37,390 Employment Services interventions were delivered, representing 84.7% of total EBSM activity. Expenditures for Employment Services decreased to \$8.4 million, down from \$8.6 million in the previous reporting period. This decrease is a reflection of Manitoba's low unemployment rates, continuing employment increases and solid economic growth.

SASKATCHEWAN

Saskatchewan experienced improved labour market conditions in 2004/05. The province's labour force grew considerably, as did employment levels. Job gains were particularly

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strong during the second half of the year, when the unemployment rate dipped below 5%.

The continued high demand for labour in the province created opportunities to promote greater labour market participation of under-represented groups. These groups included Aboriginal, single parent and low-income individuals, as well as persons with disabilities and new immigrants.

Table 9: Saskatchewan Key Facts		
Transfer Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	490,900	15,500↑
Unemployment Rate	5.1%	0.5%↓
Client Type and Age Distribution		
Active	Former	Non-Insured
71.7%	24.2%	4.1%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
20.7%	75.5%	3.8%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	8.5%↓	1.3%↓
Expenditures	3.8%↑	140.5%↑

Key priorities for the province were to invest in programs and services to respond to identified labour market needs, and to provide program models that support participation and success in the labour market.

In Saskatchewan, 12,421 individuals accessed programming similar to Employment Benefits and Employment Services in 2004/05, participating in 18,418 new interventions, with expenditures totalling \$35.9 million.

The distribution of interventions between Employment Benefits and Employment Services shifted: the share for Services rose by two percentage points, with a corresponding decrease in Benefits.

Employment Benefits

There were 6,809 Employment Benefits interventions delivered in 2004/05, representing 37.0% of all EBSMs. Interventions decreased by just under 9% from the previous year, when 7,445¹¹ Employment Benefits interventions were delivered, representing 38.8% of total EBSM activity. Expenditures for Employment Benefits increased to \$30.2 million, up from \$29.1 million in the previous reporting period.

Saskatchewan's focus on investing in programs most responsive to identified labour market needs placed emphasis on programming similar to SD-Regular and SD-Apprentices, accounting for 83% of all Employment Benefits interventions delivered. As labour market conditions improved, clients who accessed Employment Benefits programs required longer term interventions.

Saskatchewan's focus on facilitating greater labour market participation of under-represented groups led to the use of longer term, more costly Employment Benefits interventions.

Employment Services

Overall, 11,609 Employment Services interventions were delivered in 2004/05, representing 63.0% of all EBSMs. This is a slight decrease of just over 1% compared to the previous year, when 11,757 Employment Services interventions were delivered, representing 61.2% of total EBSM activity. Expenditures for Employment Services

¹¹ The 2003/04 data for SD-Regular are based on a manual count.

increased to \$5.7 million, up from \$2.4 million in the previous reporting period.

The significant increase in expenditures is a result of new financial reporting mechanisms, and of the fact that programs previously reported under other support measures are now being reported under Employment Services.

In certain areas of the province where the labour market was vibrant, individuals who accessed Employment Services were primarily those who faced multiple barriers to employment. This resulted in broader use of Employment Services, as these individuals required life skills and basic employability training to become job ready.

ALBERTA

Alberta's labour market continued to flourish in 2004/05, with rapid labour force growth and significant gains in employment levels. Unemployment declined throughout the year, with the rate falling below 4% by the year's end, the lowest in Canada.

Alberta's key priority for LMDA programming in 2004/05 was to address persistent skills shortages, through its Skills Investment Strategy framework.

During the year, 95,793 individuals in Alberta accessed programming similar to Employment Benefits and Employment Services, participating in 165,771 new interventions, with expenditures totalling \$108.5 million. There was little change in the relative share between Benefits and Services interventions.

Employment Benefits

There were 18,833 Employment Benefits interventions delivered in 2004/05, representing 11.4% of all EBSMs. Interventions decreased by 9.7% from the previous year, when 20,845 Employment Benefits interventions were delivered, representing

12.1% of total EBSM activity. Expenditures for Employment Benefits increased to \$74.8 million, up from \$72.6 million in the previous reporting period.

**Table 10:
Alberta
Key Facts**

Transfer Agreement		
Labour Market		
15 years +	2004/05	Change, 2003/04– 2004/05
Employed	1,766,500	37,700↑
Unemployment Rate	4.4%	0.6%↓
Client Type and Age Distribution		
Active	Former	Non-Insured
39.5%	13.9%	46.6%
(15–24) Youth	(25–54) Core Age	(55+) Older Workers
28.6%	66.3%	5.1%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	9.7%↓	3.2%↓
Expenditures	3.0%↑	6.9%↓

Increased emphasis was placed on employment programming similar to SD-Regular and SD-Apprentices, in response to persistent labour and skills shortages. In fact, these two programs accounted for 92% of all Employment Benefits interventions delivered in Alberta during the year. However, given the low rates of unemployment that prevailed throughout 2004/05, client demand for skill training and upgrading programs fell, as did interest in JCP. Many Albertans chose to pursue employment in a robust labour market, rather than to participate in training programs.

New EI delivery strategies have reduced in-person client traffic in offices, and the numbers of persons participating in employment programs and services.

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Expenditures increased slightly, despite the decline in the number of benefits interventions, due to the 13% drop in the number of participants who were active EI claimants, and the 6% rise in the number of participants who were former EI recipients.

Employment Services

Overall, 146,938 Employment Services interventions were delivered in 2004/05, representing 88.6% of all EBSMs. This is a decrease of 3.2% compared to the previous year, when 151,781 Employment Services interventions were delivered, representing 87.9% of total EBSM activity. The decrease is attributed to an extremely active labour market, combined with changes in the delivery of EI Part I programming. Expenditures for Employment Services decreased to \$33.7 million, down from \$36.2 million in the previous reporting period.

BRITISH COLUMBIA

Strong labour market conditions prevailed in British Columbia throughout 2004/05. Employment levels continued to improve, attracting an influx of people to the labour force. Despite the significant labour force increase, the unemployment rate declined, ending the year at 6.5%, among the lowest rates reported in two decades.

Priorities identified in B.C. for 2004/05 included investment in the forestry industry to assist communities, businesses and workers affected by mill closures, restructuring and softwood lumber market pressures (including challenges resulting from the pine beetle infestation); and investment in growth industries and occupations. B.C. also began to work with partners to develop human resources planning initiatives targeted to opportunities in the construction and services sectors, to support

the 2010 Olympic Games, and to deliver innovative services to clients who were under-represented in the labour market.

In British Columbia, 82,024 individuals accessed Employment Benefits and Employment Services in 2004/05, participating in 148,991 interventions, with expenditures totalling \$277.3 million. There was little change in the relative share between Employment Benefits and Services interventions.

**Table 11:
British Columbia
Key Facts**

Co-managed Agreement		
Labour Market		
		Change, 2003/04– 2004/05
15 years +	2004/05	
Employed	2,074,400	49,700↑
Unemployment Rate	6.9%	1.1%↓
Client Type and Age Distribution		
Active	Former	Non-Insured
52.2%	14.5%	33.3%
(15–24)	(25–54)	(55+)
Youth	Core Age	Older Workers
19.5%	72.9%	7.6%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	0.6%↓	5.1%↑
Expenditures	6.0%↑	1.3%↓

Employment Benefits

There were 22,322 Employment Benefits interventions delivered in 2004/05, representing 15.0% of all EBSMs. Interventions decreased slightly from the previous year, when 22,446 Employment Benefits interventions were delivered, representing 15.7% of total EBSM activity. Expenditures for Employment Benefits increased to

\$175.5 million, up from \$165.6 million in the previous reporting period.

B.C. placed an emphasis on JCP and longer term SD interventions to achieve these priorities, resulting in increases in SD-Regular (+5%) and JCP interventions (+9%) delivered. In fact, SD (Regular and Apprentices) represented 68% of all Employment Benefits interventions. Employment Benefits expenditures increased by 6% in 2004/05, compared to the previous year. A 4% increase in former EI claimants contributed to the expenditure increase.

Employment Services

Overall, 126,669 Employment Services interventions were delivered in 2004/05, representing 85.0% of all EBSMs. This is an increase of 5.1% compared to the previous year, when 120,487 Employment Services interventions were delivered, representing 84.3% of total EBSM activity. The actual increase may have been higher, as some data may not have been captured during a transition between different data systems. Expenditures for Employment Services decreased to \$101.8 million, down from \$103.1 million in the previous reporting period. In light of greater internal administrative demands, B.C. makes extensive use of external service providers to deliver Employment Services. Depending on community capacity, client volumes and local priorities, some HRCCs in B.C. use Employment Assistance Services and some use the Community Co-ordinator option for integrated service delivery.

NUNAVUT

Unemployment levels in Nunavut remained high in 2004/05. Steady employment growth is expected to occur in coming years. It is also

predicted that economic growth will average between 2.5% and 4.0% over the next two decades.¹²

Increased economic activity will create a comparable increase in the number of job opportunities over the next 20 years, highlighting the need for work force training and education. Industrial sectors where above-average growth is expected include government (especially health and social services), hospitality and tourism, business services, and utilities.

Nunavut's priorities in 2004/05 were to improve literacy levels and provide essential and occupational skills training, to prepare workers to participate in a changing economy.

**Table 12:
Nunavut
Key Facts**

Transfer Agreement		
Client Type and Age Distribution		
Active	Former	Non-Insured
44.8%	28.2%	27.0%
(15-24) Youth	(25-54) Core Age	(55+) Older Workers
19.8%	77.9%	2.3%
Interventions and Expenditures, % Change, 2003/04-2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	26.5% ↓	N/A
Expenditures	4.3% ↓	N/A ¹³

As the people of Nunavut move from their traditional way of life to life in a more industrialized, wage-based economy, a number of labour market development challenges are emerging.¹⁴ The population is the youngest in Canada: 60% are below the age of 25. Education levels are low: 49% of the labour force has not finished high school, and 26% has less than a Grade 9 education. While

¹² Conference Board of Canada, *Nunavut Economic Outlook*, May 2001.

¹³ Official data sources do not account for expenditures on Services interventions.

¹⁴ 2004/05 Plan for Territorial Programs and Services Under the Canada-Nunavut Labour Market Development Agreement.

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employment opportunities are increasing in a number of sectors, unemployment remains high. Local workers lack the education and training required, and employers frequently recruit from elsewhere.

In 2004/05, 248 individuals accessed programming similar to Employment Benefits and Employment Services, participating in 252 new interventions, with expenditures totalling \$1.9 million.

Employment Benefits

There were 166 Employment Benefits interventions delivered in 2004/05, representing 65.9% of all EBSMs. Interventions decreased by 26.5% from the previous year, when 226 Employment Benefits interventions were delivered, representing 100.0% of total EBSM activity.

In Nunavut, there are four Employment Benefits that are similar to EBSMs, including TWS, SE, SD-Regular and SD-Apprentices. Nunavut does not deliver JCP interventions. The number of all Employment Benefits interventions decreased to varying degrees, with the largest decrease occurring within SD-Regular and TWS. It should be noted that most participants are Inuit and also receive services through the Aboriginal Human Resources Development Strategy (AHRDS). Please refer to the Pan-Canadian section of this chapter for more information on the AHRDS.

Employment Services

Nunavut offered Employment Assistance Services for the first time in 2004/05, running a pilot in Iqaluit that delivered 86 Employment Services interventions. This pilot increased the use of third-party service providers in Nunavut.

It also substantially increased the number of clients served who were not active or former EI claimants.

NORTHWEST TERRITORIES

Labour market conditions improved in 2004/05 in the Northwest Territories, particularly in the resource sector. The unemployment rate declined, as job creation grew in a number of industry sectors.

**Table 13:
Northwest Territories
Key Facts**

Transfer Agreement		
Client Type and Age Distribution		
Active	Former	Non-Insured
83.1%	10.9%	6.0%
(15-24) Youth	(25-54) Core Age	(55+) Older Workers
15.4%	78.0%	6.6%
Interventions and Expenditures, % Change, 2003/04–2004/05		
Year: 2004/05	Employment Benefits	Employment Services
New Interventions	0.7% ↑	N/A ¹⁵
Expenditures	7.8% ↓	0.2% ↓

The key priority for EBSMs in the N.W.T. in 2004/05 was to address skills shortages created by several rapidly expanding industries.

While expanding employment opportunities could be found in most sectors of the N.W.T. labour market, the most immediate growth areas during the year were in non-renewable resources (minerals, oil and gas) and in related secondary industries and support services. Other growth industries included manufacturing, construction, and hospitality and tourism. There were persistent shortages of skilled tradespersons and trained

¹⁵ Official data sources indicate no activity. However, territorial officials provided a manual count of 1,199 Services interventions.

professionals in these industries, particularly within the rapidly expanding diamond industry, where foreign worker recruitment was being used to address local skills gaps.

In addition to critical skills shortages, other challenges for the N.W.T. included generally low education levels, disparities in employment and education opportunities, and disparities in N.W.T.'s transportation and communications infrastructure.

In 2004/05, 350 individuals accessed programming similar to Employment Benefits and Employment Services, participating in a total of 426 interventions, with expenditures totalling \$2.8 million.

Employment Benefits

The N.W.T. primarily used programming similar to SD-Regular and SD-Apprentices to address its labour market challenges. In fact, such interventions represented over three quarters of all Employment Benefits interventions delivered in 2004/05.

In addition to the interventions noted, a significant number of EBSM interventions were delivered under the AHRDS. Please refer to the Pan-Canadian section of this chapter for more information on the AHRDS.

YUKON

The Yukon labour market improved in 2004/05. The unemployment rate declined, and employment opportunities increased across a number of sectors.

Yukon's priority for 2004/05 was to reduce the persistent skills gap between skilled and non-skilled workers, particularly in trades occupations, by applying SD programming.

In Yukon, 552 individuals accessed Employment Benefits and Employment Services in 2004/05, participating in 781 new interventions, with

expenditures totalling \$3.7 million. There was no change in the relative share between Benefits and Services interventions.

Employment Benefits

There were 216 Employment Benefits interventions delivered in 2004/05, representing 27.7% of all EBSMs. Interventions decreased by 16.3% from the previous year, when 258 Employment Benefits interventions were delivered, representing 28.3% of total EBSM activity. Expenditures for Employment Benefits decreased to \$2.5 million, down from \$2.7 million in the previous reporting period.

**Table 14:
Yukon
Key Facts**

Co-managed Agreement		
Client Type and Age Distribution		
Active	Former	Non-Insured
60.3%	12.0%	27.7%
(15-24)	(25-54)	(55+)
Youth	Core Age	Older Workers
15.0%	75.7%	9.3%
Interventions and Expenditures, % Change, 2003/04-2004/05		
Year:	Employment Benefits	Employment Services
2004/05		
New Interventions	16.3% ↓	13.6% ↓
Expenditures	8.2% ↓	8.3% ↑

Yukon's regional priorities were centered on using the SD-Regular and SD-Apprentices programs to provide workers with greater skills levels, particularly in trades occupations. SE programming was another priority in Yukon, as self-employment represents approximately 25% of non-government business. Work experience programs, such as TWS and JCP, were used to help clients whose main barrier to employment was lack of experience.

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As the Yukon labour market improved, fewer Employment Benefits interventions were delivered. Investments were lower than expected in TWS and JCP, as the unemployment rate fell and available employment opportunities increased throughout the year.

Potential SD-Regular participants took advantage of accelerated job creation during the year, resulting from preparation for the 2007 Canada Winter Games, residential and school construction projects, and heritage renovation activities in Dawson City.

The positive labour market fuelled increased activity in the tourism and retail sectors, resulting in increased SE interventions. SD-Apprentices interventions increased as well, as workers were encouraged to upgrade their skills in trades occupations.

Employment Services

Overall, 565 Employment Services interventions were delivered in 2004/05, representing 72.3% of all EBSMs. This is a decrease of 13.6% compared to the previous year, when 654 Employment Services interventions were delivered, representing 71.7% of total EBSM activity. The decline in the number of Employment Services interventions has been attributed to improved employment opportunities across several sectors of the Yukon economy.

- 2.9 million initial and renewal Employment Insurance (EI) claims processed
- 83.7% of first benefits payments made within 28 days of the date the claim was filed
- 2 million claimants elected to file their applications via Application for EI Benefits on the Internet, 51% of whom used a Citizen Access Workstation at a Human Resources and Skills Development Canada office and 49% of whom filed from external locations
- 562,000 Records of Employment (ROEs) were produced using ROE Web (a Web-based reporting system for filing ROEs) and 9,526 employers registered as ROE Web users
- 98.2% of claimants used electronic reporting services—the Automated Telephone Reporting Service and Internet Reporting Service (a Web-based biweekly reporting tool)—to complete their reports
- 18.1 million reports were completed using the two electronic reporting services
- 80.3% of claimants chose to receive their payments by direct deposit
- Insurance Telemessage, an automated information service, answered 15.4 million client enquiries
- EI call centre employees handled more than 6.7 million enquiries and transactions
- 95.5% of all claims were paid accurately
- 87.5% of all appeals to the Board of Referees were scheduled to be heard within 30 days of receipt of the appeal letter
- 7,620 dedicated employees in 320 points of service and 11 call centres across Canada delivered the EI program

I. CONTEXT

In 2004/05, Human Resources and Skills Development Canada (HRSDC) continued to make programs and services more client-centered, seamless, timely, integrated and accessible through multiple channels, to better meet Canadians' needs and expectations. This process included expanding electronic services and making them easier to

access and simpler to use, developing new service standards, and improving the quality of claims processing. This chapter provides an update on these service quality improvements.

In addition, Chapter 7 of the Auditor General of Canada's November 2003 report to Parliament¹ focused on measuring and reporting on program performance from the dual perspectives of service to Canadians and effectiveness. While the Auditor General acknowledged the considerable effort invested in measuring and reporting the performance of the EI program, she also made a number of recommendations. Actions to address the recommendations for program administration are outlined in this chapter in section II (subsection 2, under "Information and enquiries" and "Performance measures"), section III (subsection 1), and section IV (subsections 1, 2 and 3).

II. IMPROVEMENTS IN SERVICE DELIVERY

1. Service Transformation

HRSDC has undertaken a number of service transformation projects to improve the quality, speed and accessibility of EI program service. In keeping with its citizen-centric view of client service, the Department has taken advantage of the opportunities presented by advances in telephony while developing and promoting the use of Internet services to deliver an end-to-end electronic client service experience.

Citizens can access services through the channel of their choice (by Internet, telephone or mail, or in person) with no "wrong door," knowing that privacy and security of personal information is a departmental priority. A knowledgeable in-person staff supports the electronic systems, serving citizens with

¹ Auditor General of Canada. *2003 Report of the Auditor General of Canada* (Ottawa: Auditor General of Canada, tabled February 10, 2004). See Chapter 7, Measuring and Reporting the Performance of the Employment Insurance Income Benefits Program.

special needs or those who simply require additional assistance.

HRSDC achieves service excellence by integrating the automation, standardization, simplification and streamlining of processes. By continually striving to improve service and address the evolving needs of clients, the Department will achieve stronger policy and program outcomes.

2. EI Services to Individuals

The service delivery objective is to improve Canadians' access to all EI programs by expanding electronic services and enhancing services delivered via all channels, including in person and by telephone. In conjunction with the streamlining of processing, this approach will help provide more efficient service and faster payments to Canadians while generating efficiencies and reducing processing costs.

In the program area, a two-year pilot project to support Canadians in regions of high unemployment (10% or more) was implemented on June 6, 2004. The project, which is aimed at enhancing the EI program to assist seasonal workers, provides five additional weeks of EI benefits. It applies to regular benefits only and does not include fishing, maternity, parental, sickness or compassionate care benefits.

