



UNEMPLOYMENT INSURANCE

RETHINKING THE SOCIAL SAFETY NET

No one should be left behind!



WE ARE ADVOCATING FOR COMPREHENSIVE EI REFORM TO CREATE A MODERN PROGRAM THAT BETTER PROTECTS WORKERS AND REFLECTS THE DIVERSE WORLD OF WORK.

The EI program, which we will refer to as “unemployment insurance” (see page 7) throughout this document, provides replacement income in the event of job loss and as such is one of Canada’s most important social programs. However, each year hundreds of thousands of unemployed workers do not qualify for EI.

Adding fuel to the fire, the health crisis that broke out in spring 2020 has impacted the workforce significantly and caused unemployment rates to soar to their highest levels since the Great Depression in the 1930s, revealing the flaws of Canada’s social safety net. From the moment that the crisis began, EI literally collapsed: online services broke down, phone lines were overloaded to the point of shutting down and offices were closed. This happened because of numerous EI cuts over the years, causing the program to become snarled in red tape, needlessly complicated for claimants and burdened by an inordinate amount of legal procedures.

Between 1990 and 2015, every single government has used the same tactic: make cuts and complicate procedures for processing and investigating files. This is on top of the fact that governments have been shamelessly and regularly dipping into EI surpluses.

Since 2016, there have been some positive adjustments to EI. However, many experts still argue that the rules governing Canada’s system make it one of the most complicated among all OECD countries.

One of the reasons why EI is so complicated and arbitrary is that benefit eligibility depends on the unemployment rate in the area where each unemployed person lives. In addition, the department splits up the EI administrative regions at random, which creates significant discrepancies.

Canada is the only country where an unemployed person’s eligibility for EI, in addition to the amount and duration of the benefits that they receive, is determined based on the unemployment rate in their area where they live.



EI is also made complicated and arbitrary by its use of legal recourse, including the extreme measure of total disqualification, which is enforced when terminations of employment are deemed invalid (voluntary departure and dismissal for misconduct). One in four people are excluded from EI in this way, after undergoing often malicious investigations. EI in its current form is vindictive and outdated.

The Conseil national des chômeurs et chômeuses is proposing a measure that would be easy to implement and protect all workers. We propose creating a single eligibility criterion; establishing a single formula for determining benefits; standardizing the benefit period for all; and no longer using legal procedures to address dismissal and voluntary departure cases.

The nature of work has changed considerably. Approximately one third of the workforce is employed either on a temporary or part-time basis, with the latter category having a disproportionate number of women. These workers, whose jobs are in industries that offer very little protections, have been hit hard. Moreover, despite a significant ongoing increase in the number of self-employed workers (approximately 15% of the workforce currently), EI offers them virtually zero protections. All of this must change. The pandemic has revealed existing flaws in EI. It is time to tackle them head on and find solutions that work for everyone.

Modernize EI now.

Expand coverage

Before establishing principles for a more equitable access to EI, it is first useful to list those who are excluded from the program:

1. Part-time and determinate (temporary or seasonal) employees;
2. Employees terminated for reasons that are inconsistent with the law as it currently stands;
3. Self-employed workers; and
4. Employees who remain employed but have their hours significantly cut.

EI access must be redefined so that workers with less typical work schedules (part-time and temporary) can be covered. Self-employed workers must also receive these protections, subject of course to certain verifications, e.g., that there is actually a work stoppage.

In addition, a more equitable system would be less discriminatory toward employees who are terminated due to reasons considered invalid under the current system.

Lastly, we propose that EI cover scheduling cuts so that people who have their work hours cut by at least 50% (going from full time to part time), but without losing their jobs outright, would be eligible to submit claims and receive unemployment insurance benefits.

TABLE 1: ELIGIBILITY CRITERIA BY COUNTRY

Single criterion	
Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Spain, Slovakia, Serbia, Turkey, Denmark, Portugal, South Korea, Germany, Sweden	
Multiple criteria and/or factors	
Age	Belgium, France, Australia
Industry (agriculture, construction, other)	Italy
Income	New Zealand, United Kingdom
Region	Canada

Source: <https://www.cesifo-group.de/foHome/facts/DICE/Labour-Market/Labour-Market/Unemployment-Benefit-Schemes/Unemployment-Coverage-Source-Qualifying/fileBinary/Unemployment-Coverage-Source-Qualifying.pdf>

WE PROPOSE ESTABLISHING AN UNEMPLOYMENT INSURANCE SYSTEM BASED ON ONE SINGLE ELIGIBILITY CRITERION: 15/15. THIS CORRESPONDS TO 15 WEEKS WORKED IN THE PAST YEAR (THE REFERENCE PERIOD), WITH EACH WEEK REPRESENTING AT LEAST 15 HOURS OF WORK.



