



**Confédération  
des syndicats nationaux**

Comments of the  
Confédération des syndicats nationaux (CSN)

Concerning Bill C-50

Act to Amend the Employment Insurance Act and to Increase Benefits

presented to the

Standing Committee on Human Resources, Skills and Social Development and  
the Status of Persons with Disabilities

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*The Confédération des syndicats nationaux (CSN) is composed of some 2,100 unions, representing over 300,000 workers grouped into sectoral or vocational federations and by region.*

*Since its inception, the CSN has taken public stands on various social measures, including the Canadian employment insurance plan, which unquestionably constitutes one of the most important components of the social safety net in Canada.*

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## **Introduction**

### **An Election-minded Bill**

Bill C-50 calls for the extension of the benefit period for those who have received 35 or fewer weeks of benefits in the five years preceding their benefit period and who have paid at least 30% of the maximum worker contribution for a certain number of years; these workers may see their benefit period increase from two to 20 weeks.

This measure clearly targets people who have received few or no benefits and have held fairly stable jobs for many years.

It means that a worker who paid at least 30% of the maximum annual premium for 12 out of the past 15 years, received less than 35 weeks of benefits in the last five years, and has accumulated 2,000 hours of insurable work, would be entitled, if the unemployment rate in his or her region is 8%, to 45 weeks of benefits plus 20 additional weeks, or a total of 65 weeks, if the benefit period starts between January 4, 2009, and June 5, 2010.

The same worker who has contributed at least 30% of the maximum premium for 11 out of the last 14 years would be entitled to 45 weeks of benefits plus two additional weeks,<sup>1</sup> for a total of 47 weeks if the benefit period begins between August 6 and September 11, 2010.

As we see, over time, the benefit period extension shrinks radically.

It is the CSN's view that this measure is far too restrictive, affects only a limited number of claimants, and indeed, completely ignores those in the most precarious jobs. Seasonal workers are automatically excluded from these measures, since they are likely to have received 36 weeks of benefits over the last five years. The same thing is true for workers with insecure employment conditions who do not manage to contribute 30% of the maximum annual premium in some years. Included here would be part-time or minimum wage workers, and people who are re-entering or entering the labour market. Clearly, there is nothing here to ensure income protection for those who are most disadvantaged.

Moreover, the measure applies only to benefit periods that commence after January 4, 2009, which excludes all the forestry workers who lost their jobs long before that date, notably, in Québec.

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<sup>1</sup> Section 2 (1) paragraph 2.4 a) of Bill C-50.

The federal government claims that this measure will enable 190,000 claimants to have their benefit period extended. In the context of a constantly looming federal election, it would be interesting to know what regions, indeed, electoral districts, have claimants who are eligible for an extension and eventually, for a retroactive cheque.

### **A More Promising Measure**

It is the CSN's view that, with regard to income protection for the insured, it would be much more effective to implement a measure like the one applied during the 1982–1985 economic crisis. By ensuring that the compensation workers receive when they leave their job—holiday pay, severance pay, prior layoff notice, etc., is not calculated as earnings in terms of benefit entitlement, we would give claimants access to benefits as soon as they are laid off and allow them to use any remuneration received from their employer when they are terminated to maintain a minimal income as long as possible. This could be achieved with a simple amendment to the Employment Insurance Regulations.<sup>2</sup>

Such a measure would address all claimants, regardless of their employment status, involve no increase in the number of weeks of benefits payable to a claimant and could thus be combined with a general increase— applicable to all claimants—of the number of weeks of payable benefits (five weeks, for example).

It would ensure income protection for more claimants, over a longer period, allowing them to preserve their purchasing power and, through their regular expenditures on clothing, groceries, housing, transportation, etc., support the economy.

### **Reinstate the Original Role of the Canadian Employment Insurance Plan**

#### **Increase accessibility by revisiting the conditions of entitlement**

The CSN reaffirms the necessity of addressing the conditions of entitlement, particularly in a period of economic crisis.

The employment insurance plan is first and foremost an unemployment insurance plan. The insured contributors should be able to draw benefits when the insured risk occurs and they become unemployed.

After every legislative reform since 1990, coverage has been whittled away to the point where only 50% of unemployed workers are entitled to benefits. In 1989, it will be recalled, 87% of workers had access to benefits, compared to an average of 45% since 2000.

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<sup>2</sup> Section 35 (7) of the Employment Insurance Regulations.

In 1998, the UN's Committee on Economic, Social and Cultural Rights reported the weakening of coverage for the unemployed following various reforms and expressed its concern in this regard.<sup>3</sup>

In its September 2009 report, the Conference Board reminds us that Canada's record on poverty is among the worst in developed countries and that the situation is only deteriorating. Canada is ranked 15<sup>th</sup> out of 17 countries in terms of poverty among persons of working age. The Conference Board affirms that:

- Canada's performance internationally in the area of poverty can be primarily explained by a drastic decrease in benefits, among these, employment insurance and family benefits.
- These benefits are lower in Canada than in the majority of OECD countries.

Indeed, since November 1990, with the passage of what was then Bill C-21, the government has not paid a single penny to finance the plan; it is funded exclusively by the contributions of workers and employers. When the *Employment Insurance Act* was passed in 1996, the government broadened the requirement to contribute to all workers, starting with the first dollar of their earnings, increasing contribution earnings despite a considerable cost reduction in the plan. From 1996 to 2005, this gap between revenue from contributions and the plan's costs allowed the federal government to use over \$56 billion in revenue from contributions for purposes other than employment insurance, notably to reduce the deficit. This sum of over \$50 billion in excessive contributions is still posted in the Employment Insurance Account credit balance.