In 2005, three additional pilot projects in regions of high unemployment were announced and implemented. The new pilot projects will test the labour market impact of the following:

- calculating EI benefits based on the "best 14 weeks" of earnings over the 52 weeks preceding a claim, to make EI benefit levels more reflective of full-time work earnings for those with sporadic work patterns;
- enabling individuals new to the labour market or returning after an extended

absence to access EI benefits after 840 hours of work (rather than 910) when those benefits are linked to EI employment programs; and

- increasing the working-while-on-claim threshold to allow individuals to earn the greater of \$75 or 40% of benefits, to allow individuals to maintain a greater attachment to the work force without a reduction in their benefits.

Information and enquiries

Canadians who wish to receive general information on the EI program can use EI's Web site. The navigation and content of the site have been modified to better address the needs of EI clients and respond to suggestions for improvements. The number of visitors has increased from 6.7 million in 2003/04 to 8.2 million in 2004/05.

Individuals who wish to receive information on their claim will have access to a new online service developed in 2004/05 for national implementation starting in May 2005. My EI Information Online (MEIO) will enable clients to receive information on their current and previous EI claims and change their mailing address, telephone number and direct deposit banking information. From this electronic service, clients will be able to access other related services. Providing online access to individual client account information will respond to client demands for Internet services that are accessible at all times and simple to use.

Client information is also available via an automated 24-hour telephone information system. In addition, service delivery representatives provide services via telephone and in-person channels during regular business hours. The number of calls that service delivery representatives in call centres answered

increased from 6.0 million in 2003/04 to 6.7 million in 2004/05.

In her November 2003 Report, the Auditor General observed that the performance of the EI call centres needed to be improved. In particular, she noted that there was no way to measure the percentage of callers who got an initial busy signal and had to call back or who tried to speak to a service delivery representative and got a busy signal because the queue of waiting calls was full.

Effective April 2004, the Government established one national management structure for all call centres supporting EI, the Canada Pension Plan (CPP), Old Age Security (OAS) and the Canada Student Loans Program (CSLP). The National Call Centres Operational Team began fine-tuning call centre queue sizes, line capacity and telephony infrastructure to reduce call blockage. A new national working group meets weekly with all call centres to discuss performance issues and review scheduling and log-on practices. As a result, the number of EI calls blocked has decreased by 61% from more than 12 million in 2003/04 to 4.7 million in 2004/05.

All EI (and CPP/OAS) call centres across Canada are on a common telephony platform. As of November 2004, all EI (and CPP/OAS) call centres now provide the same hours of service: Monday to Friday, 8:30 a.m. to 4:30 p.m. local time. For EI, the ability to do the following was established:

- transfer calls between call centres to the first available agent in both Ontario and Quebec;
- redirect calls across the network, should a call centre be unavailable;
- measure true call demand and understand the reasons clients call; and
- predict call demand more accurately and redirect calls accordingly.

Standard metrics for answering the phones, and a scorecard for regular performance measurement and reporting across all call centres, were introduced. New, standardized practices in human resources planning, work force scheduling, and coaching and supporting employees were developed.

A national training initiative was implemented throughout the call centres, providing in-depth training and coaching in standardized productivity measures such as call coding, call handling and service level management principles, including workload forecasting and data management techniques. This training provided national standards and harmonized procedures to manage call centres nationally, on an enterprise-wide basis.

The Department launched a promotional strategy for EI's Internet and telephone services in December 2004. The objective of the strategy was to use an integrated approach to tell clients how to apply for and receive EI benefits, and how to get information on the status of their claim using these services. New tools for service delivery representatives help them promote the Internet and telephone services and support clients as they move to these services.

An array of informative publications and in-person services is available at 320 points of service. Public liaison officers (PLOs) are available to provide the right EI program information to large groups of people. When required, HRSDC representatives give group information sessions at a convenient location. Employers, unions and interest groups havemade good use of these services, resulting in fewer delays and improved quality of service.

Application for benefits

Individuals can apply for EI benefits via the Internet 24 hours a day, seven days a week, or they can visit one of 320 points of service during regular business hours. Claimants routinely use the Application for EI Benefits on the Internet service, which is an integral part of the EI program. Since the service was launched in 2002, use of Application for EI Benefits on the Internet has steadily increased from 17% in the first year to 85% of new claims for benefits in 2004/05.

In 2004/05, HRSDC enhanced Application for EI Benefits on the Internet by introducing specialized EI benefits applications customized for apprenticeship, Work Sharing and renewal claims. These new applications are streamlined and tailored to these particular employment circumstances, thus simplifying the process, ensuring the Department collects relevant information and gets benefits to claimants faster.

The Department further enhanced Application for EI Benefits on the Internet with the Interactive Fact Finding System (IFFS). IFFS is a "virtual interview" process used to obtain information from claimants on various issues related to their claims, such as the reasons they left their job. Making IFFS available to claimants online eliminates the need to complete annexes, allows for more comprehensive explanations and reduces the need for further contact with claimants, thus streamlining claims processing.

The current system is being refitted to accommodate more questionnaires.

The Department has also implemented an automated EI claims process. Automated Claims Processing (ACP) is a major component of HRSDC's multi-year plan to improve the quality, speed and accessibility of service to Canadians. The first component of ACP, automated

renewal claims, was launched nationally in April 2004. This function uses the ACP technology to determine whether an applicant has a renewable claim and allows the claimant to reactivate the claim. Upon choosing to renew, the claimant is presented with the short-form application for renewals, allowing automatic application processing.

As a result, renewal claims are now moving from the call centre to the self-serve Internet channel, and an increasing portion of these renewals are automatically finalized within minutes of the claimant applying for benefits. This speed has encouraged more claimants to use the Internet for renewal applications. By March 2005, 18.1% of renewals were automated.

In 2004/05, two million claimants filed their applications via our Internet service. This represents 69.1% of all claims received. Of the two million claims that people filed electronically, 51% used the Citizen Access Workstation Service (CAWS) located in HRSDC points of service, and 49% filed from external locations. In October 2004, HRSDC won a Gold Award at the Government Technology Exhibition and Conference (GTEC) for CAWS, in the Enabling E-Government in Canada category.

Bi-weekly reporting and payment

To receive EI payments, most claimants must complete and submit biweekly reports confirming their availability for work, hours worked and monies received. Recipients of maternity, parental and compassionate care benefits are not required to report biweekly. However, if any circumstances occur that may affect their entitlement to benefits, they must inform the Department.

Clients can submit their reports via the Internet, telephone services, or by mail. HRSDC encourages the use of its electronic reporting services: the Automated Telephone Reporting Service (ATRS) and Internet Reporting Service (IRS). ATRS is a toll-free, automated telephone reporting service that the Department has enhanced. IRS, a Web-based reporting service, was launched in Manitoba in September 2003 and rolled out across Canada by February 2004. In October 2004, HRSDC won a Silver Award from GTEC for IRS, for having demonstrated innovation and leadership in improving services to citizens. While very few clients now submit paper reports, they can still choose their preferred method for reporting.

In 2004/05, 4.9 million clients used IRS, and feedback received from clients who completed an online survey was very positive: 99% indicated they would use this service again. After one year of implementation, 18% of all electronic reports were filed using IRS and 82% were filed using ATRS. Internet filing is expected to increase even more in the coming years.

When combined with direct deposit, these electronic services provide faster and more reliable payment for clients, compared to traditional paper processes. They also reduce printing and mailing expenses, allowing for a more efficient and effective reporting process. The percentage of payments made using direct deposit increased from 78.9% in 2003/04 to 80.3% in 2004/05.

Claims processing

Program operations are continually adjusted in response to fluctuations in workload that occur due to the seasonality of employment and clients' circumstances. For example, in 2004/05, EI workload management strategies included shifting the processing of EI claims not only among regions but also among processing

offices within regions, to ensure that claims were processed quickly and effectively with all available processing capacity.

In addition, HRSDC improved client service by automating processes through the ACP initiative, eliminating the printing of paper applications and introducing Full-Text Screens (FTS) to improve processing efficiencies for agents.

During 2004/05, the Department achieved paperless processing by eliminating the need to print applications received electronically. Furthermore, new electronic tools help employees to develop a complete electronic file more quickly and to standardize the content of claim files. The move toward electronic files has also made it easier to shift EI claims between regions. In addition, call centre agents may now record and attach client service requests to the electronic claim file so that the Processing Office can act on them immediately. This function helps HRSDC process claims and address client enquiries faster.

In December 2004, the Department implemented FTS nationally. This intelligent, user-friendly interface provides EI claim information to more than 1,600 service delivery agents daily. It incorporates mainframe data previously presented on 60 screens onto one integrated screen, complete with interactive functions. FTS transforms cryptic codes into descriptive text and allows agents to trigger actions directly from the desktop. It features advanced help functions and seamless links to the Application for EI Benefits on the Internet. By rendering the information less complex, FTS has reduced the training time required for new agents from three weeks to three days, and has also reduced processing time and transaction errors.

Performance measures

A key priority for the EI program and the Department is to provide citizens and parliamentarians with timely, meaningful performance information that is inclusive and client focused. To ensure that performance and achievements are aligned with organizational goals and objectives, departmental reporting was improved through a number of changes to the program indicators.

- The **Speed of Decision** program indicator was developed to measure the speed with which decisions are made. This indicator measures performance on 100% of initial, renewal and revised claims. The objective is to have 85% of all claims finalized within 21 days of the date on which the client filed an initial or renewal claim or within 21 days of the date of registration for a revised claim. This indicator measures performance from an internal perspective and was implemented in April 2004.
- The objective for **Speed of Payment** is to issue a payment or a non-payment notification to the client within 28 days of the date of filing, on 80% of initial and renewal claims. This indicator was revised to be more inclusive and to reflect the client's perspective.
- Another program indicator was implemented in April 2004 to comply with the EI Regulations, which require the Office of the Umpire to receive all Umpire appeal dockets within 60 days of receipt of the client's appeal. An action plan implemented in 2004/05 improved performance nationally.

These indicators respond to the Auditor General's recommendations in her November 2003 report that key performance indicators be more inclusive. They also comply

with the EI Regulations and better measure speed of client service.

3. EI Services to Employers

To ensure EI benefits are paid quickly and accurately, HRSDC works with employers, payroll service providers and payroll software vendors to permit electronic filing of Records of Employment (ROEs) and payroll information. ROE Web allows employers to securely file ROEs over the Internet, using public key infrastructure (PKI) technology that provides authentication, encryption and digital signature of the transactions. At GTEC on October 18, 2004, ROE Web garnered a Gold Award in the Innovative Service Delivery to Citizens and Businesses category.

The ROE Web service has demonstrated immediate benefits, as it is easy to use and reduces administrative burden for employers. As an example, ROE Web eliminates the three-part ROE paper form (a source of employer dissatisfaction) and associated storage and retrieval costs. ROE Web also reduces the data entry workload and improves the quality of ROE information through built-in edits that identify errors before the employer sends the ROE to HRSDC.

Participating employers have indicated that with ROE Web, they spend 50% less time handling and preparing ROEs. This figure includes time employers previously spent dealing with follow-up calls from EI staff, concerning as many as 40% of paper ROEs. Reducing such enquiries may provide significant savings to both businesses and government. The improvement in timeliness and quality of ROE submissions will also benefit claimants and ensure the integrity of EI benefit payments.

By the end of March 2005, some 9,526 businesses had signed up on ROE Web

and had produced about 562,000 ROEs electronically. Feedback from these businesses has been positive and indicates that tangible benefits outweighed any costs of support on their local networks. In 2005/06, HRSDC will continue to promote ROE Web to employers, focusing on employers issuing large volumes of ROEs, such as school boards and payroll service providers.

4. Premium Reduction Program

The Premium Reduction Program was introduced through legislation in 1971 when benefits were initiated for unemployment resulting from illness, injury, disability and pregnancy. Many employers had similar sickness and disability benefits coverage for employees under group plans and because those plans would yield savings to the program, it was decided to provide a means to return these savings to employers and their employees.

EI premium reductions are granted because private wage-loss replacement plans, also known as disability income insurance, substitute for EI sickness benefits. Accordingly, when replacement plans qualify, employers' and employees' EI premiums are reduced. The reductions match the EI savings in sickness benefits, determined through actuarial estimates approved each year by the EI Commission.

Employees and employers share the EI premium reductions (in cash or in kind) on a 5:12 ratio, based on the EI premium rate. Over 40% of the insured population, or about 6 million workers, are covered under the EI Premium Reduction Program.

5. Appeals of Employment Insurance Decisions

The EI appeal process provides claimants and employers with a means to challenge—before

an independent, external authority—an administrative decision that they believe was made in error or with which they are dissatisfied. There are two levels of appeal under the *Employment Insurance Act*: a Board of Referees and the Umpire. Further recourse is available at the Federal Court of Appeal and, finally, at the Supreme Court of Canada.

A Board of Referees is an independent, impartial tribunal. Each three-member panel consists of a chairperson appointed by the Governor-in-Council, a member appointed by the Commissioner for Employers and a member appointed by the Commissioner for Workers. Approximately 1,000 part-time board members hear appeals in 83 board centres across Canada.

In 2004/05, Boards of Referees heard 25,178 appeals, a 15% decrease from 2003/04 volumes. In 2004/05, 87.5% of the appeals received were scheduled to be heard within 30 days of receipt of the appeal notice, a 3% improvement over the previous year's result. Boards' decisions are normally issued within seven days of the hearing. In approximately 26% of all cases boards heard, the Department's decision was reversed.

Claimants, employers and the EI Commission can appeal Boards of Referees' decisions to the Umpire, an independent, administrative tribunal. Some 20 to 40 Federal Court judges and retired provincial Superior Court judges sit alone as umpires and hear cases across Canada.

In 2004/05, the Department received 2,844 appeals to the Umpire, a 6% decrease from the previous year. The majority (80%) were lodged by clients. In 2004/05, the Department sent 96.8% of the client Umpire appeal files to the Office of the Umpire within 60 days of receiving the appeal notice, an 11.8% improvement over the previous year's result. Approximately 16% of the Umpire's

decisions were favourable to the client, compared to 20% the previous year.

Claimants, employers and the EI Commission can seek judicial review of an Umpire's decision at the Federal Court of Appeal. In 2004/05, the Federal Court of Appeal rendered 72 decisions on cases related to EI benefits, a 56% decrease from the previous year's volumes. Three (4.2%) of those decisions were favourable to the client.

In October 2004, an external firm focus tested the EI Appeals Web site with claimants, employers and claimant advocates across Canada. All groups endorsed the Web site as a useful tool for obtaining information on the EI appeal process. The qualitative assessment report provides the foundation for further improvements and enhancements to the Web site.

A steering committee, which included the commissioners for workers and for employers and representatives of the Board of Referees, provided direction on the renewal of the training and development curriculum for board members. In 2004/05, an independent survey of all board members was conducted to identify their needs in order to better serve appellants. The survey results became a key component in the development of the framework for the curriculum update.

III. QUALITY

1. *Quality and Accuracy*

The Comprehensive Tracking System (CTS) measures the accuracy of EI benefit payments. The accuracy rate has improved significantly, from 94.5% in March 2003 to 95.5% in March 2004, exceeding the 95% objective. This improvement was largely due to the stabilization of reform changes, measures to improve program delivery, and a commitment

to examine the way HRSDC defines and reports errors for improvement.

There was considerable improvement in the area of claimant errors. This change was due to efforts to better educate citizens on the need to report earnings accurately. In addition, the Department worked to improve the reporting methodology. The Department also tried to reduce employer errors by raising employers' awareness of the need to provide accurate information on ROEs and undertook to educate its employees in the adjudication of EI claims.

In response to the Auditor General's 2003 Report, HRSDC continued to work to improve the quality of decisions on EI claims and to increase the accuracy of benefit payments. After implementation of a quality operational indicator (with an objective of 80%) to measure the percentage of initial claims "in order," regions helped develop and implement a more citizen-centered approach to quality management. Quality results reached 75.5% in March 2005.

In 2005/06, quality results are expected to continue to improve thanks to implementation of a national quality management action plan. The Department will also continue to carry out the three-year Quality Assurance Plan (2003/06), which assesses employees' performance in adjudicating EI claims for benefits and in complying with and consistently applying national policies across the country. The Quality Assurance Plan will also help HRSDC learn more about the nature of the challenges it faces. Also, close communication between the regions and their national counterparts to discuss immediate remedial action and share best practices should help improve results.

In addition, the National Quality Assurance Program, developed as part of the Call Centre Harmonization initiative, is ready for implementation throughout the 16 call centres supporting the EI program, Income Security Program (ISP) and Canada Student Loans Program (CLSP).

2. **Client Satisfaction**

In 2000, the Government of Canada made a commitment to measurably improve client satisfaction with its services. The objective of the Service Improvement Initiative (SII), approved by Treasury Board of Canada, Secretariat, is to achieve a 10% increase in Canadians' satisfaction with the delivery of key direct services by 2005.

HRSDC measured client satisfaction with the EI program through a client satisfaction survey in 2001. The results were extremely positive: 77% of EI clients surveyed were satisfied or very satisfied with the overall quality of service they received. Even with these positive results, HRSDC continued to look ahead for means to improve client satisfaction.

Numerous initiatives implemented in 2003/04 are ongoing. In addition, HRSDC launched or developed the following initiatives in 2004/05.

- **Internet Reporting Service (IRS):** This service, which was launched in February 2004, received 4.9 million visitors in 2004/05. Of the 43,000 clients who responded to the online survey, 99% indicated they would use this service again, saying that the service was easy to use, fast, convenient and secure.
- **My Employment Insurance Information On-Line (MEIIO):** A new online service developed in 2004/05, MEIIO will enable clients to receive information on their current and previous EI claims, and to change their mailing address, phone

number and direct deposit banking information. The service will also provide easy access to other related services. HRSDC began implementing MEIIO nationally in May 2005.

- **New and revised key operational and program indicators:** These are aimed at improving the effectiveness and timeliness of decisions, appeals and payments.

As part of the Government On-Line (GOL) initiative, HRSDC put in place a suite of electronic services and Web-based service channels. The Department continues to enhance these electronic services and to develop new tools and Web-based services. These new tools improve service to Canadians by providing greater and more immediate access to EI programs; streamlining the claim process; reducing the paper burden; improving service quality; and facilitating prompt resolution of client enquiries, while allowing clients to interact with the Department at their convenience.

3. **Learning Organization**

To support its aim to create a learning organization, HRSDC implemented a national training policy in 2003/04. This policy established a framework that helps to support the Insurance program within the context of the corporate service delivery policy. A national training strategy and calendar developed in 2003/04 further supported the Insurance program. The Department continues to use these tools fully.

Front-line, processing and call centre employees must be able to maintain and continually improve service to Canadians. To achieve this objective, HRSDC ensures that its employees are up-to-date on the EI program. The Department developed or updated 32 training products in 2004/05.

Many products were updated to reflect the various transformation initiatives (such as Paperless Processing, Automated Claims Processing, Application for EI Benefits on the Internet and ROE Web). The Department also produced new transformation training products, such as the Electronic Services promotional video and My EI Information Online Reference Guide. These products cover the core curriculum training employees need to respond to client enquiries and process claims for EI benefits.

During the first quarter of 2004/05, an e-learning pilot in French was delivered, focusing on three adjudication topics. In addition, the new Insurance Program Advisor (IPA) training and General Training Modules (GTM) pilots on special benefits and Full-Text Screens were delivered.

4. Insurability

The Minister of National Revenue is authorized to administer Part IV (Insurable Earnings and Collection of Premiums) and Part VII (Benefit Repayment) of the *Employment Insurance Act*. However, because HRSDC has overall responsibility for the EI Act, the Department funds the Canada Revenue Agency (CRA) to carry out those administrative activities, which include the following:

- issuing rulings to HRSDC and the public in instances where the insurability of employment, earnings or hours is in question;
- making decisions on appeals of rulings and assessments;
- raising assessments against employers for outstanding premiums;
- collecting outstanding amounts from employers;
- processing information returns;

- processing remittances from employers;
- responding to enquiries related to the collection of premiums; and
- maintaining systems to support the above activities.