The 15/15 single criterion will put an end to the arbitrary nature of the variable entrance requirement based on random regional unemployment rates, simplify the eligibility rules and, above all, provide better coverage for part-time, temporary, seasonal and atypical workers, who are poorly protected at the moment.

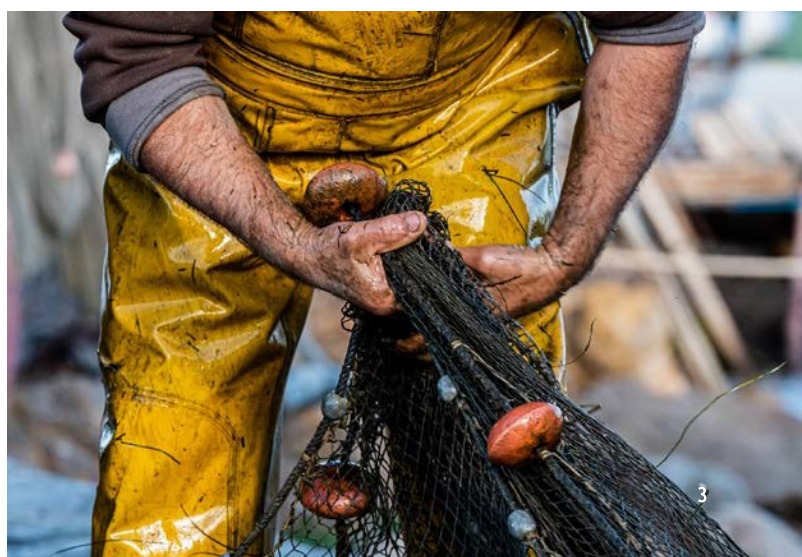


The single eligibility criterion would have only one exception: a provision declaring some areas and employment categories, as well as Indigenous communities, “protected.”

Specifically:

1. Seasonal industry workers living in areas with a seasonal employment rate higher than the national average employment rate;
2. Areas with significant unemployment (10% or more);
3. Indigenous communities; and
4. Areas and industries affected by natural disasters or work disruptions that are tantamount to a disaster.

These areas and/or employment categories, as well as Indigenous communities, must be declared “protected,” thereby establishing a single eligibility criterion of 420 hours, with a divisor of 12.





A standardized formula

The current benefit rate formula uses the average of a pre-determined number of best weeks of work during the qualifying period. That number is referred to as “the divisor” and is based on the unemployment rate.

WE PROPOSE ESTABLISHING A SINGLE DIVISOR OF 15 FOR ALL.



The replacement rate

Internationally, the average benefit rate (replacement rate) is approximately 2/3 of salary; in Canada, it is currently 55%.



We propose increasing the replacement rate to 65% of the average salary.

TABLE 2: REPLACEMENT RATE BY COUNTRY

Country	Replacement rate
Denmark	90%
Sweden	80%
Italy	75%
Netherlands	75%
France	57% to 75%
Spain	70%
Belgium	65%
Germany	60%
Austria	55%
Canada	55%
United States	50%

Source: Benoît Ourliac, Direction de l'animation de la recherche, des études et des statistiques (DARES), *Comparaisons internationales des régimes d'assurance chômage: quels enseignements*, May 2017, p. 21.

The benefit period

Currently, the number of weeks of benefits granted, which is commonly referred to as the “benefit period,” takes into account two factors: the amount of time worked during the qualifying period (number of insured hours) and the regional unemployment rate, for a maximum of 45 weeks.

This framework establishes 12 unemployment rate levels and 41 working time levels (based on 35-hour increments between 420 and 1,820 hours of work). This creates many disparities and inequities from one region to the next, from one unemployment rate to another and from one month to the next.

We propose a more straightforward approach that is guaranteed to better protect workers:



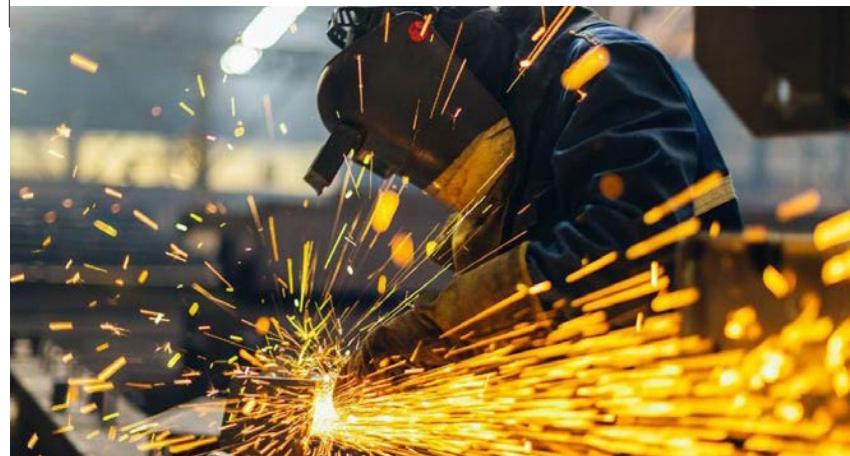
A standardized 50-week benefit period for all.