It should be remembered that the employment insurance plan is one of the main instruments of economic stability in Canada and that in these difficult times, expanding entitlement to the plan could only benefit the economy.

The CSN believes that the plan's coverage must be restored to a level equal to that of 1989, and that more than 85% of insured persons who become unemployed should be given access to the insurance plan to which they have contributed.

Among the measures to be envisaged, the CSN reiterates its position concerning the abolition of the waiting period, establishment of a universal entitlement standard equivalent to 360 hours of insurable work, and the raising of the maximum level of insurable earnings, resulting in an increase of the maximum amount and duration of benefits.

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<sup>3</sup> Report of the Committee on Economic, Social and Cultural Rights, 10 December 1998, Geneva.

### **Waiting period**

The two-week waiting period is one of the longest among industrialized countries. Indeed, the employment insurance plans in Belgium, Denmark, Germany, Spain, Portugal and several states in the USA have no waiting period at all. The waiting period in other countries, like France, the United Kingdom and Italy, is seven days.<sup>4</sup>

In purely economic terms, the waiting period greatly diminishes the income replacement rate, especially for claimants who receive benefits for a short period (for example, a layoff of a few weeks for plant maintenance, or a shutdown).

The CSN's view is that the abolition of the waiting period will help to preserve claimants' purchasing power when they are laid off, and consequently, their contribution to the economy.

### **A universal entitlement standard of 360 hours**

According to HRSDC<sup>5</sup> data, application of a universal entitlement standard of 360 hours for all claimants (including new entrants and applicants for special benefits) would render 330,000 more unemployed workers eligible; if new entrants and applicants for special benefits were excluded, that figure would be 165,000 additional unemployed workers.

Without question, the main reason unemployed workers are considered ineligible for benefits is that to qualify they must accumulate an excessively high number of hours of insurable work. The CSN believes this measure is necessary to restore the insurance nature of the plan and guarantee that insured contributors can, in exchange for their premiums, benefit from a form of protection—the essence of any insurance plan.

According to the Parliamentary Budget Officer's estimates, the costs of a single entitlement standard of 360 hours for regular benefits (excluding new entrants) would come to \$1.14 billion per year, which is probably slightly high since it is based on an 8% rate of unemployment.

In this respect, the CSN considers that the Employment Insurance Account's credit balance, now at over \$56 billion, should be put to use to restore coverage and let more than 165,000 unemployed workers who have contributed to their plan receive some benefits.

The CSN would also like to point out that in the event of a broader reform of the *Employment Insurance Act*, it would be appropriate to remove the entitlement

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<sup>4</sup> Marc Van Audenrode, Andrée-Anne Fournier, Nathalie Havet and Jimmy Royer, *Employment Insurance in Canada and International Comparisons*, Analysis Group, 2005.

<sup>5</sup> HRSDC, Human Resources and Skills Development Canada.



condition based on the number of hours of insurable work and return to a system based on weeks of insurable work, where a week of work is week of insurable employment, regardless of the number of hours worked.

At the time the *Employment Insurance Act's* passage, the rationale for the shift from the condition based on weeks of insurable work to one based on hours of insurable work was that it would provide insurance to people working less than 15 hours per week, thereby broadening coverage. Instead, coverage has shrunk considerably. Not only that, we could have maintained the condition based on weeks of insurable work and still been able to insure people working less than 15 hours per week, since contributions can be paid starting with the first dollar earned.

The CSN has always affirmed that basing eligibility on the number of hours of insurable work is inequitable because it penalizes workers in atypical jobs (part-time, on-call, contract workers, etc.) who work less than 35 hours per week, the majority of whom are young people and women.

According to data available in Québec, 35% of jobs are atypical and the figure is 40% for women (2001).

Moreover, Canada is the only country to have adopted an eligibility measure based on hours.

### **Increase the insured income level and length of benefits**

Currently, the maximum insurable annual earnings is \$42,300. This means that someone who earns more than the insurable maximum contributes up to the maximum insurable level only and, if they become unemployed, receives, not 55% of their normal weekly pay, but 55% of \$813.

The income maintenance level, which is already very low (55%) is even lower for those whose income exceeds the insurable maximum. By removing the insurable maximum all employees would contribute at the same rate, based on their annual earnings and, in exchange, would enjoy the same income replacement rate, regardless of their regular weekly pay. Since the highest paid employees are usually less likely to undergo periods of unemployment, the employment insurance plan would play more of a redistribution role, which is in keeping with a social insurance program.

### **Conclusion**

The CSN believes that the measures proposed in Bill C-50 are too restrictive and inequitable. It proposes instead that the compensation workers receive when their employment is terminated no longer be considered as earnings for the

purpose of calculating benefits and that this measure be combined with an increase in the number of payable weeks of benefits, to be applied to all claimants.

In addition, it is the position of the CSN that in these difficult economic times, the Canadian employment insurance plan must fully assume its role of providing financial stability to the insured. It therefore proposes that coverage be restored by amending entitlement conditions, in particular, by abolishing the waiting period, introducing an entitlement standard of 360 hours for regular benefits applicable to all claimants, and increasing the level of insurable earnings.

Such a reform, which would enhance the protection of insured persons and broaden it to more unemployed workers, would be more likely to encourage economic renewal than the election-minded reform advocated in Bill C-50.