Of all the above activities, the issuance of rulings by CRA has the most impact on EI benefit claims. When a client has filed a claim for benefits and there are doubts as to the insurability of the employment, earnings or hours, HRSDC can request a ruling from CRA to ensure that the claimant receives the amount of EI benefits to which he or she is entitled. When payment of a claim is pending the issuance of a ruling, CRA has 15 calendar days in which to issue the ruling. In addition, members of the public and CRA employees can directly request rulings. These requests are made to confirm whether EI premiums should have been withheld, in order to raise an assessment for outstanding EI premiums or to refund EI premiums paid in error.

In 2004/05, HRSDC requested 18,971 rulings from CRA. This number marked a decline of about 18% from 2003/04. In 2004/05, members of the public submitted 17,133 requests for rulings and CRA submitted another 13,125 requests.

IV. INVESTIGATION AND CONTROL (I&C)

1. Savings and Savings Calculation

HRSDC balances detection and prevention activities. While detection activities such as the Computer Post Audit, Report on Hirings and Automated Earnings Reporting System are important, the Department has increased education and prevention activities such as group information sessions, resulting in less misuse and lower total savings.

The Investigation and Control (I&C) program focuses on prevention and effective risk management. As such, it informs claimants, employers and the general public about EI requirements and the consequences of abusing the EI system, such as penalties or prosecutions, through activities such as holding information sessions, meeting with employers, and providing information via brochures or the HRSDC Web site.

The Auditor General reported concerns with I&C's method of calculating savings, indicating that savings were over-estimated in some instances. In response, Actuarial Services confirmed that the actuarial tables used were valid for calculating indirect savings.

2. Quality Initiatives

The Auditor General noted that the quality of I&C activities was inconsistent in different regions, making it difficult to compare quality among the regions.

In 2004/05, I&C established a National Quality Unit to revitalize the national quality management function by evaluating and enhancing investigative functions and by working with regional offices to identify program risks and implement mitigating strategies. Operational monitoring visits to help regions meet their goals and improve operational performance continued this year. In 2004/05, the unit visited Nova Scotia, Saskatchewan, Ontario, Newfoundland and Labrador, and British Columbia. These visits will continue to take place annually. In addition, the Miramichi Investigation Centre will be monitored in September 2005.

I&C also developed national templates for performance and learning agreements, allowing for a consistent approach to performance management. The *I&C Manual Chapter 55 (Standard Practices)* was updated.

It is now being revised again to reflect updated procedures.

3. Risk Management

In her 2003 report, the Auditor General also indicated that HRSDC should base its objectives for I&C-related savings on two factors: an assessment of compliance risks, and the expected results of detecting and deterring non-compliance with the *Employment Insurance Act* and Regulations.

To address that concern, in 2004/05 I&C continued to take a risk-based approach to investigations to improve the overall integrity of the I&C program. The Risk Assessment and Mitigation Section was established to study both internal and external risks to the EI program. I&C also started developing an action plan on risk management. As part of this action plan, the risk management team developed a training workshop for staff. The Integrity Information Session program and the revitalized Selective Interview program were also developed in 2004/05 as additional mitigating strategies.

Training was piloted in the New Brunswick region in September 2004. Participants included regional staff, as well as HRCC representatives identified as "risk representatives." The objectives of the pilot were to train the participants to assess and manage internal and external risks; to develop mitigating strategies to address identified risks; and to promote an understanding of risk so that pilot participants could provide this training to all local employees.

At the end of the pilot, the team evaluated the pilot and made necessary changes. The Department plans to begin implementing this training in all regions in 2005/06. In addition to the pilot, the team established links with the Risk Management and Operations

Directorate in Income Security Programs (ISP), and is reviewing major investigations and sensitive cases to identify trends and emerging risks.

V. CONCLUSION

In summary, 2004/05 has been a significant year for improvement in the quality of service to Canadians from a citizen-centered perspective. HRSDC continued to modernize the way it delivers benefits and services, with the goal of providing seamless, integrated and multi-channel service delivery using a citizen-centered approach. This effort, combined with other initiatives, such as establishing new program indicators and revising existing ones, has helped HRSDC improve service to its clients—claimants, employers, third-party interest groups and the general public.

Chapter 5 – Impacts and Effectiveness of the Employment Insurance Program

Under section 3 of the *Employment Insurance Act*, the Employment Insurance (EI) Commission is required to assess how the economy, communities and individuals are adjusting to the changes made under EI reform. In addition, the Commission is required to monitor and assess the effectiveness of the benefits and other assistance provided by the program, including how the program is used, the effect of EI on claimants' attempts to seek employment and the efforts of employers to maintain a stable work force.

This chapter analyzes the impact and effectiveness of EI on the economy, regions and communities, and individual workers, relying heavily on findings from a summative evaluation of the EI program. The analysis also examines the EI program's effect on work force attachment, use of Employment Benefits and Support Measures (EBSMs) and the program's role in the workplace.

The main findings and methodologies of the evaluation studies referred to in this chapter are outlined in greater detail in Annex 5.

I. EI AND THE ECONOMY

This chapter examines four aspects of the impact and effectiveness of EI on the economy: the impact of EI on job-worker matching and productivity; the redistributive aspects of the program; the impact of EI on labour mobility; and the stabilizing effect of the program on the economy (particularly on employment levels). Overall, findings indicate the EI program can improve productivity; it has a net redistributive effect from areas of lower unemployment to areas of higher unemployment, and from high earners to those who earn less; it does not appear to be an

important factor in labour mobility decisions; and it has a moderate stabilizing effect on the economy.

1. EI, Job-Worker Matching and Productivity

Productivity growth is a key factor contributing to sustainable economic growth and improving the living standards of Canadians (Harchaoui and Tarkhani, 2005).¹ It is estimated that productivity growth accounted for more than half of the increase in Canada's output over the past four decades. Additionally, real gross domestic product (GDP) per person in 2004 was over 2.9 times higher than it was in 1961, with productivity growth accounting for 80% of that increase. Productivity growth also matters for labour income, since growth in the real hourly compensation of workers has, generally, closely followed labour productivity gains.

An internal literature review conducted by the former HRDC (Grey, forthcoming)² reported that the existence of an employment insurance program has significant effects on an economy's productivity through improved job matching. One of the studies reviewed predicted that even with a higher unemployment rate, an economy with an employment insurance system could be more productive than an economy with no insurance system. The income support provided by an EI system allows unemployed individuals more time to find a suitable job match rather than accept potentially less suitable work due to immediate financial necessity.

Although the overall effect of EI on unemployment duration is difficult to interpret, a study by Statistics Canada showed that long-term jobless individuals (without work for six months or more) receiving EI benefits had a 21% better chance of finding

¹ Tarek Harchaoui and Faouzi Tarkhani, "Four Decades of Productivity Performance in Canada," *The Canadian Productivity Review*, Statistics Canada, catalogue no. 15-206-XIE, no. 001, 2005.

² Alex Grey, *Literature Review of the Economic and Labour Market Impacts of EI/UI*, Applied Research Branch, HRDC, forthcoming.

work than those not receiving benefits. At the same time, for short-term jobless individuals, receipt of EI was associated with a somewhat longer period of unemployment. A possible explanation for this relationship may be that among those who have been out of work longer than six months, receipt of EI benefits may indicate relatively recent paid work and labour force attachment, thus increasing their potential employability compared to those not on EI benefits. Alternatively, many short-term jobless individuals expect to be quickly re-employed, and thus may not apply for EI benefits (Statistics Canada, 2005).³

2. Income Distribution

The EI program also plays a redistributive role in the Canadian economy. As reported in the previous *Monitoring and Assessment Report*, the program resulted in a modest redistribution of earnings from high earners to lower-earning individuals. In 2002, individuals in the bottom half of the distribution collected \$4.9 billion more in benefits than they and their employers paid in contributions. The lowest-earning decile (people in the lowest 10% of the income distribution) received over 22% of all EI benefits paid, amounting to \$2.3 billion more in benefits than they and their employers paid in premiums (Finnie and Irvine, forthcoming a).⁴ The reform of EI does not appear to have made incomes in Canada more equal over the 1996 to 2002 period. This fact is partly due to the reduction and freezing of the maximum insurable earnings, which limits the contributions of high earners,

relative to income. The study also noted some redistribution between provinces, and a net redistribution from urban areas to rural areas.

Another analysis based on income tax data for 2003⁵ indicates the EI program plays a role in redistributing income to regions experiencing below-average economic performance. This analysis is based on the ratio of regular benefits to contributions to the program through EI premiums (the B/C ratio), adjusted so the overall Canadian ratio is equal to one.⁶ In a given region, an adjusted B/C ratio higher than one indicates that the region received relatively more regular benefits than it collected in premiums from employers and employees, compared to the national average. An adjusted B/C ratio below one implies the reverse and indicates relatively positive economic conditions.

Based on these ratios, it can be shown that the program provides relatively more support to provinces and territories with higher unemployment rates. Yukon, Quebec and provinces in Atlantic Canada had an adjusted B/C ratio higher than one in 2003 (Chart 1 and Annex 2.17). Jurisdictions with an adjusted B/C ratio lower than one tended to have lower unemployment rates.

³ Vincent Dubé and Claude Dionne, "Looking, and Looking, for Work," *Perspectives on Labour and Income*, Statistics Canada, vol. 6, no. 5, catalogue no. 75-001-XIE, 2005.

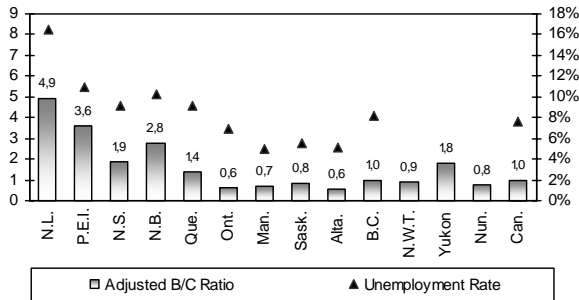
⁴ Ross Finnie and Ian Irvine, *The Income Redistribution Impact of Canada's Employment Insurance Program*, forthcoming a.

⁵ Based on T4 data. As premium payments are administered through the tax system, the most recent data available are for the 2003 taxation year.

⁶ In the absence of this adjustment, the ratio for Canada would be lower than one, mostly because the numerator does not include all EI expenses. Province and territory are determined by the location of the employer for premiums, and of the claimant for benefits.

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**Chart 1:
Adjusted Benefits to Contributions
Ratio (Regular Benefits), 2003
(Canada=1.0)**



Source: Canada Revenue Agency, 2003 T4s with employment income; EI administrative data; Labour Force Survey, which does not cover the territories.

Data from Statistics Canada’s Longitudinal Employment Analysis Program show that, irrespective of industry, large establishments and their employees (500 employees and more) tend to contribute more to the EI program than they receive in benefits, whereas smaller firms tend to be net beneficiaries. It can also be noted that, for all firm sizes, the goods-producing sector benefits relatively more from the program than does the services-producing sector.

3. Labour Mobility

Labour mobility facilitates a smooth and efficient labour market and a strong economy. Information from the EI administrative database has allowed the study of mobility from the perspective of the 14 representative communities that the EI program tracks.

An updated study of mobility into and out of the 14 communities confirms there was a high degree of mobility, with as many as 30% of EI claimants changing communities from one claim to the next (HRSDC, forthcoming b).⁷

However, this fact does not necessarily imply that EI facilitates higher mobility, since unemployed people, in general, tend to be more mobile than individuals with an attachment to a job. Those communities with higher rates of in-migration tended to also have higher rates of out-migration. The mobility of frequent claimants has followed a trend similar to that of other types of claimants. Finally, in general, the Atlantic region had a far higher percentage of movement into and out of communities.

4. Economic Stabilization

The EI program provides an automatic countercyclical stimulus by increasing government expenditures during economic downturns and by limiting expenditures as economic conditions improve. As stated in the 2004 report, a study measured the macroeconomic stabilization properties of the EI program on employment and GDP and evaluated how those properties have changed since EI reform, using three hypothetical economic shocks⁸ for the period 2005 to 2009.

Findings from the study indicated that the EI program has a modest stabilization effect and that it spares (on a five-year average basis) approximately 3.8% to 6.5% of the shock on employment. For example, were an economic shock to create a loss of 100,000 jobs per year on average, the EI program would help to save between 3,800 and 6,500 jobs. The stabilizing effect of EI on GDP is generally slightly lower, with a five-year average stabilization effect varying between 2.7% and 6.2%.

It should be noted that these models assumed a constant premium rate throughout the examined period. In the context of break-even

⁷ HRSDC, *EI Reform and Community Mobility*, Audit and Evaluation Directorate, forthcoming b.

⁸ The hypothetical scenarios that were modelled included a permanent 10% increase in the exchange rate; a replication of the 1990s recession (i.e., key variables are forced to follow growth paths observed between 1990 and 1994); and an “induced recession” scenario, under which government expenditures fall, interest rates rise and the GST increases from 7% to 9%.

rate-setting, an economic slowdown could necessitate a premium increase and alter the stabilization properties of the EI program.

II. EI AND COMMUNITIES

The following section examines EI's responsiveness to 14 representative communities in 2004/05, a year of stronger economic growth than 2003/04. The analysis begins with an examination of the responsiveness of EI to changes in local labour markets, followed by a summary of the impact of EI in the 14 communities. Overall, the community analysis demonstrates that the program adjusts to changes in each region's labour market conditions.

1. Responsiveness to the Local Labour Market

EI is specifically designed to automatically respond to changes in local labour market conditions by modifying the Variable Entrance Requirement (VER) according to changes in the local unemployment rate in each of the 58 EI economic regions.⁹ When a region's unemployment rate is high, the entrance requirement is relaxed and the benefit period is extended to allow more time for a successful job match. Conversely, when a region's unemployment rate is low, the entrance requirement is raised and the benefit period is shortened, thus recognizing the greater opportunities for employment available in regions with more favourable labour market conditions. In addition, the duration of entitlement to benefits varies according to the number of insurable hours of work.

In 2004/05, 17 economic regions experienced an increase in their unemployment rate. In nine of them, the entrance requirement was decreased and the entitlement duration was prolonged.

In the other eight regions where the unemployment rate rose, two were already at their minimum entrance requirement; one remained at its maximum entrance requirement because the unemployment rate was still below 6.1%, while entrance requirements decrease only as unemployment rates rise to 6.1% or above. The other five regions experienced an increase of 0.5 percentage points or less in their average annual unemployment rate, a variation too small to trigger a movement in average entrance requirements and average entitlement durations in one direction or the other.

The regional unemployment rate fell in 38 economic regions during the reference period. The entrance requirement increased and the entitlement duration decreased in 15 of them. In the other 23 regions, five had an unemployment rate that remained below 6.1%, so the maximum entrance requirement already in place in the previous reporting period was still in place in 2004/05. In five other regions, despite having declined, the unemployment rate remained above 13.1%, so the minimum entrance requirements of the previous reporting period also remained unchanged. In the remaining 13 regions, 12 experienced an increase in their entitlement duration due to an increase in the average number of insurable hours of work by claimants, while in the 13th region, the entitlement duration fell by less than half a week.

Effective June 6, 2004, a two-year pilot project was introduced to help individuals employed in part-time, non-standard and seasonal work reduce their annual income gap. From June 6, 2004, to June 4, 2006, EI regular claimants living in 24 affected EI economic

⁹ EI regional unemployment rates come from the Labour Force Survey (LFS), with an adjustment made to include Indian reserves, which are not part of the survey, as per section 54(x) of the *Employment Insurance Act*. The Northwest Territories, Nunavut and Yukon are excluded from the LFS.

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regions will have access to five additional weeks of entitlement (up to the maximum of 45). As expected, in 23 of the 24 regions included in the pilot project, average entitlement duration increased by 2.3 weeks on average. The exception was southern interior British Columbia, which saw the largest decrease of all regions in the unemployment rate at 2.1 percentage points, where entitlement duration decreased by 0.2 weeks. Clearly, the effects of the pilot project in this region were offset by the substantial decline in the regional unemployment rate.

The Labour Force Survey does not cover the territories, so these three EI economic regions are assigned a constant unemployment rate of 25% for the purposes of the EI program.

In 2004/05, 41 of the 58 regions experienced a decrease in the level of regular and fishing benefits paid. This drop is consistent with the overall decline in total regular and fishing benefits paid in Canada during the reference period. The other 17 regions experienced an increase in regular and fishing benefits paid, even though nine of them experienced a decline in the unemployment rate.

2. Fourteen Communities

When the government launched EI reform in 1996, it started monitoring 14 representative communities to determine the level and nature of local adjustments to the new legislation¹⁰ (refer to Annex 4 for individual community profiles). Five communities were selected to represent their economic regions in terms of average demographic, economic and labour force characteristics. The remaining nine were selected to provide an understanding of adjustment occurring in communities with special

characteristics, such as high unemployment, a high proportion of seasonal workers, an urban or rural population base, a high female participation rate and the use of both official languages. Analysis of the 14 communities again shows the EI program adjusts properly to local labour markets despite divergent economic realities across the country.

As expected, an analysis of income tax data shows that communities in economic regions with high unemployment rates tend to have a greater proportion of workers who collect EI benefits (Table 1). In 2003, this was the case particularly in Clarendville, Miramichi and Prince Edward Island. Conversely, communities in regions with a lower unemployment rate, such as Toronto Centre, Calgary Centre, Hamilton Mountain and St. Boniface, had a proportion of workers collecting EI benefits that was well below the national average of 15.5%. The same was true for Yellowknife, where the unemployment rate is fixed at 25% for EI purposes.

There was little difference in the average weekly benefits of communities with high unemployment rates and communities with low unemployment rates, where earnings tend to be relatively high. This fact could be due to the maximum insurable earnings provision, which acts as a ceiling on average weekly benefits, mainly in communities where the average labour income level is high. As labour incomes in general increase, more claimants reach the maximum weekly benefit of \$413. Hence, differences in terms of average weekly benefits across high- and low-unemployment communities may not be as large as might be expected, given larger differences in unemployment rates.

¹⁰ For more information on the community perspective exercise, see the *1999 Monitoring and Assessment Report*, Chapter 4. Please note that the 14 communities are Clarendville, Newfoundland and Labrador; Prince Edward Island; Truro, Nova Scotia; Miramichi, New Brunswick; Repentigny, Quebec; Montréal Centre East, Quebec; Toronto Centre, Ontario; Hamilton Mountain, Ontario; St. Boniface, Manitoba; Prince Albert, Saskatchewan; Calgary Centre, Alberta; Kelowna, British Columbia; Surrey, British Columbia; and Yellowknife, Northwest Territories.

**Table 1:
EI and the 14 Communities**

Community	Average Unemp. Rate (%)	Average Entrance Requirement— Claims with Regular and Fishing Benefits (Hours)	Average Entitlement— Claims with Regular and Fishing Benefits (Weeks)	Proportion of Workers¹ with EI Benefits in 2003 (%)	Average Weekly Benefits— Claims with Regular and Fishing Benefits (\$)²	Total Regular and Fishing Benefits Paid (\$)²
ATLANTIC COMMUNITIES						
Clareville	19.9	420	38.7	67.9	317	55,523,268
Prince Edward Island	11.4	496	34.9	36.6	304	140,385,571
Truro	10.0	551	36.7	22.5	291	23,311,226
Miramichi	15.8	420	41.0	39.3	318	35,191,663
QUEBEC COMMUNITIES						
Repentigny	8.7	588	34.0	20.2	306	93,254,660
Montréal Centre East	8.5	598	31.4	16.7	310	47,139,558
ONTARIO COMMUNITIES						
Toronto Centre	7.5	630	32.8	6.5	354	21,617,501
Hamilton Mountain	6.2	671	28.9	10.5	326	31,662,024
PRAIRIE AND NORTHERN COMMUNITIES						
St. Boniface	5.4	700	26.6	11.2	312	14,197,461
Prince Albert	14.2	420	41.0	18.8	310	21,853,122
Calgary Centre	5.0	700	28.3	9.2	342	21,091,519
Yellowknife ³	25.0	420	43.8	11.8	373	4,417,275
BRITISH COLUMBIA COMMUNITIES						
Surrey	6.9	650	28.1	15.6	304	84,037,868
Kelowna	8.1	615	34.5	15.6	308	34,280,016
1. The term "workers" excludes people with only self-employment income during the year. 2. Includes Family Supplement top-ups paid. 3. In Yellowknife, the actual unemployment rate is not calculated by Statistics Canada, as the territories are not included in the Labour Force Survey.						