The average ACTUAL duration of benefits in Canada in 2018–2019 was 18.2 weeks, and 82% of unemployed people did not receive benefits for that entire period.

TABLE 3: MAXIMUM DURATION OF BENEFITS BY COUNTRY

Slovakia, United Kingdom, United States, Hungary, Japan	0–10 MONTHS
Austria, Finland, Greece, Italy, Ireland, Poland, Czech Republic, Romania, Sweden, Switzerland	10–20 MONTHS
Germany, Denmark, Spain, Norway, Portugal, Slovenia	20–30 MONTHS
France, Netherlands	30–40 MONTHS
Belgium	UNLIMITED

Source: <https://www.businessinsider.com/heres-how-long-unemployment-benefits-now-last-in-each-state-2014-1>



Sickness Benefits

Canada established its UI program in 1940 to mitigate unemployment risks. The program has evolved over time and now provides benefits for several other contingencies, including short-term illness, maternity, paternity, adoption, compassionate care and caregivers. Today, these so-called “special” benefits account for approximately 35% of all benefits paid in Canada (except for Quebec, which has its own parental insurance plan that is more generous and collects separate premiums).

Special benefits therefore meet the needs of many workers whose employers do not offer them group insurance plans. If the trend toward more unstable forms of employment continues to rise, so will the need to cover these types of contingencies.

We propose four measures to tackle this issue:

1 EXTEND THE SICKNESS BENEFIT PERIOD TO 50 WEEKS TO COVER PEOPLE WITH SERIOUS ILLNESSES;



- 2 Establish eligibility for sickness benefits using the aforementioned 15/15 criterion for regular benefits (15 hours of work per week for 15 weeks, and “protected” status for some).
- 3 Adequately support people who are gradually returning to work after not being able to work for some time (currently, the part of the week that is not worked is poorly covered by EI); and
- 4 Provide an extended benefit period of 15 weeks to anyone who loses their job during parental leave or within 3 months of returning to work.

TABLE 4: HEALTH BENEFITS IN G7 COUNTRIES AND RUSSIA

Country	Duration	Replacement rate
France	156 weeks	50% (may be supplemented by additional benefits paid by the employer)
United Kingdom	Variable: Group 1: 52 weeks Group 2: Unlimited	Pre-determined amount based on age and ability to re-enter the workforce
Germany	78 weeks	70% (first 6 weeks at 100%)
Japan	72 weeks	66%
Italy	Variable: approximately 26 to 52 weeks	Depends on the employee and their industry
Russia	Benefits limited to 1,150,000 P (22,400 CAD)	60% to 100%.
Canada	15 weeks	55%
United States	12 weeks	0%



Relaxing the rules for terminations deemed invalid

Prior to 1993, workers who resigned without cause could be temporarily disqualified from UI for up to 12 weeks.

Today, if someone resigns without cause or is terminated for misconduct, they will be completely disqualified, and all past records of employment and previously established benefit periods will be wiped out. This policy is obviously arbitrary in its implementation, invasively involves the legal system in EI and brutally penalizes workers.

In fact, Canada is among the countries with the most severe penalty: total disqualification (see Table 5).

We propose that:

- **DISQUALIFICATION OWING TO TERMINATION, WHEN DEEMED INVALID, AFFECT ONLY ONE JOB, AND NOT ANY OTHER PREVIOUSLY HELD EMPLOYMENT;**
- **THE DISQUALIFICATION PERIOD OWING TO TERMINATION, WHEN DEEMED INVALID, BETTER REFLECT INTERNATIONAL AVERAGES: 4 TO 10 WEEKS, DEPENDING ON THE CIRCUMSTANCES;**



- the list of legitimate reasons for voluntary departure be reviewed and updated and that the notion of “no reasonable alternative” (section 29(c)) be struck from the legislation. In addition, misconduct should be better defined; and
- workers be given a trial period of up to 15 days worked in a new job, during which they may leave without being disqualified from EI.