It is also important to examine the degree to which EI responded to fluctuations in local labour market conditions between 2003/04 and 2004/05. Over that period, seven of the eight communities in EI regions where the unemployment rate declined also experienced a decrease in regular and fishing benefits paid. These communities are Miramichi, Repentigny, Montréal Centre East, Toronto Centre, Calgary Centre, Surrey and Kelowna (Table 2). The exception is Clareville,

where regular and fishing benefits paid increased by 7.2%, due to increases in average insurable hours and entitlement duration of claimants, as well as a higher number of regular and fishing claims (up from 6,570 to 7,240). Miramichi, Clareville and Kelowna are located in regions included in the pilot project that is testing the impacts of increasing EI entitlement by five weeks. This initiative and other pilot projects are described more fully later in the chapter.

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Four communities are located in EI regions where the unemployment rate increased (by 0.3 percentage points or less): Prince Edward Island, Hamilton Mountain, St. Boniface and Prince Albert. All of them experienced a decline in regular and fishing benefits paid, due to fewer insurable hours of work by claimants as well as a decline in the number of regular and fishing claims. Prince Edward Island and Prince Albert are in regions affected by the pilot project to increase entitlement by five weeks.

In Truro (also in a pilot project region), the unemployment rate remained stable in 2004/05. Regular and fishing benefits increased by 2.8%, even though the number of regular and fishing claims declined. Average entitlement increased over the period (from 33.2 to 36.7 weeks), as did insurable hours of work by claimants. In Yellowknife, where the unemployment rate is fixed at 25% for EI purposes, benefits paid decreased by 19.4%. Yellowknife is also in a region that is included in the pilot project affecting EI entitlement.

**Table 2:
Response of the Program to Changes in the Unemployment Rate
in the 14 Communities**

Community	Variation of Unemployment Rates Between 2003/04 and 2004/05 (percentage points)	Variation in Average Entitlement Between 2003/04 and 2004/05— Claims with Regular and Fishing Benefits (Weeks)	Variation in Regular and Fishing Benefits Paid ¹ Between 2003/04 and 2004/05 (%)	Variation in Regular and Fishing Benefits Paid ¹ Between 2003/04 and 2004/05 (\$)
ATLANTIC COMMUNITIES				
Clarenville	-0.7	2.1	7.2	3,721,885
Prince Edward Island	0.3	3.7	-3.9	-5,689,604
Truro	0.0	3.5	2.8	634,798
Miramichi	-1.4	2.2	-5.3	-1,963,236
QUEBEC COMMUNITIES				
Repentigny	-1.0	0.5	-7.3	-7,314,789
Montréal Centre East	-1.0	-2.0	-11.4	-6,055,121
ONTARIO COMMUNITIES				
Toronto Centre	-0.2	0.0	-5.5	-1,257,372
Hamilton Mountain	0.1	0.0	-20.9	-8,382,133
PRAIRIE AND NORTHERN COMMUNITIES				
St. Boniface	0.2	-0.3	-15.1	-2,532,131
Prince Albert	0.2	1.9	-15.7	-4,073,126
Calgary Centre	-0.4	-0.4	-29.8	-8,969,825
Yellowknife	0.0	1.1	-19.4	-1,061,132
BRITISH COLUMBIA COMMUNITIES				
Surrey	-0.4	-1.2	-14.2	-13,940,675
Kelowna	-2.1	0.3	-25.4	-11,649,183

1. Includes Family Supplement top-ups paid.

III. EI AND INDIVIDUALS

In 2004/05, the EI program provided 1,862,400 individuals with temporary income support and nearly 636,000 with Employment Benefits and Support Measures (EBSMs).¹¹ This section assesses the impact and effectiveness of EI from the individual's perspective by examining both the accessibility and adequacy of the EI program.

A. ACCESS TO AND ELIGIBILITY FOR BENEFITS

EI coverage measures were reviewed in 2004. The main finding of the review was that access to EI is a complex issue, for which no single measure of coverage should be used in isolation. Rather, a complete set of measures was recommended to give Canadians a complete picture of the accessibility of the program. The review also recommended a deeper exploration of eligibility, such as at lower levels of geography, and among various sub-groups of employed and unemployed people, especially those at higher risk of unemployment. The *2004 Monitoring and Assessment Report* reflected these recommendations and the current report builds on them further by analyzing eligibility among various sub-groups of unemployed people (immigrants, youth, older workers), EI receipt among unemployed people, potential eligibility among employed people and regional eligibility based on job separations.

Eligibility for regular EI benefits is based on having contributed to the program; being available for work after the termination of employment, which must not have been for cause or due to a voluntary quit;¹² and meeting regional entrance requirements with a sufficient number of hours of insurable work in the last year. The minimum number of hours required depends on the regional unemployment rate. The hours required are higher for workers who have entered the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants).

An international study conducted as part of the summative evaluation of EI found that Canada is the only country in the Organisation for Economic Co-operation and Development (OECD) with regional VERs. The Canadian EI system also has some of the easiest entrance requirements among OECD countries for access to benefits, though Canada's EI system provides benefits for shorter durations than the systems in many other countries (Van Audenrode et al., forthcoming c).¹³

1. Unemployed Population

The Employment Insurance Coverage Survey (EICS) provides an array of information on eligibility for the EI program. It can be used to calculate a number of measures.¹⁴ A summary of the various EICS eligibility measures is presented in Chart 2, Table 3 and Annex 5.

¹¹ Note that adding these numbers to determine the total number of individuals benefiting from the program would result in double counting, as most EBSM participants also collect Part I income benefits.

¹² Section 29 of the *Employment Insurance Act* identifies 13 specific circumstances that constitute just cause for voluntarily leaving employment. Just cause for voluntarily leaving employment is not limited to the situations currently defined in the Act. Jurisprudence has shown there to be 40 main reasons deemed just cause for voluntarily leaving employment. It is important to note that, within the terms of the Act, just cause for voluntarily leaving employment exists where, given all circumstances, the claimant had no reasonable alternative to leaving employment.

¹³ Marc Van Audenrode, et al., *Employment Insurance in Canada and International Comparisons*, Analysis Group, forthcoming c.

¹⁴ Statistics Canada, *Employment Insurance Coverage Survey*, 2005.

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**Chart 2:
EI Accessibility Measures from
the EICS, 2004**

U	All unemployed 1,187,600
UC	Unemployed who had been paid employees in previous 12 months (EI contributors) 814,900
S	Unemployed with recent job separations that meet EI program criteria 635,300
E	Unemployed individuals eligible to receive EI benefits 511,000
R	Unemployed who received regular benefits in reference week – 365,300
B	Total regular beneficiaries in reference week (unemployed, not in labour force or employed) – 517,700

A number of useful ratios can be calculated using the data in Chart 2. For instance, UC divided by U shows that 68.6% of the unemployed population in 2004 had contributed to the EI program, while the remaining 31.4% had not.

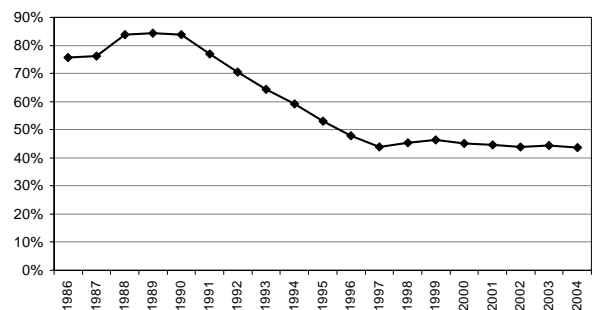
Among unemployed individuals, 53.5% (S divided by U) had both contributed to the EI program and had a job separation that met EI program criteria. Among unemployed EI contributors in 2004, 78.0% (S divided by UC) had a recent job separation that qualified under the EI program (were laid off or quit with just cause). The remaining 22.0% were individuals who had left their last job to go to school or for other reasons.

Among unemployed individuals who had a recent job separation that qualified under the EI program, 80.4% were eligible to receive EI benefits in 2004 (E divided by S). The remaining 19.6% had a qualifying job separation but had worked too few insurable hours to qualify for benefits. This eligibility rate is down from 84.0% in 2003, and is similar to the rates seen in 2000 and 2001.

For a number of years, access to EI has been broadly measured using the B/U ratio.¹⁵ Despite its well-documented limitations, the B/U ratio has the advantage of simplicity and historical availability and provides a broad indicator of program coverage. However, the B/U ratio provides an incomplete measure because some individuals who are unemployed cannot be beneficiaries and some beneficiaries are not counted among the unemployed.

In 2004, the B/U ratio was 43.6%, down slightly from 44.4% in 2003 (see Table 3). As seen in Chart 3, the B/U ratio has tended to be around 45% since 1997.

**Chart 3:
Beneficiary to Unemployed
(B/U) Ratio**



The EI review proposed using the B/UC ratio as an alternative to the B/U ratio. UC is the number of unemployed people who had been paid employees in the last 12 months, and who were therefore recent contributors to the EI program. For 2004, dividing B (517,704) by UC (814,887) yields a B/UC ratio of 63.5%, up slightly from 2003.

EI eligibility for various sub-groups is presented in Table 3, based on the number of unemployed individuals in each sub-group with a recent job separation that qualified under EI and who had sufficient hours of work to be eligible for benefits (E divided by S).

¹⁵ Both the number of beneficiaries and the number of unemployed people are calculated using a four-month average (March, June, October and December). Historical B/U ratios are re-calculated each year and may vary from past calculations when historical revisions are made to the LFS. EI administrative data on the number of regular beneficiaries can also be obtained from Statistics Canada, CANSIM Table 276-0001.

Table 3: Eligibility Measures from the EICS		
	2003¹ (%)	2004 (%)
B/U ratio	44.4	43.6
B/UC ratio	62.5	63.5
Eligibility rate for unemployed people with a recent job separation that qualifies under EI	84.0	80.4
...for unemployed youth	60.8	48.5
...for unemployed adult women	84.7	82.3
...for unemployed adult men	91.6	89.6
...for people who had worked full time	91.9	87.6
...for people who had worked part time	51.4	42.8
...for people who had worked full and part time	78.2	80.5
...for immigrants	80.1	75.0
...for recent immigrants	70.5	†
<small>1. Revised since the 2003 release. †: This estimate has a high level of variability and is not considered reliable.</small>		

Overall, the eligibility rate for all unemployed individuals with a recent job separation that qualified under the EI program was 80.4% in 2004. As shown in Table 3, the eligibility rate in 2004 for youths (aged 15–24) with a recent job separation that qualified under EI was lower than for the rest of the population, at 48.5%. Youth are more likely to be employed in part-time or temporary jobs that provide fewer hours of insurable employment.

The 2004 eligibility rate for unemployed adult women and men (aged 25 and over) decreased to 82.3% (-2.4 percentage points) and 89.6% (-2.0 percentage points), respectively. Eligibility is typically lower for women, since women are more likely to work part time.

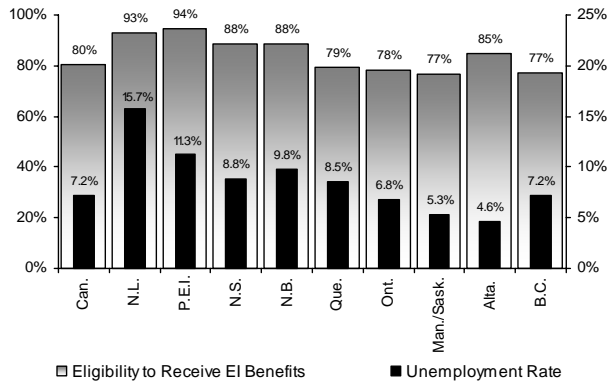
Eligibility for unemployed people who had worked full time all year dropped to 87.6% from 91.9% in 2003. Eligibility for unemployed people who worked the entire year part time registered a greater decline in 2004, to 42.8%. Eligibility rates for part-timers tend to fluctuate annually; they were as high as 51.4% in 2003

and as low as 34.0% in 2000. Due to these annual fluctuations, data for any one year should be interpreted with some caution.

Regionally, eligibility to receive EI benefits among unemployed individuals who had a recent job separation that qualified under the EI program ranged from a high of 90.5% in the Atlantic provinces to a low of 76.9% in British Columbia (Chart 4). The EI program adjusts eligibility requirements and entitlement to reflect regional unemployment rates. In the Atlantic provinces, where unemployment rates remained relatively high in 2004, entrance requirements were lower and accessibility of benefits was higher than in the rest of Canada. Conversely, the strong labour market in British Columbia (the unemployment rate fell steadily from 7.7% in February 2004 to 6.3% in December 2004) raised entrance requirements, causing eligibility to be lower. For the rest of Canada, unemployment rates remained relatively steady throughout 2004.

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**Chart 4:
Eligibility to Receive EI Benefits
Among Unemployed with
Qualified Separations, and Annual
Average Unemployment Rate,
by Province (EICS), 2004**



It is also possible to measure EI receipt among unemployed people with qualified separations. Receipt of benefits can differ from eligibility, since not all those who are eligible file a claim for benefits. In 2004, among unemployed people with a recent job separation that qualified under EI, 60.5% were in receipt of regular or special benefits during the reference week. The receipt rate has gradually increased from 54.5% in 2000.

Demographic and work pattern breakdowns can also be presented based on EI receipt. Of note, rates of EI receipt (regular or special) for both women and men with a recent job separation that qualified under EI were roughly similar in 2004, at 60.1% for women and 60.8% for men, both of which were above their 2000 levels of 54.9% for women and 54.2% for men. Since 2000, using the same measure, unemployed people with work patterns of permanent full-time, permanent part-time and seasonal work have all registered increases in

EI receipt rates. However, unemployed individuals in other non-standard work have seen a modest decrease in EI receipt rates.

1.1 Immigrants

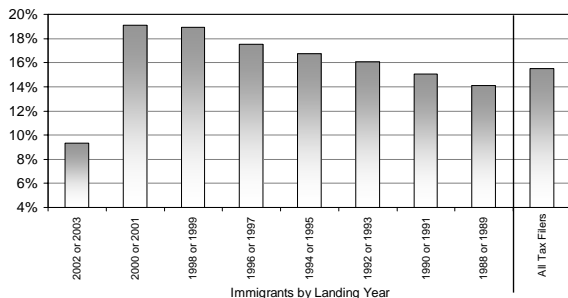
The EICS shows that, in 2004, among unemployed people with a recent job separation that qualified under EI rules, immigrants were less likely than Canadian-born workers to be eligible for EI benefits (75.0% versus 82.5%). However, due to the relatively small sample size, EICS data for immigrants have a high level of variability from year to year.

In addition, a Statistics Canada study (Picot and Sweetman, 2005)¹⁶ suggests that, as new immigrants are by definition new labour market entrants, their experiences are similar to youth entering the labour market, with fewer hours worked (lowering EI eligibility) and lower earnings.

To better understand EI receipt by immigrants, an analysis based on Statistics Canada's Longitudinal Immigration Database (IMDB) was also conducted. This database shows, among other things, the proportion of immigrant tax filers with EI income among immigrant tax filers with employment earnings. Overall, the analysis for the tax year 2003 indicates that few recent immigrants use the program. Access among immigrants tends to increase within two to three years of landing (Chart 5), and then decline as the number of years since landing increases. Overall, immigrants tend to use the program in a proportion slightly above that of all tax filers in Canada (16.1% versus 15.5%).

¹⁶ Garnett Picot and Arthur Sweetman, "The Deteriorating Economic Welfare of Immigrants and Possible Causes: Update 2005," *Analytical Studies Branch Research Paper Series*, Statistics Canada, catalogue no. 11F0019MIE, no. 262, 2005.

**Chart 5:
Percentage of Immigrants with
EI Income Among Immigrants with
Employment Earnings, 2003
(IMDB and CRA Data)**



2. Employed Population

Access to EI benefits among paid employees was also examined via a private sector study commissioned by HRSDC, based on a hypothetical layoff scenario and data from the Survey of Labour and Income Dynamics (SLID) (Kapsalis and Tourigny, forthcoming d).¹⁷

This study showed that 88.1% of paid employees could have qualified for benefits had they been laid off in December 2003. Of course, this overall average measure does not reflect the lower likelihood of eligibility among some sub-groups of employees who also face a higher risk of unemployment, such as youth. This indicator has remained relatively constant in recent years, as the vast majority of paid employees have stable, long-lasting jobs. The remaining 11.9% of paid employees did not have enough hours of insured employment to meet the eligibility requirements for establishing an EI claim. Between December 2002 and December 2003, potential eligibility for adult women increased by 0.4 percentage point to 84.8%, while access for adult men decreased by 1.1 percentage point to 91.1%.

Comparing the results for unemployed people (EICS) to employed people (SLID) confirms that

EI eligibility tends to be lower among those who actually become unemployed. The slightly lower eligibility for unemployed people suggests that the unemployed population has a greater proportion of individuals with a more tenuous attachment to the work force, making them less likely to be eligible for benefits due to insufficient insurable hours of work.

The EI program has specific provisions for contributors who are unlikely to qualify for benefits. Individuals with insured earnings of less than \$2,000 are entitled to a refund of their EI premiums when they file an income tax return. According to Canada Revenue Agency (CRA) data, in 2002, the Government refunded over \$15 million in EI premiums to 656,870 individuals, representing 5.1% of those in paid employment.

2.1 Job separation and Record of Employment

It is also informative to analyze access to benefits based on flows of individuals who experience a job separation. A Record of Employment (ROE) is issued as a result of all job separations for which there were insurable earnings. There are typically 6.5 to 7 million of these issued every year. Since ROEs report on insured hours, they allow a comparison of hours worked with the number of hours needed to qualify for EI benefits in an individual's economic region. The advantage of having a complete picture of job separations is a reliable set of estimates at detailed levels of geography. An HRSDC study (HRSDC, forthcoming e)¹⁸ showed a strong positive relationship between the unemployment rate in a region and the proportion of job separations that would qualify for EI. The higher the unemployment rate, the more ROEs would qualify for EI, suggesting EI's VERs are working as intended.

¹⁷ Constantine Kapsalis and Pierre Tourigny, *Potential EI Eligibility of Employed Canadians in December 2003, Using the Survey of Labour and Income Dynamics (SLID)*, Data Probe Economic Consulting Inc., forthcoming d.

¹⁸ HRSDC, *ROE-Based Measures of Eligibility*, Audit and Evaluation Directorate, forthcoming e.

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In 2004 for instance, 85.2% of individuals in regions of 13.1% unemployment and above had sufficient hours, when combining ROEs from the previous 52 weeks, to be eligible for benefits (note that this figure relates to all job separations, whether or not the individuals applied for EI benefits). This proportion was 71.4% in regions with an unemployment rate of 6.0% or less. The lower number of hours required to qualify in high-unemployment regions undoubtedly plays a role in this variation, though there may be other factors involved, such as seasonality and labour market composition. Individuals living in low-unemployment regions have a higher likelihood of becoming re-employed more quickly, effectively eliminating the need to make a claim for EI benefits.

2.2 Youth

Accessibility for youth was also examined. Young workers tend to have less work experience and are typically among the first to be adversely affected in times of economic slowdown. Youth employment may also be slower to recover than that of other groups. Furthermore, youth are more likely to work part time than are workers aged 25 and over (44.7% of youths worked part time in 2004/05, compared to 13.7% of workers aged 25 and over). Workers who enter the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants) require 910 insured hours to qualify for EI, rather than the VER for the region where they live. Previous reports noted that this element of the program appears to achieve its objective, as shown by the increase in the hours of work accumulated by the affected population.

Simulations based on data from the SLID showed that in December 2003, 42.5% of youths who were new entrants or re-entrants (NEREs) would have had sufficient insurable hours to collect EI benefits (more than 910 insurable hours). Among youths who were not NEREs, 84.0% had sufficient insurable hours to meet the VER in their region to qualify for EI benefits. Overall, the simulated rate of potential eligibility for paid, employed youths was 65.6%. According to the SLID, in December 2003 youth represented 35.0% of paid employees who were NEREs, while they accounted for 16.4% of all paid employees. Furthermore, full-time students represented 25.1% of paid employees who were NEREs, while they accounted for 10.7% of all paid employees. The analysis also indicates that NEREs were nearly three times more likely than non-NEREs to be working part-time jobs.

2.3 Older workers

The unique challenge facing older workers who become unemployed is that, while the majority have a significant labour force attachment and should not face many difficulties in meeting entrance requirements, older workers are more likely to be unemployed for a longer duration than younger or prime-aged workers. The following analysis confirms this hypothesis.

A study of unemployed older workers using Canadian Out-of-Employment Panel (COEP) data found there was no difference between the percentage of older workers aged 55 and over, and workers aged 25 to 54, qualifying for EI benefits between October 2000 and September 2002 (HRSDC, forthcoming f).¹⁹ The EICS also found that among workers aged 45 and over²⁰ with a recent job separation that qualified under the EI program, 87.9% were eligible to

¹⁹ HRSDC, *A Note on the Characteristics of Unemployed Older Workers Using COEP*, Audit and Evaluation Directorate, forthcoming f.

²⁰ The EICS does not provide a breakdown for the 55 and over age group.

receive EI benefits in 2004, the highest eligibility rate among age groups. The SLID also revealed that 88.8% of workers aged 55 to 69, compared to 93.0% of workers aged 25 to 54, could have qualified for benefits had they been laid off in December 2003. Given the small differences between these figures, it can be said that older workers qualified for EI in roughly the same proportion as prime-age workers. Older workers however, tended to remain unemployed longer (33.6 weeks compared to 23.3 weeks for workers aged 25 to 54) and were also more likely to exhaust EI regular benefits. In 2003/04, claimants aged 45 and over had an exhaustion rate of regular benefits of 32.1%, while claimants aged 55 and over had the highest exhaustion rate, at 37.4%.

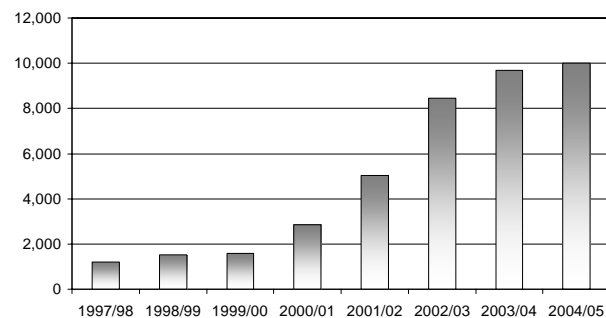
3. Access to Fishing Benefits

Although fishing benefits represent a relatively small part of the EI program (2.3% of total income benefits paid in 2004/05), they play an important role in providing income support in fishing communities as, on average, EI benefits account for about 25% of a self-employed fisher's total income (HRSDC, forthcoming g).²¹ As mentioned in previous reports, access to fishing benefits is based on insured earnings rather than on insured hours. In 2004/05, a total of 27,609 self-employed fishers received EI fishing benefits, relatively unchanged from the previous reporting period.

Under the EI program, self-employed fishing is separated into two distinct qualifying periods: summer fishing from March 1 to November 1, and winter fishing from September 1 to March 31. A growing number of fishers are active in both seasons and qualify for benefits after each (Chart 6). In 2004/05, a total of 10,018 fishers established two claims, a 3.3% increase over the previous reporting period.

This is the lowest increase observed in multiple claimants since the 1996 move to insurable earnings. It would appear that the trend has reached maturity and that almost all fishers who have the opportunity to claim twice in a single year are doing so. Overall, the average duration of a fishing claim was 21 weeks. However, on average, fishers with two claims received 18 weeks of benefits on their first claim and 19 on their second claim, compared to an average duration of 23 weeks among fishers who establish a single claim during the year.

**Chart 6:
Fishers with Two Claims**



A report prepared for HRSDC in late 2004 (Acton White Associates, forthcoming h)²² noted that there were 27,000 individuals working full time as self-employed fishers and an additional 2,000 part-time fishers in 2003. It is also mentioned that almost 90% of self-employed fishers received EI fishing benefits in 2000, by far the largest proportion among seasonal industries. Among fishing industries in OECD countries, Canada's is the most labour intensive. It also has the highest ratio of direct monetary payments to fishers as a proportion of total domestic landed values (mostly in the form of EI fishing benefits). The report concluded that the generosity of EI fishing benefits is likely attracting more individuals to the industry than would otherwise be the case.

²¹ HRSDC, *Employment Insurance and the Canadian Fishing Industry*, Audit and Evaluation Directorate, forthcoming g.

²² Acton White Associates Inc., *The Analysis of EI Fishing Benefits for Self-Employed Fishers and the Relation to Labour Market Aspects of the Fishing Industry*, forthcoming h.

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The previous *Monitoring and Assessment Report* noted that revisions to the benefit repayment provisions had increased EI fishing benefits. The proportion of fishers subject to the benefit repayment is much higher than the proportion among regular claimants. In 2003, in fact, 3,519 fishers repaid \$10.1 million in fishing benefits. Thus, around 13% of the fishers who claimed benefits had earnings above the benefit repayment threshold of \$48,750. Only about 5% of regular EI claimants repay benefits.

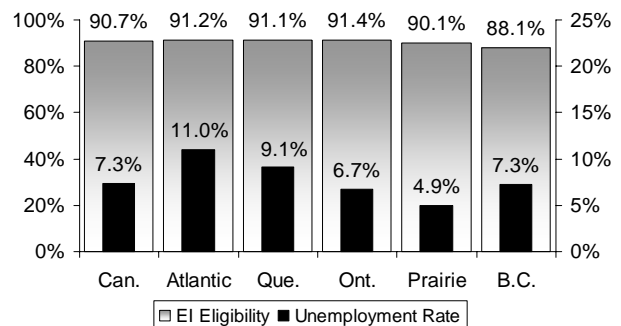
4. Access to Special Benefits

In addition to assisting Canadians who are unemployed and seeking to re-enter the work force, EI plays an important role in supporting working Canadians who are too sick to work, who need to stay at home with newborn or newly adopted children, or who take a temporary leave from work to provide care or support to a gravely ill family member. This section examines access to maternity and parental benefits.

Access to EI special benefits among paid employees was examined using SLID data. As of December 2003, 90.7% of employees would have had sufficient insurable hours to collect EI special benefits, had they needed to at that time. Claimants require 600 insured hours of work to be eligible for special benefits. The proportion of individuals with enough insurable hours (also referred to as “potential eligibility” in this section) was consistently high across the country, ranging from 88.1% to 91.4% (Chart 7), indicating the eligibility threshold for special benefits ensures equitable access for those who contribute to EI. Potential eligibility for individuals who worked exclusively full time was 97.2% for both men and women, compared to 60.3% for individuals who worked exclusively part time. In the case

of part-time workers, 62.3% of women would have been eligible to collect EI special benefits, compared to 55.2% of men. The lowering of the entrance requirements from 700 to 600 insured hours, which took effect on December 31, 2000, has improved access to all special benefits. In 2004/05, 21,210 new special benefits claims were established by claimants with between 600 and 699 insurable hours.

**Chart 7:
Potential EI Eligibility for Special Benefits Among Paid Employees, and Unemployment Rate, by Region, December 2003**



4.1 Maternity benefits

In 2004/05, 199,360 EI claims for maternity benefits were established, a decrease of 1.1% compared to 2003/04. EICS data indicate that, among women with children aged 12 months and under in 2004, 65.9% received maternity or parental benefits. Among mothers who did not receive maternity or parental benefits, the majority had not worked in two years or more, or were self-employed. Among women with children aged 12 months and under in 2004 who had insurable employment in the year before childbirth, 88.7% received maternity or parental benefits, up from 85.9% in 2003.

4.2 Parental benefits

As mentioned in previous reports, parental benefits were enhanced on December 31, 2000, to improve flexibility and promote increased

take-up among men. Evidence indicates that the strong increases in take-up among men in the years following the enhancements have begun to level off. The number of biological parental claims established by men (33,210) increased by only 3.3% in 2004/05, compared to increases of 10.5% in 2003/04, 25.9% in 2002/03 and 77.8% in 2001/02, indicating a maturation of the enhanced benefit. Further, data from the EICS indicate that, in 2004, 9.5% of mothers reported that their spouses claimed or intended to claim parental benefits. Women continued to establish the vast majority of parental claims (85.2%) and collected 30.3 weeks of parental benefits, on average, compared to 14.2 weeks, on average, for men.

The trend toward increased sharing of parental benefits, identified in previous reports, continued, as reflected in the ratio of parental to maternity claims. In 2004/05, there were 1.13 biological parental claims for every maternity claim, increasing from 1.12 in 2003/04 and 0.96 in 1999/00, the fiscal year before enhanced parental benefits were implemented. In addition to extending duration and improving accessibility, the enhancements to parental benefits also improved flexibility by allowing parents who share benefits to serve only one waiting period instead of two. In 2004/05, more than 15,000 parental claims for men had their waiting period waived, providing further evidence of the increased sharing of benefits among parents.

B. ADEQUACY OF BENEFITS

Like previous reports, this report examines the adequacy of EI benefits from a variety of perspectives. It looks at the adequacy of the average weekly benefits level, particularly for low-income claimants with children. It also examines the adequacy of the duration of regular and special benefits.

1. Level of Benefits

Since the 1996 reform, the maximum insurable earnings (MIE) value has been \$39,000. EI premiums are paid only on the first \$39,000 of earnings. All earnings during the rate calculation period at or under that level are insured by EI and are used to determine EI weekly benefits.²³

In 2001, Bill C-2 confirmed the MIE would remain at \$39,000 until the calculated value of annual average earnings catches up with this threshold, at which time the MIE will be revised to reflect this calculated value. The calculated value is called the projected annual average earnings (PAAE),²⁴ which is based on the average weekly earnings of the industrial aggregate in Canada as published by Statistics Canada.

Basing the MIE on the PAAE ensures, among other objectives, that EI claimants receive a benefits level comparable to that of average weekly wages. The MIE under EI remained 6.3% above the 2005 PAAE value of \$36,700. Compared to the 2006 value, the gap would only be 3.2%. As shown in Table 4, the PAAE is approaching the MIE.

²³ Average weekly benefits are determined by dividing the total earnings in the last 26 continuous weeks by the greater of the number of weeks worked in the last 26 continuous weeks or the minimum divisor.

²⁴ The methodology used to obtain the projected annual average earnings for 2005 is outlined in the *Employment Insurance Act* and in the *Report on the Maximum Yearly Insurable Earnings*, published by HRSDC's Actuary's Office. This methodology differs from that used from 1997 through 2002, when the average industrial wage was calculated by fiscal year. The average industrial wage is now based on a year-over-year comparison (i.e., June 30, 2004, to June 30, 2005).

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From 2003/04 to 2004/05, the average weekly regular benefit increased from \$312 to \$315. Overall, the average weekly regular benefit under EI has been increasing at a rate that exceeds the growth in the PAAE. Since 1996/97, the average weekly regular benefit rate has increased from \$272 to \$315, or by 16.1%, exceeding the growth rate of the PAAE by almost three percentage points.²⁵

In addition to the growth in the average weekly benefit rate, the proportion of clients at the maximum benefit rate (\$413) was also analyzed. At the time of reform, concerns were raised that the MIE was substantially higher than the average industrial wage. In fact, in 1996/1997, only 12.6% of regular claims were in receipt of the maximum weekly benefit rate. However, this proportion has increased over the years and reached 33.4% in 2004/05, up from 32.6% in 2003/04, reflecting increases in average wage rates.²⁶

**Table 4:
Difference Between the Maximum Insurable Earnings (MIE)
and the Projected Annual Average Earnings (PAAE)**

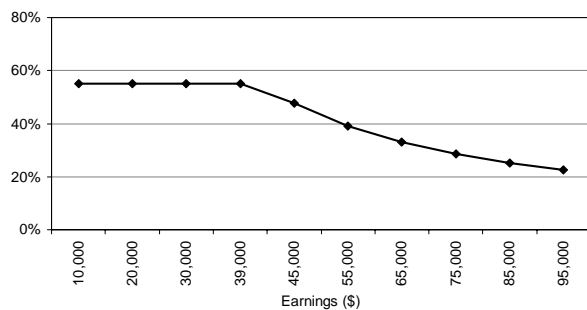
Year	MIE (\$)	PAAE (\$)	Difference	
			(%)	\$
1996	39,000	31,781	22.7	7,219
1997	39,000	32,427	20.3	6,573
1998	39,000	32,912	18.5	6,088
1999	39,000	33,314	17.1	5,686
2000	39,000	34,104	14.4	4,896
2001	39,000	34,698	12.4	4,302
2002	39,000	34,942	11.6	4,058
2003	39,000	35,584	9.6	3,416
2004	39,000	36,256	7.6	2,744
2005	39,000	36,700	6.3	2,300
2006	39,000	37,800	3.2	1,200

²⁵ The PAAE increased from \$32,427 in 1997 to \$36,700 in 2005, an increase of 13.2%.

²⁶ Data on the benefit rate were taken from the August 2005 Status Vector.

For individuals earning more than the MIE, since the maximum weekly benefit rate is \$413, their effective earnings replacement rate from EI is less than 55% of their total earnings. Chart 8 shows the effective replacement rate, by earnings level.²⁷ As an example, for a claimant earning \$95,000 a year, a \$413 weekly benefit would provide an effective replacement rate of about 23% of weekly earnings. However, Finnie and Irvine (forthcoming a) have found that the top three earnings deciles in Canada received only 4.7% of EI benefits in 2002, indicating a lower likelihood of an EI claim as income increases well beyond the MIE.

**Chart 8:
Effective Replacement Rate
by Earnings**

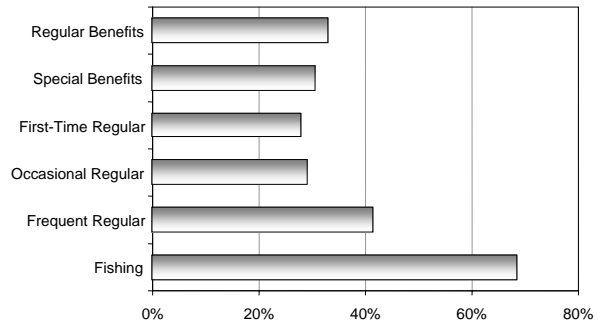


Compared to rates in other OECD countries, Canada's basic replacement rate is among the lowest, roughly comparable to rates in Belgium and the U.S. A majority of countries offer higher maximum benefit and replacement rates, in the range of 65% to 70% (Germany, France, the Netherlands, Portugal and Spain), while Denmark, Finland, Sweden and Switzerland offer an 80% to 90% replacement rate. However, when coupled with other tax transfers and benefits, Canada's net

replacement rate as calculated by the OECD was among the highest. For unemployed married individuals with two children, Canada had the highest net replacement rate at 91% (Van Audenrode et al., forthcoming c).

Finally, Chart 9 shows that the likelihood of receiving the maximum weekly benefit rate is higher for frequent and fishing claimants than for first-time and occasional claimants. Almost 70% of fishing claimants in 2004/05 received the maximum weekly benefit rate, compared to about 28% for first-time regular claimants.

**Chart 9:
Percentage of EI Claims Receiving
the Maximum Weekly Benefit Rate**



2. Benefit Repayment

The benefit repayment provision was modified, effective in tax year 2000.²⁸ The analysis for tax year 2003 indicates EI beneficiaries had to repay \$110 million of their EI benefits (refer to Annex 2.15). This figure was 18.2% higher than the repayment total for tax year 2002. This increase in benefit repayment is due to the higher proportion of paid employees earning more than the threshold (\$48,750). In 2003, 114,351 claimants repaid some of their EI benefits, compared to 103,090 in 2002, an increase of 10.9%.

²⁷ The benefit repayment provision will push the effective replacement rate even lower for those earning more than \$48,750. The repayment provision is not taken into account in this analysis.

²⁸ Effective retroactive to 2000, first-time claimants of regular or fishing benefits and all claimants who receive special benefits are exempt from the benefit repayment provision. The maximum repayment is the lesser of 30% of excess net income above the threshold of \$48,750 or 30% of their benefits.

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As in previous years, men comprised the vast majority (90.4%) of claimants affected by the repayment provision. The number of men affected by the repayment provision increased by 10.2%, while the growth was 18.4% for women, although women continued to represent a small proportion of those affected. About half (48.1%) of claimants affected by the provision in 2003 were aged between 25 and 44, which is comparable to previous years.

3. Benefits to Low-Income Families: Family Supplement

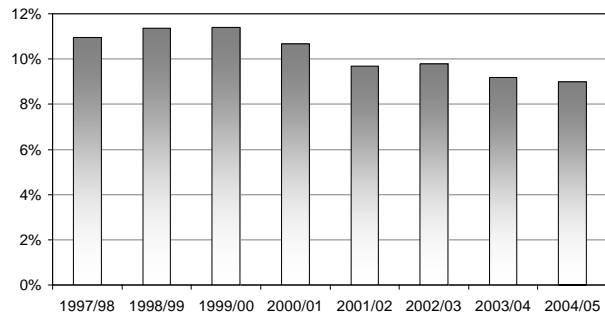
Adequacy of EI benefits is also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families with children.²⁹ The Family Supplement replaced the 60% dependency benefit rate for low-income individuals with dependent children under previous legislation (Unemployment Insurance) and was designed to better target assistance to low-income claimants.³⁰ The Family Supplement increases the benefit rate from 55% to a maximum of 80% for unemployed parents with net family incomes of \$25,921 or less.³¹

As indicated in Chapter 2, approximately 167,000 individuals received the Family Supplement top-up in 2004/05, compared to about 181,000 in the previous reporting period, a 7.6% decrease.

The proportion of EI claimants receiving the Family Supplement top-up has declined since 1998/99 to reach 9.0% in 2004/05 (Chart 10). The decline in the share of Family Supplement claims is due to the fact that family incomes have risen while the Family Supplement

threshold has remained fixed at \$25,921 (HRSDC, forthcoming i).³²

**Chart 10:
Proportion of Claimants with the Family Supplement**



In 2004/05, almost \$176 million in additional benefits was paid to low-income families through the Family Supplement, a decrease of 6.0% from 2003/04, with the average weekly top-up being about \$43. Total Family Supplement payments to women decreased by 4.9%, while payments to men decreased by 9.7%.

Women continued to be the primary recipients of the Family Supplement. Women accounted for two thirds of regular EI claims with the Family Supplement and 87% of special benefit claims with the Family Supplement.

Among all types of benefits, 14.3% of female claimants were entitled to the Family Supplement, in comparison to 4.3% of men who claimed EI. These figures are down slightly from 2003/04, when these proportions were 14.8% for women and 4.4% for men.

Overall, claimants in receipt of the Family Supplement top-up received more weeks of regular benefits (21.7 weeks) than those not in receipt of the Family Supplement (19.0 weeks).