TABLE 5: PERIOD WITHOUT ACCESS TO UNEMPLOYMENT INSURANCE IN CASE OF RESIGNATION, BY COUNTRY

Duration	Country
0 to 4 weeks (including some benefit reductions)	Austria, Bulgaria, Czech Republic, Denmark, Lithuania, Slovakia
5 to 9 weeks	Belgium, Cyprus, Ireland, Norway, Australia
10 to 14 weeks	Finland, Germany, Hungary, Sweden, United Kingdom, Japan, New Zealand, Switzerland
More than 14 weeks	France, Malta, Poland
Total disqualification	Greece, Netherlands, Portugal, Romania, Slovenia, Spain, Turkey, Canada, United States

Source : <https://www.cesifo-group.de/DocDL/dicereport212-db5.pdf>



Abolish the so-called “violation”

When the Commission rules that claimants should not have received EI benefits, it will order them to repay those benefits. If the act is considered fraudulent, a monetary penalty will often be added. Claimants can also receive a notice of violation, which increases their eligibility requirement for the next two unemployment insurance claims submitted within the next five years.



We propose repealing the notice of violation.



Income earned while receiving benefits and distribution of earnings

On the topic of employment income earned during a benefit period, we propose adding, with respect to the 50 cents for every dollar earned rule:

 **initial pensionable earnings of \$150, indexed annually.**

In addition, any distribution of earnings that has an effect on a benefit period will be calculated according to the 25% rule.

An independent, simplified and accessible appeal system

The current review process must be maintained. It is agile, fairly quick, and is based on a fact-based, conciliatory approach. All administrative tribunals must adopt a people-centred approach and write their decisions in plain language. Members and commissioners must be non-partisan so that people from a wide variety of backgrounds can be appointed. Hearings must be scheduled quickly, and decisions handed down without too much delay. And obviously, any tribunal must be able to rely on sufficient administrative staff.

Governance clauses

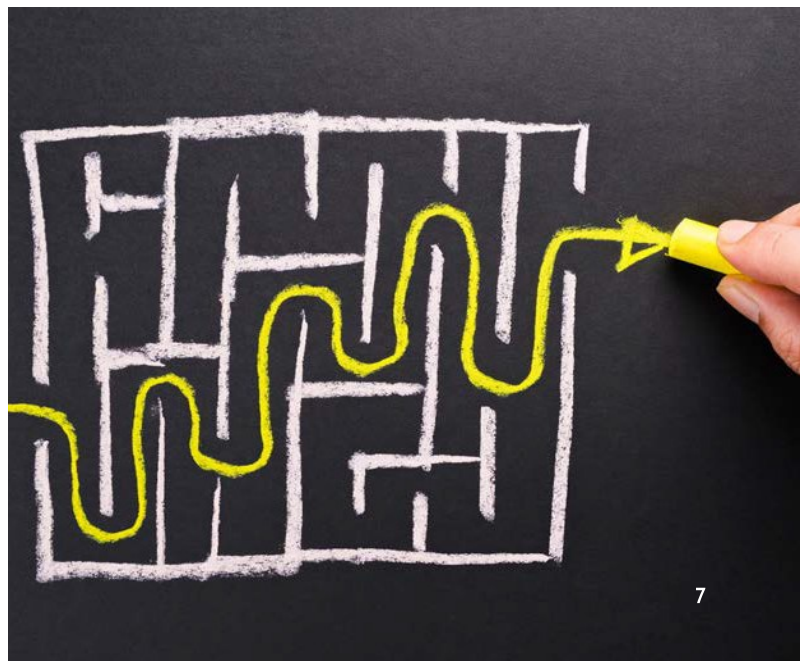
UI must be governed in a sound and transparent manner. For example, the department that manages the UI program and fund must be required to produce regular UI performance reports.

The department should establish relatively stable contribution rates for the next 5 to 10 years and create an independent fund with those contributions. The government should not have a say in how this fund and the investments made from it are managed.

If the fund exceeds the amount deemed necessary by the actuary, any surplus must be disposed of at the end of the year by giving refunds to workers (through their tax returns) and to employers (through monthly remittances that are otherwise due from the employer under EI).

Unemployment insurance

In 1996, unemployment insurance became employment insurance. Over twenty years later, it is clear that this term has never been publicly recognized. For everyone, employment insurance remains unemployment insurance ... or unemployment! As a term, unemployment insurance provides a better description of the program. In addition, the institution responsible for the program must once again be called the Unemployment Insurance Commission. This will make it easier for people to understand, and everyone will benefit from this.



**THE DIRE ECONOMIC CRISIS
RESULTING FROM THE COVID-19
PANDEMIC IN 2020 EXPOSED THE
FLAWS IN OUR UNEMPLOYMENT
INSURANCE PROGRAM'S SOCIAL NET.
UI NEEDS TO BE THOROUGHLY
REVIEWED AND MODERNIZED TO
BETTER REFLECT A WIDE VARIETY
OF EMPLOYMENT REALITIES SO
THAT WE CAN BE READY TO FACE
NEW CRISES GOING FORWARD.**



**THIS DOCUMENT INCLUDES
OUR PROPOSED CHANGES,
WHICH WERE PREPARED
OVER TIME BASED ON OUR
CONCRETE EXPERIENCE
AND IN-DEPTH
CONSIDERATION.**

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