²⁹ This assessment includes all claims types (regular, fishing and special).

³⁰ Please refer to Annex 1 of the *2000 Monitoring and Assessment Report* for more detailed information on the Family Supplement replacing the dependency provision that existed under Unemployment Insurance.

³¹ Like other claimants, claimants receiving the Family Supplement are subject to a maximum weekly benefit of \$413.

³² HRSDC, *Family Supplement*, Audit and Evaluation Directorate, forthcoming i.

Consequently, Family Supplement recipients used a larger proportion of the weeks available to them: 71% versus 60%.

Comparing the generosity of maternity and parental benefits internationally, including the Family Supplement, Canada ranks in the middle range. When the Family Supplement is included, Canada ranked fifth out of 10 countries in total compensation from maternity and parental benefits for a new mother who had worked full time at low wages. However, Canada's rank fell to sixth for a new mother in receipt of the Family Supplement who had worked part time at average part-time wages (Phipps and Lethbridge, forthcoming j).³³

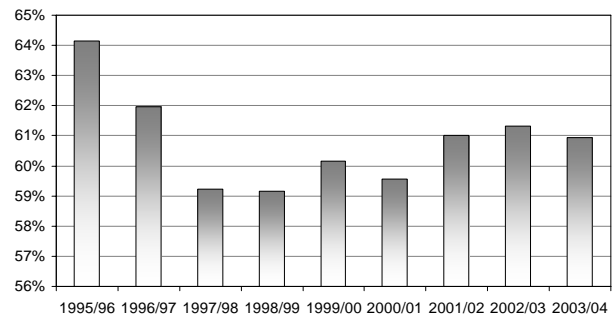
Though not directly measuring the Family Supplement, Fortin and Fleury (2005)³⁴ found that for some workers in Canada, receiving EI made the difference between living in a low-income situation or not. In 2003, 18% of all Canadians who reported some unemployment during the year (labour market participants) were in low-income situations. After controlling for the number of hours worked, demographics and other characteristics, researchers found that the risk of living in low income for a Canadian worker who experienced some unemployment during the year was two times lower among EI recipients than among those who did not receive EI benefits.

4. Regular Claim Duration

Regular EI beneficiaries are entitled to between 14 and 45 weeks of income support, depending on the number of insurable hours worked and the unemployment rate of the region in which

they establish a claim. On average, regular claimants received 19.3 weeks of benefits, unchanged from the year before. As in previous reports, results indicate that, on average, regular beneficiaries collected less than two thirds of the weeks of benefits they were eligible to receive (Chart 11).³⁵ The proportion of entitlement used remained relatively stable through the economic slowdown of 2001/02 and the resumption of stronger growth in 2002/03. Longer term analysis indicates that, on average, the proportion of entitlement regular claimants use is down compared to the 1995/96 level (64.1%).

**Chart 11:
Proportion of Entitlement Used
by Regular Claimants**



Among OECD countries, Canada has one of the shortest ranges of benefit duration, at between three to 11 months. This is comparable to the six to nine months³⁶ offered in Italy and six months offered in the United Kingdom and in most American states. Many other countries offer much longer benefit durations, such as Belgium, where benefit duration is unlimited; France, with seven to 42 months; Denmark, with six months to four years; and Portugal, with 12 to 38 months. Canada is also in a minority of OECD countries in that it does not base benefit duration on the

³³ Shelley Phipps and Lynn Lethbridge, *International Comparison of Maternity/Parental Benefits*, forthcoming j. Comparison countries are the G7, plus Finland, Norway and Sweden. Note that the U.S. does not have a public program that provides paid maternity or parental benefits.

³⁴ Myriam Fortin and Dominique Fleury, "The Other Face of Working Poverty," *Policy Research Initiative Working Paper Series*, Social Development Canada, 2005.

³⁵ In order to measure only completed claims, data and analysis on claim duration are for 2003/04.

³⁶ In Italy, benefit duration is six months for people under the age of 50, and nine months for people 50 and older.

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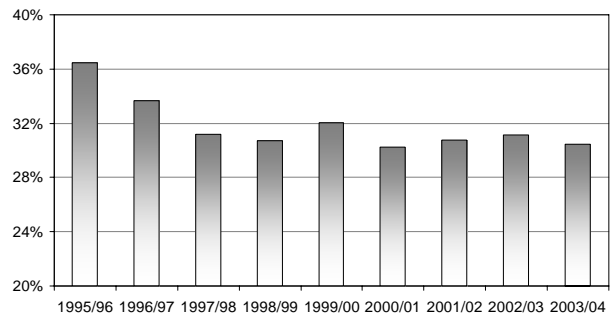
claimant's age and has one of the longest waiting periods, at two weeks (Van Audenrode et al., forthcoming c).

In 2003/04, the percentage of EI entitlement used was highest in Prince Edward Island (71.4%), Newfoundland and Labrador (70.0%), Nova Scotia (66.2%) and New Brunswick (64.6%), reflecting higher unemployment rates and fewer job opportunities in these provinces. After a decrease from its 2002/03 level (60.1%), the percentage of entitlement used in Quebec dropped to the lowest (59.2%) among the provinces. Alberta had the second lowest percentage of entitlement used, at 59.5%, up from 59.3% in 2002/03. Men, on average, used 60.5% of their entitlement to regular benefits, a small decrease from 2002/03 (61.2%). On the other hand, women used 61.7% of their entitlement on average, which is about the same as in the previous period (61.6%).

Another way to assess whether the number of weeks of entitlement is sufficient is to examine the degree to which claimants exhaust all of their weeks of benefits. For the first time since 2000/01, the proportion of regular claimants exhausting benefits declined, by 0.7 percentage point, to reach 30.4% in 2003/04. As seen in Chart 12, the proportion of regular claimants exhausting benefits remained well below the 1995/96 level (36.5%).

In 2003/04, as in previous years, a larger proportion of women (33.5%) than men (28.4%) exhausted their benefits. Compared to 2002/03, both genders experienced a decline in the proportion of individuals exhausting benefits, but the decline was more important for men (1.0 percentage point) than for women (0.4 percentage point).

**Chart 12:
Proportion of Regular Claimants
Exhausting Benefits**



The higher exhaustion rate for women may be attributable to the fact that women, on average, are entitled to fewer weeks of benefits (31.8, versus 33.5 for men). This difference is due to the fact that women generally have fewer hours of insurable employment, since they are more likely to work part time than are men.

Youths (under 25), on average, had the lowest exhaustion rate (28.9%) among all age cohorts, since they enter and exit the labour market more frequently while attending school. In comparison, older workers (55 and older) had the highest exhaustion rate, at 37.4%. As mentioned in section 2.3, older workers tend to have a longer duration of unemployment than other age groups.

Among those who exhaust their benefits, it seems that only a small proportion later use social assistance for support. Finnie and Irvine (forthcoming a) found no evidence of "spill-over" effects from EI to social assistance between 1992 and 2000. Findings from an HRSDC study (forthcoming k)³⁷ indicate that only a small proportion of individuals who lost their job moved on to social assistance 10 to 12 months after job loss. The study concluded that EI clients' use of social assistance declined from 6.2% in 1995/96 to 3.8% in 2001/02.³⁸

³⁷ HRSDC, *Did the Exhaustion of UI/EI Benefits and the Take-Up of Social Assistance Change After EI Reform?*, Audit and Evaluation Directorate, 2003 update, forthcoming k.

³⁸ These results are based on the Canadian Out-of-Employment (COEP) survey, which is conducted approximately 12 months after job separation.

Another study by Grey (2002)³⁹ also confirmed that only a small proportion of individuals who exhausted their EI entitlement moved on to social assistance within a year. However, it acknowledged that individuals might not appear as social assistance clients until after some time had elapsed.

Some of the decline in EI claimants turning to social assistance may be due to the National Child Benefit, introduced in 1998, which increased payments to low-income families with children. Part of the decline may also be attributable to changes in eligibility for provincial and territorial social assistance programs.

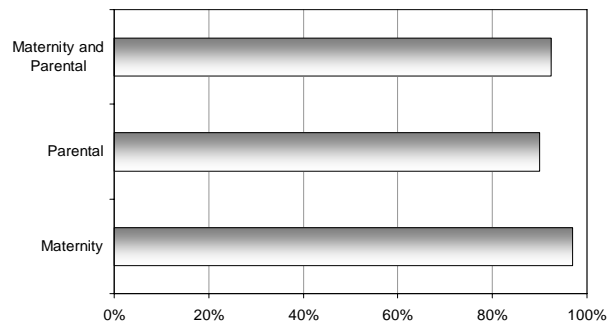
5. Special Benefits Claim Duration: Maternity and Parental Benefits

A key objective of the enhancements to maternity and parental benefits was to allow parents to spend more time at home with their newly born or adopted children by extending the number of weeks that benefits are available. The analysis for this reporting period indicates that a significant portion of the available entitlement is being collected (Chart 13). When parental benefits are combined with maternity benefits and the waiting period, parents are using at least 92% of the full year available to them.⁴⁰ The enhancement in parental benefits has met its objectives and provides families with increased flexibility to care for their newly born or adopted children for an extended period of time.

As stated in previous reports, prior to 2001 approximately 64% of mothers who received EI returned to work within seven months following the birth of their child. Of mothers who gave birth in 2002 or 2003, fewer than 16% of those

who received EI returned to work in the same timeframe.

**Chart 13:
Proportion of Entitlement Used by
Maternity and Parental Claimants
(2004/05)**



A full evaluation (HRSDC, 2005)⁴¹ of many aspects of the EI parental benefits program has been completed. The two main strengths reported were that the program allowed parents to spend more time with their children and improved the parent-child relationship. When asked to suggest improvements, respondents generally indicated they were not looking for major changes, though the replacement of a higher fraction of income would be welcome. Phipps and Lethbridge (forthcoming j) have indicated that since 2001, the total duration of Canadian maternity and parental benefits has compared favourably to international standards. Most countries with a longer duration eventually move to a flat-rate benefit or a lower replacement rate towards the end of the parental period. However, the level of benefits offered in Canada is lower, particularly in comparison to the first-stage maternity benefits available in many countries (Germany, Italy, France, Sweden, Finland and Norway). Canada is also one of the only countries with a two-week waiting period.

³⁹ Alex Grey, *Employment Insurance and Social Assistance: Evidence on Program Interaction*, Applied Research Branch, HRDC, 2002.
⁴⁰ To ensure that the analysis of weeks paid is based on completed claims, the data cover all parental claims that commenced during the first half of the reporting period.
⁴¹ HRSDC, *Evaluation of EI Parental Benefits*, Audit and Evaluation Directorate, 2005.

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Without taking the Family Supplement into account, Canada ranked seventh out of 10 countries in the total amount of compensation available from maternity and parental benefits to a female earning the average Canadian wage (Phipps and Lethbridge, forthcoming j).

It appears that lower income claimants can take advantage of the length of maternity and parental benefits, as higher income earners do, because of the Family Supplement. Beneficiaries in receipt of the Family Supplement collected, in 2004/05, almost the same number of weeks of maternity and parental benefits as those not in receipt of the Family Supplement (45.7 weeks, on average). This fact suggests that the Family Supplement top-up is allowing lower income workers to stay home with their children.

Under the *Employment Insurance Act* and Regulations, employers and provinces are encouraged to provide financial support to enhance EI benefits. It is thought that these Supplementary Unemployment Benefits (SUB), referred to as voluntary top-ups, may influence the length of time that individuals collect maternity and parental benefits. As stated in previous reports, a study on determinants of mothers' time at home after childbirth examined the issue of top-ups and found that approximately 18% of mothers with paid employment in the year prior to childbirth received a top-up from their employer. Among mothers who received EI benefits, those who had a higher household income in the month before childbirth and those who were university educated were more likely to receive

such a top-up than other mothers. It is also noteworthy that voluntary top-ups are most prevalent in the education, health services and non-profit, forestry, mining, oil and gas extraction, finance and insurance industries. The likelihood that paid employees will have a SUB plan is greater among full-time than part-time employees and among those who are covered by a collective agreement.⁴²

6. *Bill C-49*

Effective March 3, 2002, Bill C-49 changed the period for claiming special benefits and increased the maximum number of combined weeks of special benefits from 50 to 65 to ensure full access to special benefits for biological mothers who claim sickness benefits before or after claiming maternity or parental benefits. With the introduction of compassionate care benefits, the maximum number of combined weeks of special benefits was revised to total 71 weeks under certain circumstances.⁴³ See the 2004 report for more details on the effects of Bill C-49.

This year's report is the second to include analysis of the impact of Bill C-49. For calendar 2004,⁴⁴ almost 10,700 biological mothers, or 3% of all women who received special benefits, received more than 50 weeks. This number is up slightly from 10,400 in 2003.

7. *Preventative Withdrawal*

In 2002, a pilot project was launched to ensure that mothers on preventative withdrawal⁴⁵ from work were able to access full benefits for the entire 50 weeks of EI maternity and parental benefit leave. The three-year pilot project ended on September 26, 2005.

⁴² Statistics Canada, *Workplace and Employee Survey* 2001 and 2002.

⁴³ Combining weeks of special benefits to reach the maximum of 71 weeks is only possible if the weeks of special benefits are consecutive and uninterrupted by any period of regular benefits.

⁴⁴ Analysis of the effects of Bill C-49 is lagged, in order to measure completed claims. The number of claimants benefiting from Bill C-49 is likely underestimated, since the lag period may not be long enough to allow all claims to mature completely.

⁴⁵ Pregnant and nursing women in the province of Quebec receive income replacement for preventative withdrawal if they are employed in a job that may pose a threat to their health or to the health of the fetus or baby.

The pilot project's objective was to test whether EI maternity and parental benefits could be improved by providing women in Quebec who were receiving provincial preventative withdrawal benefits and who had an EI claim with a choice as to when they would receive EI benefits.

In its first year, 2% (or 422) of the women receiving benefits from the Commission de la Santé et de la sécurité du travail (CSST) du Quebec were eligible for the pilot project. The test confirmed the usefulness of the choice, given that as many as 57% (or 240) of the women for whom the pilot was designed preferred to extend their benefit period, an option that would have otherwise been unavailable to them (HRSDC, forthcoming I).⁴⁶

Given the complexity of the EI program, the evaluation of the pilot project underlined the importance of providing clear information to claimants to help them make choices that best suit them. The evaluation of the pilot project also showed that a well-trained staff is key to providing quality information to claimants.

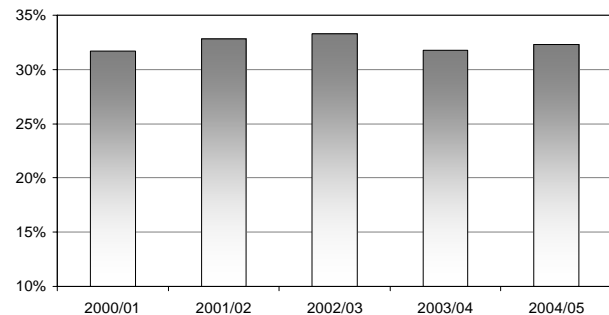
8. Special Benefit Claim Duration

8.1 Sickness

EI provides up to 15 weeks of sickness benefits to help clients who cannot work due to short-term illness, injury or quarantine. Analysis of the adequacy of sickness benefits is based on the number of weeks of sickness benefits collected. On average in 2004/05, claimants collected 9.5 weeks, or 63.3%, of the maximum entitlement. In addition, 32.3% of sickness claimants collected the maximum 15 weeks of benefits, a slight increase from 31.8% in 2003/04. Over the last five reporting periods, the proportion of sickness claimants using all 15 weeks has been relatively stable (Chart 14), suggesting a persistent presence of some

claimants for whom 15 weeks of benefits may not meet their needs. It should also be noted that 48.0% of sickness claimants collected between 11 and 15 weeks of benefits, 22.2% received between six and 10 weeks, and 29.8% collected between one and five weeks of benefits.

**Chart 14:
Proportion of Sickness Claimants
Using 15 Weeks of Benefits**



As mentioned in previous *Monitoring and Assessment Reports*, HRSDC has analyzed statistics on EI sickness claimants who used all 15 weeks of benefits and later accessed Canada Pension Plan Disability (CPPD) benefits. This analysis involved examining EI claims established in calendar 2001 whose claimants had received CPPD by the end of calendar 2003.⁴⁷ Of all sickness claimants who used 15 weeks of benefits, 10% were in receipt of CPPD benefits by the end of 2003. Three quarters of sickness claimants who used all 15 weeks of benefits did not apply for CPPD. Among individuals who accessed CPPD, 81% were still in receipt of CPPD benefits by the end of 2003. The remaining individuals were no longer in receipt of CPPD for the following reasons: 63% were deceased, 25% had reached the age of 65 and moved onto the regular CPP program, 11% had returned to work and 2% were cured.

⁴⁶ HRSDC, *Evaluation of the EI Pilot Project No. 5 (Preventative Withdrawal)*, Audit and Evaluation Directorate, forthcoming I.

⁴⁷ The province of Quebec has its own pension program, not covered in the analysis.

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8.2 Compassionate care benefits

Effective January 4, 2004, six weeks of EI compassionate care benefits (CCB) were introduced. This is the first *Monitoring and Assessment Report* to cover a full reporting period of CCB. Findings from 2004/05 echo preliminary findings from the previous year: take-up of the benefit has been low. In 2004/05, there were 4,782 CCB claims, with slightly over \$6.9 million paid in benefits.

The vast majority of claimants (73.7%) were women. On average, claimants received benefits for 4.7 weeks, with about 57% of claimants receiving benefits for the entire entitlement of six weeks. The average weekly benefit for men was much higher (\$357) than for women (\$300), reflecting higher average earnings among men (as mentioned in Chapter 1).

The introduction of CCB was accompanied by job protection under federal and most provincial labour codes. Canada is one of few countries in the world to offer compassionate care benefits to all workers with insurable employment. Among the handful of other countries that do offer similar benefits, most restrict them to parents who are caring for sick children.

HRSDC is evaluating CCB and will explore the reasons for low take-up. For example, are employees making informal arrangements with their employers, working fewer hours or taking family leave rather than relying on EI? Findings will be made available in future reports.

9. Trends in Seasonal Claims

In 2004/05, there were an estimated 406,000 seasonal regular claimants⁴⁸ in Canada. Seasonal claimants were mainly men (64.3%)

and more than half were aged 45 and over. Only 2.8% of all seasonal regular claimants were youths (24 and younger).

There were seasonal claimants in all economic regions: Montréal (9.0% of total), Newfoundland and Labrador (8.5%), Central Quebec (6.9%), Restigouche-Albert (6.3%) and Toronto (4.2%) were among the regions with the highest concentrations. This indicates that seasonality among claimants is a phenomenon that affects both urban and rural regions, which contrasts with the stereotype of seasonal claimants living only in regions with poor overall economic conditions.

On average, seasonal claimants and all regular claimants have similar work patterns before establishing EI claims and similar claim characteristics. Almost three quarters (74.0%) of seasonal claimants worked at least 11 weeks more than the minimum entrance requirement prior to their claim, compared to 78.6% for all regular claimants. However, a closer look at longer work spells shows that just 26.1% of seasonal claimants had a duration of insured employment of more than six months longer than the minimum entrance requirement, compared to almost 40% among regular claimants. This fact indicates that seasonal claimants tend to work a shorter period of time than regular claimants before establishing EI claims. In terms of claim characteristics, the average number of weeks of entitlement (33.8 for seasonal claimants compared to 33.3 for all regular claimants) and the number of weeks of benefits used (17.6 versus 19.1 for regular) were comparable.

Canada is the only country in the OECD in which eligibility for employment insurance depends on the number of hours worked.

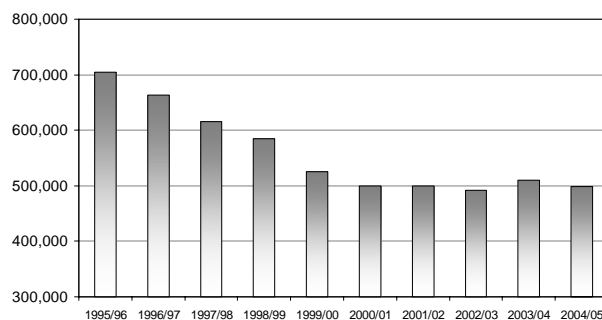
⁴⁸ Seasonal claimants are frequent claimants who started previous claims at about the same time of the year as their current claim. Frequent claimants are defined as individuals who have had three or more active claims in the five years prior to their current claim.

Other systems link eligibility to worked days or months, or the amount of contributions paid into the system (Van Audenrode et al., forthcoming c). The hours-of-work system is beneficial for seasonal workers who tend to work a large number of hours over a short period of time. Some countries assist seasonal workers by varying qualifying periods based on industry, such as cultural activities in France, and construction and agriculture in Italy. Other countries, such as Denmark, block the seasonal use of their EI programs by imposing qualifying periods of longer than one year.

As mentioned in Chapter 2, frequent claimants are largely associated with seasonal work. In fact, 81.5% of the 498,000 frequent regular claimants in 2004/05 had a seasonal pattern in their claim history.

The absolute number of frequent claimants has moved downward since 1995/96 (Chart 15). This result is supported by Audas et al. (forthcoming m)⁴⁹ who found a marked decline in the incidence of repeat use among younger workers, which is consistent with seasonal employment patterns and the trend towards rising educational attainment.

**Chart 15:
Number of Frequent Claimants
Through Time**



A widely held belief suggests that frequent claimants represent a stable group of workers

who return to EI year after year over a long period of time. However, findings by de Raaf et al.⁵⁰ indicated that for some individuals, making multiple EI claims over time is only a temporary situation as they work towards gaining full-year, full-time employment. In fact, only one third of frequent claimants remain so over time.

10. Seasonal Gappers

As described in Chapter 2, some seasonal claimants have a combined work-benefit period of less than 52 weeks per year, thus exhausting their EI benefits, possibly resulting in a “gap” in their income stream. Such claimants are often referred to as “seasonal gappers.” These individuals often face a limited working season, sporadic employment durations and, in many rural areas, a lack of off-season employment alternatives. In 2004/05, there were 22,760 seasonal gappers in Canada, down from 26,680 in 2003/04. Overall, seasonal gappers represented about 1.6% of all regular claimants.

Effective June 6, 2004, a new two-year pilot project was introduced to help individuals employed in part-time, non-standard and seasonal work reduce their annual income gap. From June 6, 2004, to June 4, 2006, EI regular claimants living in 24 affected EI economic regions have access to five additional weeks of entitlement (up to the maximum of 45).

The two-year pilot project will test, in EI economic regions where the unemployment rate is 10% or more, whether an additional five weeks of EI benefits will help reduce the annual income gap faced by those employed in part-time, seasonal and other non-standard employment. The pilot will also assess the labour market impacts of providing five additional weeks of benefits to EI claimants.

⁴⁹ Rick Audas, David M. Gray and Ted McDonald, *Repeat Use of UI/EI Benefits in Canada*, forthcoming m.

⁵⁰ Shawn de Raaf, Anne Motte and Carole Vincent, *The Dynamics of Reliance on EI Benefits: Evidence from the SLID*, Social Research and Demonstration Corporation (SRDC), 2003.

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It is too early to draw conclusions on the impacts of the pilot project. However, preliminary administrative data provide some early insights about the effectiveness of the pilot project.

The number of seasonal gappers has decreased by 3,920 since 2003/04. Although a variety of factors could explain this decrease, such as increased hours worked resulting in extra entitlement, it is noteworthy that 98% of the reduction in the number of gappers occurred in economic regions where the pilot project was implemented.

Overall, more than 550,000 claimants were living in the economic regions the pilot project targeted. As mentioned in the last report, about 100,000 claimants who are not seasonal gappers may nonetheless benefit from the five weeks of additional entitlement.

Entitlement in economic regions included in the pilot project increased by an average of 2.4 weeks, while it remained stable in the economic regions outside the pilot project.

A forthcoming evaluation⁵¹ supports the preliminary findings of the administrative data. As expected, after the pilot project started, the average number of entitlement weeks—relative to the year before the pilot project—increased by almost the full five weeks (4.7) for individuals who had a gap after their previous claim.

Compared to what would have been the case without the pilot project, more than 98% of gappers were entitled to the full five weeks of extra benefits. Of course, large proportions of non-seasonal (65.5%) and seasonal (73.2%) claimants without a gap in their income stream have also been entitled to five additional weeks of benefits under the pilot project.

In terms of reducing income gaps, the preliminary results of the evaluation indicate that the pilot program potentially eliminated approximately 65% of all income gaps for seasonal claimants who had exhausted their EI benefits. Due to data limitations, these preliminary results are based on a small sample of claimants, and a set of assumptions that may not be strongly representative of all seasonal claimants.

IV. PROMOTING WORK FORCE ATTACHMENT

In addition to providing temporary income support, an important objective of EI is to promote work force attachment. The EI program has certain features meant to strengthen the link between work effort and benefits. While several features of the program are intended to encourage labour market attachment, the analysis in this chapter focuses on three specific elements: the divisor, the Working While on Claim provision and the Small Weeks provision.

1. Divisor

A claimant's weekly benefits are determined by dividing total earnings in the last 26 continuous weeks by the greater of the number of weeks worked in the last 26 continuous weeks, or the minimum divisor for the EI region in which the claimant lives. Since the "divisor" is two weeks longer than the minimum entrance requirement, claimants are required to work two weeks beyond their minimum entrance requirement to be entitled to full benefits.

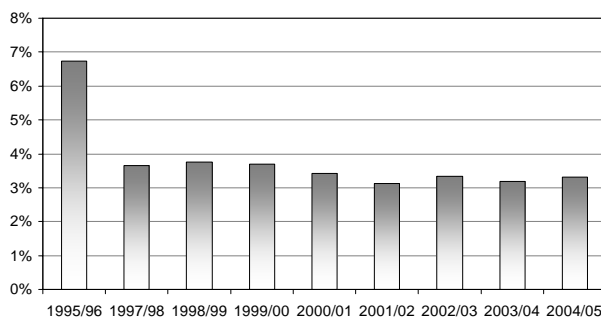
A pilot project in regions of high unemployment will test an alternative method of calculating weekly benefits. The pilot will test the impact of basing weekly benefits on a claimant's 14 weeks of highest earnings in the

⁵¹ HRSDC, *The Five-Week Seasonal Pilot Project and Gappers*, Audit and Evaluation Directorate, forthcoming n.

previous year. This pilot project, implemented in October 2005, will change the minimum divisor provision in affected regions.

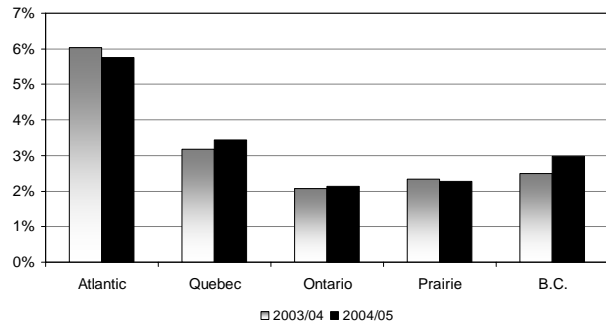
As noted in previous reports, the proportion of individuals who did not work at least two weeks beyond their minimum entrance requirement dropped from 6.7% just prior to EI reform (1995/96) to 3.6% immediately after the reform (1997/98). This proportion has remained relatively stable since, indicating the divisor, when introduced, had an immediate effect on the characteristics of claims being established (Chart 16).

**Chart 16:
Proportion of All Regular Claims
Affected by the Divisor**



As indicated in Chart 17, a higher proportion of claimants in the Atlantic provinces and Quebec receive less than their maximum weekly benefits due to the divisor than is the case in Ontario and the Western provinces. However, the share of claimants in Atlantic Canada with insured weeks between the minimum entrance requirements and the divisor dropped from 19.5% just prior to EI reform to 7.0% in 1997/98, where it has since remained relatively stable, indicating that claimants have been able to find the additional work necessary to qualify for full benefits.

**Chart 17:
Proportion of Regular Claims
Affected by the Divisor, by Region**



2. Working While on Claim

The Working While on Claim provision is designed to encourage work force attachment by allowing claimants to accept available work without being penalized. Many other countries have similar provisions in their employment insurance programs, with conditions on earned income, worked hours and contract duration. In Canada, claimants may earn 25% of their weekly benefit rate or \$50, whichever is greater, without incurring a reduction in their weekly benefit rate. Employment earnings above the allowable earnings threshold are deducted dollar for dollar from the claimant’s weekly benefit. If a claimant’s weekly benefit is reduced to zero, then that week of entitlement may be deferred for later use within the benefit period. A pilot project in regions of high unemployment will test the impacts of increasing the threshold to 40% of the benefit rate or \$75, whichever is greater. This pilot project was implemented in December 2005.

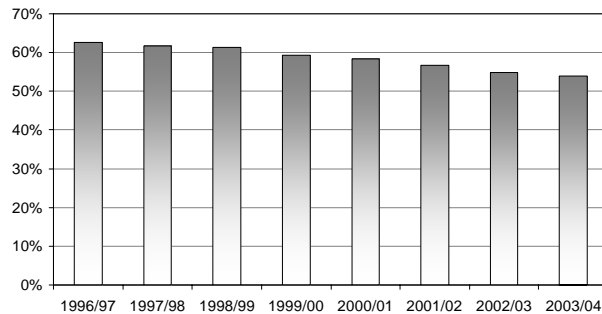
There has been a steady decline in the proportion of regular claimants reporting work while on claim, indicating the current provision may not be encouraging claimants to accept all available work while on claim. In 2003/04,⁵² the proportion of regular claimants working while

⁵² Analysis of the Working While On Claim provision has been lagged by one year to ensure that claims are completed. The definition of working while on claim includes all claimants who earned income during their EI benefit period.

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on claim fell to 53.9%, compared to 62.6% in 1996/97 (Chart 18).

**Chart 18:
Proportion of Regular Claimants
Working While on Claim**



While the decline in working while on claim has occurred among all types of EI claimants (first-time, occasional and frequent), there has been a slight shift in the composition of those working while on claim. In 2003/04, frequent claimants represented 40.2% of those who worked while on claim, whereas in 1996/97 they made up 46.5% of the total. First-time claimants accounted for 27.8% of those working while on claim in 2003/04, up from 21.3% in 1996/97. The proportion of those working while on claim who were occasional claimants has remained steady at around 32%.

Still, frequent claimants are more likely to work while on claim than first-time or occasional claimants: in 2003/04, nearly two out of three (64.0%) frequent EI claimants worked while on claim, while fewer than half of first-time claimants (44.5%) did so. Among occasional claimants, 53.2% worked while on claim in 2003/04.

The majority of EI weeks worked while on claim (64.1%) were full weeks for which no EI benefits were paid. As no benefits were received, such a week would not count as a

week of EI entitlement used and could be deferred for later use within the benefit period. Only a small proportion (9.2%) of weeks worked while on claim had earnings below the allowable earnings threshold, while just over one quarter (26.7%) of weeks worked while on claim had earnings greater than the allowable earnings yet below the weekly benefit, such that EI benefits were reduced for each dollar above the allowable earnings amount.

Frequent claimants were the least likely to work a partial week while on claim, as 75.2% of the weeks worked while on claim among frequent claimants were full weeks. Conversely, first-time claimants were the most likely to work a partial week while on claim, as 40.1% of their weeks worked while on claim were weeks with earnings greater than their allowable earnings yet below the weekly benefit. Another 13.5% of weeks worked while on claim by first-time claimants were weeks for which full benefits were received. Research by the Social Research and Demonstration Corporation (SRDC, 2004)⁵³ has indicated that a claimant's EI history is the most important determinant of the way in which the provision is used, perhaps owing to the complexity of the provision. In this way, frequent claimants, who know the EI system best, tend to avoid partial weeks.

Another study (McCall, forthcoming o)⁵⁴ determined that claimants who expected to be recalled to a job worked more full weeks while on claim, with no EI benefits, and fewer weeks for which partial benefits were paid than did claimants who did not expect to be recalled. A claimant's debt load and the weeks of EI benefits to which a claimant was entitled were

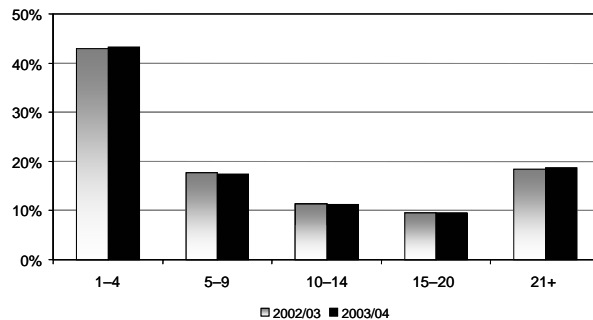
⁵³ Shawn de Raaf, Anne Motte and Carole Vincent, *Understanding Employment Insurance Claim Patterns: Final Report of the Earnings Supplement Project*, SRDC, March 2004.

⁵⁴ Brian McCall, *Employment Insurance and Working on Claim Behaviour: A Preliminary Analysis of the Data*, Industrial Relations Center, University of Minnesota, forthcoming o.

found to be positively related to the probability of working while on claim.

Of the 816,670 claimants who worked while on claim in 2003/04, 43.2% worked fewer than five weeks (Chart 19). First-time, occasional and frequent claimants are almost equally represented in this first category. However, as the number of weeks worked while on claim increased, the proportion of frequent claimants also increased, passing from 34.9% in the one to four weeks category to 49.0% in the 21 and more weeks category.

**Chart 19:
Claimants Who Worked While
on Claim, by Weeks Worked**



Research by SRDC (2004) has also shown that, though claimants who work while on claim tend to spend fewer consecutive weeks on claim, they also tend to be more likely to make future claims. This makes sense, since working while on claim is largely associated with individuals who have a seasonal pattern of establishing claims.

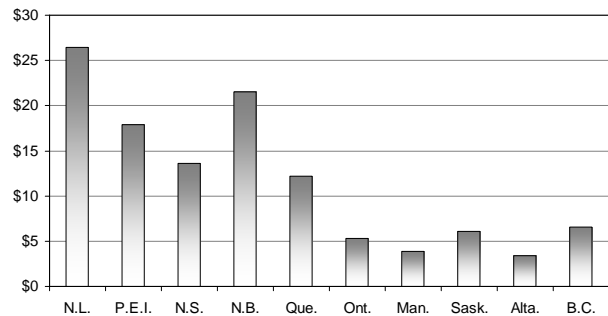
3. Small Weeks

The Small Weeks provision excludes from the benefit calculation those weeks in the rate calculation period with earnings of less than \$225, or “small weeks,” hence encouraging individuals to accept all available work. Results for 2004/05 indicate that 14.3% (267,121) of all EI claims established were affected by the Small Weeks provision. This figure represents an

increase of nearly two percentage points over the previous reporting period (12.5%).

By excluding small weeks from the benefits calculation, the provision increases clients’ weekly benefit rate. On average, weekly benefits for claimants with small weeks were \$247, or \$11 higher in 2004/05 than they would have been without the Small Weeks provision. Clients in Atlantic Canada and Quebec received, on average, the highest top-ups (Chart 20). For instance, EI claimants in Newfoundland and Labrador received, on average, weekly benefits \$26 higher in 2004/05 than they would have been without the provision. In contrast, EI claimants in Alberta received, on average, weekly benefits that were \$3 higher with the Small Weeks provision. In 2004/05, Atlantic Canada and Quebec also accounted for most small weeks claims (Chart 21).

**Chart 20:
Average Weekly Small Weeks
Top-Ups, by Province (2004/05)**

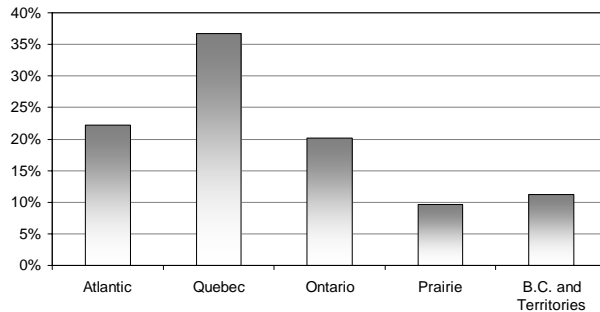


The Small Weeks provision appears to be most beneficial for women and youth. In 2004/05, women established 62.0% (165,613 out of 267,121) of those EI claims that included small weeks, a slight increase from 60.5% in 2003/04. Of all EI claims established by women, 19.0% included small weeks. In contrast, 10.3% of all EI claims established by men included small weeks. For youth, the proportion of all EI claims established with small weeks in 2004/05

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was 18.4%, versus 13.7% for prime-age workers and 14.4% for older workers.

**Chart 21:
Distribution of Small Weeks Claims
(2004/05)**



Analyzing claims with small weeks by EI history indicates that those who rely most heavily on the EI program, such as seasonal workers and others in non-standard employment, do benefit from the provision. In 2004/05, frequent claimants established 32.0% of all EI claims with small weeks, while first-time and occasional claimants accounted for 37.0% and 31.0%, respectively.⁵⁵

Overall, the longer term increase in claims that include small weeks suggests the provision is achieving what it set out to do: allowing individuals to accept all available work and strengthening their attachment to the labour force.

4. Pilot Projects

Pilot projects allow the Government to test a potential improvement to the provisions of the *Employment Insurance Act* before considering a permanent change. EI pilot projects in regions of high unemployment (10% or more) provide valuable information on the effects of program changes in labour markets where EI plays a particularly important role. On February 23, 2005, the Government announced pilot projects in regions of high

unemployment related to working while on claim, new entrants and re-entrants (NEREs), and the benefit rate calculation. Results from evaluations of the pilots will be included in future *Monitoring and Assessment Reports*.

4.1 Working While on Claim

Successive *Monitoring and Assessment Reports* indicate that the Working While on Claim provision may not be providing as strong a work incentive as desired. A pilot project to increase the allowable earnings threshold will test whether such an increase would provide a stronger incentive for individuals to accept all available work.

In areas of high unemployment, the three-year Working While on Claim pilot project increases the allowable earnings threshold from the current \$50 or 25% of the benefit rate (whichever is greater) to \$75 or 40% of the benefit rate (whichever is greater), before the dollar-for-dollar deduction from weekly benefits takes effect. The pilot became available to regular, fishing, parental and compassionate care benefits claimants on December 11, 2005. The pilot project is designed to encourage individuals receiving EI benefits to accept available employment without a reduction in their EI benefits, to strengthen their attachment to the work force.

4.2 New entrants and re-entrants

While the evidence suggests that the NEREs provision of 910 hours of insurable employment has generally been working as intended, it appears individuals living in areas of high unemployment and in rural and remote areas of the country have had relatively greater difficulty adjusting to the requirements. This barrier can also limit access to EI active employment programming, given that EI income benefits provide the gateway to many

⁵⁵ Due to a change in the methodology, these proportions are different from those in past years.

of these programs. A pilot project that increases access to employment programs could improve employability and provide individuals with skills that employers are seeking.

In areas of high unemployment (10% or more), the three-year NERE pilot project will test the impacts of lowering the entrance requirements that NEREs face. Under the project, requirements to qualify for regular EI benefits have changed from 910 hours to 840 hours, in combination with a link to EI Part II employment programming. As of December 11, 2005, the pilot project has been available to regular benefits claimants.

4.3 Best 14 weeks

The current approach used to calculate the EI benefit rate has worked well for many individuals, particularly those in “standard” (full-year, full-time) employment. However, for some groups of workers, such as non-standard and seasonal workers, the method of calculating EI benefit rates may not reflect their work patterns, because they often have the opportunity to take on weeks of work that would provide earnings above the small weeks threshold, but well below their earnings during the peak season. Given that these weeks of work would lower claimants’ weekly benefit level on a subsequent EI claim, there could be little incentive to accept them.

The three-year best 14 weeks pilot project in regions of high unemployment (10% or more) will change the method used to calculate weekly EI benefits. Under the pilot project, based on additional information provided by employers, participants will have their benefits calculated using the 14 highest weeks of earnings during the 52 weeks preceding a claim for benefits or during the period since the beginning of their last claim, whichever is

shorter. The minimum divisor would still apply in regions participating in the pilot project. However, because weekly benefits would be based on the best 14 weeks of earnings, the net effect of this change would be a flat divisor of 14, rather than the current divisor that varies depending on the regional rate of unemployment. For individuals with sporadic work patterns, this pilot project means that EI benefits levels would be more reflective of their weeks of full-time work. The pilot project was implemented on October 30, 2005.

V. EVALUATION OF EMPLOYMENT BENEFITS AND SUPPORT MEASURES

Summative evaluations of Employment Benefits and Support Measures (EBSMs) have focused on determining program impacts and effects on clients. The evaluations examined key impact indicators for both active and former EI clients,⁵⁶ including participants’ employment, earnings and reliance on government income support in the period following program participation. The evaluations also examined other program outcomes, such as participant skills gains and program relevance to employers and communities.

The summative evaluations have focused on four employment benefits—Skills Development (SD), Targeted Wage Subsidy (TWS), Self-Employment (SE) and Job Creation Partnerships (JCP)—and one client-focused support measure, Employment Assistance Services (EAS).

The core summative evaluation methodology relied on data from client surveys and from EI and social assistance records, and on tax data in some jurisdictions. Based on the pre- and post-program experiences of participants in comparison to similar individuals who did not

⁵⁶ An “active EI client” is defined as someone for whom a benefit period is established. A “former EI client” refers to an EI client for whom a benefit period is not established but who falls under the definition of “client” provided in the *Employment Insurance Act*. See Chapter 3 for additional information.

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participate in the program, the evaluations measured net incremental impacts over and above what would have occurred in the absence of the program. In measuring impacts, the evaluations focused on start and end dates of program participation,⁵⁷ and reported program results based on the principal EBSM clients used.

1. Status of Summative Evaluations

In most jurisdictions, a joint federal-provincial-territorial evaluation committee oversees the management of all EBSM evaluation activities, subject to the Labour Market Development Agreement (LMDA) arrangements in place.⁵⁸

Results discussed in this report are based on findings from summative evaluations in

British Columbia, Quebec, Alberta, Ontario, Newfoundland and Labrador,⁵⁹ and Nunavut.⁶⁰ Evaluations for New Brunswick and Saskatchewan are planned for 2006.

2. Overview of Results

With EBSMs being delivered under various LMDA arrangements in very different labour markets across the country (see Chapter 3) and with individual summative evaluations differing in their reference periods, broad generalizations of the results across jurisdictions was difficult. As shown in the table below—which summarizes net impact estimates available to date—EBSMs appeared to yield some modest positive net impacts on participants, depending on the program, client type and jurisdiction.

INDICATOR	CLIENT TYPE							
	ACTIVE				FORMER			
	Program Type ⁶¹				Program Type			
	SD	TWS	JCP	SE	SD	TWS	JCP	SE
Employment	Some positive results	Some positive results	Non-significant results	Mostly positive results	Mixed results	Mostly positive results	Mostly non-significant results	Mostly positive results
Earnings	Mostly positive results	Some positive results	Mixed results	Non-significant results	Mixed results	Mostly positive results	Mostly negative results	Mixed results
EI Use	Some positive results (some decreases in EI use)	Mixed results	Some positive results (some decreases in EI use)	Positive results (decreases in EI use)	Some positive results (some decreases in EI use)	Mostly negative results (increases in EI use)	Mixed results	Mostly positive results (decreases in EI use)
Social Assistance (SA) Use	Some positive results (some decreases in SA use)	Some positive results (some decreases in SA use)	Some positive results (some decreases in SA use)	Mixed results	Non-significant results	Mostly positive results (decreases in SA use)	Some positive results (some decreases in SA use)	Some positive results (some decreases in SA use)

⁵⁷ Based on administrative data, a unit of analysis, termed an action plan equivalent, is derived and used in summative evaluations. It is defined as either a single intervention or a series of interventions that are no more than six months apart.

⁵⁸ In Ontario, the evaluation covers EBSMs managed and delivered federally. In Quebec, the province conducts the evaluations.

⁵⁹ The British Columbia report is expected in spring 2006; Quebec active measures and SE reports were released by the provincial government in June 2004 and July 2005, respectively; the Nunavut and Newfoundland and Labrador reports will be released in 2006.

⁶⁰ Net impact estimates were not generated in the Nunavut study due to small client population and evaluation sample sizes.

⁶¹ Refer to Chapter 3 and Annex 3 for an EBSM program description and overview.

Note on Table 5	
The 2005 summary table updates a table in the <i>2004 Monitoring and Assessment Report</i> (Chapter 5, section 6)	Findings reported in 2004 were based on findings from three jurisdictions, while 2005 findings are based on five jurisdictions: B.C., Newfoundland and Labrador, and Quebec (including the recent Self-Employment study), and preliminary impacts from Alberta and Ontario.
Positive impact	All net impact estimates were statistically significant positive impacts, based on results for five jurisdictions.
Mostly positive	Statistically significant positive net impacts in the majority of jurisdictions.
Some positive	One or two jurisdictions showed a statistically significant positive net impact, with all other jurisdictions showing a non-significant result.
Mixed results	No dominant trend: a mix of statistically significant positive net impacts, statistically significant negative net impacts and non-significant results.
Mostly negative	Statistically significant negative net impacts in the majority of jurisdictions.
Mostly non-significant	Most jurisdictions showed non-significant results, with one jurisdiction showing a negative net impact.
Non-significant results	All evaluations showed non-statistically significant results. Program impacts may have occurred, though not to a significant extent, based on the sample analyzed.
Note: JCP was not delivered in Quebec.	Impact estimates may have been constrained by small sample sizes, particularly for former clients of SE, JCP and TWS.

2.1 Skills Development

Among former clients who participated in SD, there was no dominant trend in results. Rather, there was a mix of positive, negative and non-significant findings. However, among active clients, there were some positive impacts on employment and earnings, and some decreases in post-program use of EI and SA. In terms of client satisfaction, SD participants expressed high levels overall. SD is based on individual client needs, so it makes sense that satisfaction would be high.

2.2 Targeted Wage Subsidy

TWS delivered mostly positive results for former clients with respect to employment, earnings and their use of SA following program participation. Some positive impacts were also evident for active clients. Among both former and active clients, there tended to be some increases in post-program use of EI associated with TWS, as the hours worked under this program are insurable, and thus help participants build entitlement for a future

EI claim. The evaluations also showed that some TWS clients were kept on by their employers after the subsidy program ended, which was a positive finding.

2.3 Job Creation Partnerships

Among clients participating in JCP, impacts ranged from mixed to negative for post-program earnings, with non-significant impacts on future employment. There were some reductions in post-program reliance on EI and SA.

2.4 Self-Employment

Participants in the SE program reported positive outcomes in terms of skills gained and satisfaction levels. Overall, for both client types, there were some positive impacts on employment and some post-program decreases in SA use. The impacts on earnings, however, were mixed. There were reductions in post-program EI use. The SE program is designed to help clients become self-employed. In general, self-employed people do not pay EI premiums and are thus not covered by the program.

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2.5 Employment Assistance Services

EAS programs are generally short and relatively low cost, and are often used in combination with another employment benefit. Post-program impacts of EAS were not measured for clients taking only EAS. EAS participants reported strong levels of satisfaction, job readiness and interest in further training.

3. Other Results

Summative evaluations reported high levels of client satisfaction, and clients indicated that their skills increased as a result of EBSM participation, which sparked interest in further skills growth. This was not always the case, though, in regions and communities that faced weaker labour market conditions. Some evaluations noted the need to better address labour market requirements, including those of employers, and of clients in remote and rural areas. Evaluations also underlined that access to EBSMs, which is based on eligibility for EI, was limited for some people, particularly those with little labour market attachment. Low participation levels of lower skilled people and individuals with barriers to labour market participation were also highlighted in some evaluations.

4. Summary

With an overall pattern of mixed net impacts on clients, the findings from EBSM evaluations were not out of line with much of the international literature, though it must be noted that programming and methodologies to evaluate programming vary considerably across countries. EBSM summative evaluations confirmed the importance of a combination of work experience and training, something

that has also been noted in much of the international literature on the topic.⁶² Further study may be warranted to better understand how Canada's EBSM/LMDA measurement and evaluation framework compares internationally.

The mixed pattern of EBSM evaluation results does, however, underscore the important effects of local labour market conditions and client characteristics on the range of programming offered and on program outcomes. Tailoring programs to local needs is important.

VI. EI AND THE WORKPLACE

1. Work Sharing

As described in Chapter 2, the EI program includes a Work Sharing initiative designed to redistribute work among employees of a firm to avoid layoffs. Work Sharing provides income support to workers eligible for EI benefits who are willing to work a temporarily reduced work week when there is a reduction in the normal level of business activity that is beyond the control of the employer.

An evaluation of the Work Sharing program, under Part I of the *Employment Insurance Act*, was completed during 2003/04. The evaluation examined the role and effectiveness of the program in the current economic environment, and concluded that the Work Sharing program performs largely as intended and does avert a considerable number of temporary layoffs (HRSDC, 2004).⁶³ The program has proven particularly useful in supporting the labour market through times of unexpected labour market interruptions. Firms that participated in the Work Sharing program were

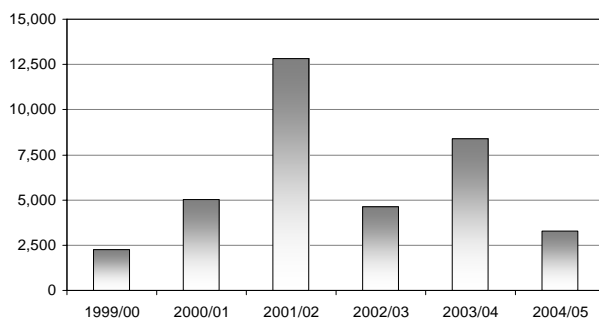
⁶² Refer to the *2004 Monitoring and Assessment Report* (Chapter 5, section 6) for an overview of international comparisons.

⁶³ HRSDC, *Evaluation of the Work Sharing Program*, Audit and Evaluation Directorate, 2004.

generally very supportive of the program and evidence suggests firms believe the program fosters employee morale and helps firms retain skilled employees through temporary business slowdowns.

During 2004/05, clients established 11,521 new Work Sharing claims and Work Sharing agreements averted an estimated 3,282 temporary layoffs, although some layoffs averted by the program may occur after the agreement expires. Given that the economy grew more rapidly than it did in the previous year and unemployment fell, the Work Sharing program was used to a far lesser extent than in the previous reporting period, with 63% fewer claims established and 61% fewer layoffs averted (Chart 22). The relationship between unemployment and the usage of the Work Sharing program shows that participation in the program correlates positively to the level of unemployment,⁶⁴ though this relationship may be secondary to large increases in use of the program to address unexpected shocks to the economy, such as those that occurred in 2001/02 (fallout from September 11 for the airline and tourism industries) and in 2003/04 (SARS, BSE).

**Chart 22:
Temporary Layoffs Averted Through
Work Sharing**



2. Apprentices

In most industries, the pace of research and development evolves rapidly, making ongoing

skills training a condition for staying competitive. Apprentices are workers who acquire new skills, during short but frequent training sessions, that are immediately applicable in the workplace. Apprenticeship programs help ensure that companies remain profitable and that workers remain employed.

In support of apprentices and to encourage ongoing skills development, the Government of Canada announced in the 2001 Budget that apprentices collecting EI while away from work on training would be subject to only one waiting period, though there may be multiple separate training segments of one course stretched over a number of years. All subsequent waiting periods for apprenticeship claims would be waived. This is the first *Monitoring and Assessment Report* for which a year-over-year comparison of apprenticeship claimants who are not subject to a subsequent waiting period has been possible.

In 2004/05, there were 31,620 apprentice claims, an increase of 3.7% over the 30,500 claims in 2003/04. Total benefits paid to apprentices remained at \$99.4 million in 2004/05, as apprentices received an average 9.2 weeks of benefits, which was slightly lower than the 9.5 weeks received in 2003/04. The average benefit rate was \$350, with just over 40% of apprentice claimants (13,030) receiving the maximum benefit rate of \$413. In comparison, the average weekly rate for regular benefits was \$315. Of the apprentice claims in 2004/05, 11,300 or 35.7% were not subject to a waiting period, an increase of 16.4 percentage points. Men represented over 95% of apprentice claims in 2003/04 (29,200), as well as in 2004/05 (30,270). In both 2003/04 and 2004/05, a large majority of apprentices (about 83%) came from three provinces: Alberta, Ontario and British Columbia. In 2004/05, Alberta had 11,830 claims, Ontario 9,390 and British Columbia 5,000.

⁶⁴ HRSDC, *Usage of the Work Sharing Program: 1989/90 to 2004/05*, Audit and Evaluation Directorate, forthcoming p.

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Over 69% of apprentices were employed in three industries: construction, which accounted for 15,520 claims (49.1%); manufacturing, which accounted for 3,610 (11.4%); and retail trade, which accounted for 2,820 (8.9%).

The *Monitoring and Assessment Report* will continue to provide information on apprentices' interaction with the EI program in future years.

VII. EI FINANCES

1. Impacts of Program Changes

As reported in previous *Monitoring and Assessment Reports*, savings directly attributable to EI reform are difficult to determine precisely, because of the major effects that economic and structural changes have on the program. Indeed, since EI is designed to change with economic conditions, program-specific analysis is even more difficult.

The *2003 Monitoring and Assessment Report* reported that average annual savings from the 1996 reform were in the order of \$1.2 billion in 2001/02. The EI summative evaluation estimates the average annual impact on expenditures of each legislative change to EI between 1984 and 2001. Each change from 1984 to 2000 resulted in program savings, with the largest savings (estimated at \$3.1 billion per year) resulting from Bill C-113, the *Government Expenditures Restraint Act* of 1993, followed by savings from Bill C-17 (1994) at \$2.5 billion per year. The 1996 EI reform, Bill C-12, resulted in an estimated \$1.4 billion in average annual savings per year (McDonald and McCracken, forthcoming q),⁶⁵ which is close to the \$1.2 billion reported in the 2003 and 2004 *Monitoring and Assessment Reports*.

After a number of studies on savings due to EI reform, we can conclude that the 1996 reform led to significant savings amounting to billions of dollars. Since that time, certain elements of the reform have been undone. For instance, the intensity rule has been eliminated and the benefit repayment ("clawback") provisions have been modified (see Annex 6). More recently, there have been large new investments in the EI program, such as the enhancements to parental benefits in 2001, and the pilot projects announced in February 2005. Given these added investments, the ongoing savings attributable to EI reform are difficult to measure accurately.

2. Trends in Contributions and Expenditures

Since 1996, there have been considerable annual changes in EI contributions and expenditures, due to a combination of decreasing EI premiums, increased expenditures due to program enhancements and major shifts in the Canadian labour market. For instance, labour force participation rates have grown substantially since the mid-1990s, and unemployment rates are much lower. In this context, it is informative to analyze trends in EI revenues and expenditures.

The EI program is financed by employee and employer contributions on insured earnings (up to the maximum insurable earnings value), with employers paying a 1.4 multiple of the employee premium rate. Employee premiums per \$100 of insured earnings have declined from \$3.07 in 1994 to \$1.95 in 2005, while employer premiums have declined from \$4.30 in 1994 to \$2.73 in 2005. As a result, employers and employees now pay \$10.5 billion less in premiums than they would have under the

⁶⁵ Grazina McDonald and Michael McCracken, *Savings Attributable to EI Reform*, Informetrica Limited, forthcoming q.

1994 rate. However, the effect of declining premiums on revenues has been offset by rising participation rates, which have increased the total number of insured persons paying into the EI program. Canada is among the countries with the smallest combined rates (employers and employees) of contributions. Only Finland, some U.S. states (state governments administer employment insurance in the U.S.) and Switzerland (which uses state subsidies to help finance the program) have smaller combined rates (Van Audenrode et al., forthcoming c).

Chapter 2 breaks down income benefits paid under Part I of the *Employment Insurance Act* by type of benefit (see Table 1 in Chapter 2). Regular benefits accounted for nearly 65% of total income benefits paid in 2004/05, while special benefits accounted for 30%, fishing benefits for just over 2%, and income benefits to participants in EBSMs for 3%. The share of total income benefits accounted for by special benefits has been growing in recent years, mostly due to growth in parental benefits. Parental benefits accounted for just over 5% of total benefits paid in 2000/01, but have grown steadily since then to represent nearly 17% of total income benefits paid in 2004/05. Effective December 31, 2000, the duration of parental benefits was increased from 10 to 35 weeks.

Another useful analysis of the trends in EI program expenditures is based on the shares of the various types of expenditures expressed as proportions of total EI revenue. The evolution of program expenditures from 1993/94 to 2002/03 is outlined in an HRSDC summative evaluation study (forthcoming r).⁶⁶ In 1993/94, EI Part I expenditures were 84.3% of total EI revenue, EI Part II expenditures were 9.7%, administrative costs were 7.0% and other costs (net interest on the EI Account deficit and other debts) accounted for 2.4%. Total expenditures in 1993/94 added to the EI

Account deficit at the time, as they reached 103.4% of total EI revenue.

Expenditures began a downward trend in 1994/95 and reached a low in 2000/01, when as a proportion of total EI revenue, EI Part I expenditures were 44.8%, EI Part II 8.7%, administrative costs 6.6% and other costs 0.1%, for a total of 60.3% of total EI revenue. This downward trend was reversed in 2001/02, and continued to increase into 2002/03, which coincides with the implementation of Bills C-32 and C-49, as well as a large increase in Skills Development expenditures. In 2002/03, as a proportion of total revenue, EI Part I expenditures were 63.6%, EI Part II 11.2%, administrative costs 7.8% and other costs 0.4%, for a total of 83.1% of total EI revenue.

Of particular note is the finding that, adjusted for inflation, total administrative costs declined by 1.4% between 1994/95 and 2002/03.

VIII. VIOLATIONS

Effective January 1997, EI claimants who knowingly misuse EI receive a "violation," in addition to a financial penalty. Having received a violation, an individual must have additional insured hours of work to qualify for benefits in future claims. In 2004/05, there were 7,730 instances in which a benefit period was not established due to the higher entrance requirements resulting from violations. As a result, the program avoided costs of just over \$40.3 million.

The number of violations imposed increased from 1997/98 until 2000/01, when the number peaked at 51,000. From 2001/02 and 2003/04, the number of violations imposed remained relatively steady, between 45,000 and 47,000. In 2004/05, violations imposed fell sharply, to 26,000.

⁶⁶ HRSDC, *Cost-Effectiveness of Employment Insurance*, Audit and Evaluation Directorate, forthcoming r.

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The portion of violations that were repeat or subsequent violations increased from 1997/98 to 2000/01, a year in which 20% of all violations were subsequent violations. In 2004/05, 19% of all violations imposed were subsequent violations.

Growth between 1997/98 and 2000/01 in the number of violations imposed and the incidence of repeat violations can likely be attributed to the provision being new, since it became effective in January 1997. The more recent decline in violations is consistent with the provision maturing and with a more balanced approach to the prevention and detection of misuse.