The Keynesian and Neoliberal Influence in Employment Insurance Reforms, 1940-2010

by

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Table of Contents

Introduction

Employment Insurance (EI) is an income security program operated by Human Resources and Skills Development Canada that is designed to serve as insurance against the loss of income in the event of a job loss. As such, the EI program is one of the key pillars of Canada's income security system. The program not only reduces the uncertainties that result from the loss of employment, but provides employers with greater labour market flexibility. The EI program also serves as an economic stabilizer and plays an income redistributive role in Canada.

The Unemployment Insurance (UI) program, the precursor to EI, came into effect in 1940, under the *Unemployment Insurance Act*. With UI, Canada became the last Western industrialized nation to have such a program. The UI program, in its initial stages, was based on strong insurance principles designed principally to protect the working incomes of employees.

The UI/EI program has been subject to numerous reforms throughout its history. While the reforms to the program have transformed the program in many aspects, they have followed a trend whereby the reforms have seen the Canadian federal government play an ever-changing role in the Canadian labour market through the years.

In its early years, and under Keynesian influence, UI/EI had a steadily growing role for the federal government within the Canadian labour market, with a focus on full employment and encouragement of the supply of labour in Canada. However, the past quarter-century has seen an emergence of a neoliberal approach which has greatly emphasized the role of individual workers and the labour demand of the Canadian labour market, while reducing the involvement of the federal government.

The Rationale of EI

Unemployment is one of the most significant risks that workers face in the economy. A loss of job can lead to conditions of poverty, with losses in assets such as houses and cars, and with losses in social status, to name a few of the consequences. There are other income security programs in Canada, notably Workers' Compensation and Social Assistance. Workers' Compensation relates to insuring employees from work injuries, while Social Assistance is a minimum income program for people with no sources of income. Within this system, EI's main purpose is to provide benefits to employees who have paid premiums and have lost their jobs.

However, the EI program has a wide scope of programs designed to serve many more purposes, including special benefits for parents (and for self-employed parents from 2009 onwards) with newborns or adopted children and for workers who are sick or taking care of a seriously ill relative. There are fishing benefits which are administered in a slightly different manner from the regular benefits to reflect the nature of the fishing industry in Canada. There is also income support for workers and employees who register for work-sharing agreements to avoid temporary layoffs during periods of low business which is beyond the control of the employer. Together, these benefits comprise Part I of the EI program.

As well, there are employment-related benefits, including temporary financial assistance for workers who are in training programs to develop and upgrade their occupational skills. There are employment benefits for employers as well, with wage subsidies for firms that hire a significant number of employees for job training purposes, and there are also job creation partnerships developed for community-level projects which are funded by HRSDC.

A final component of the EI program is the support measures for employees seeking to re-enter the labour force. Employment assistance services activities include creating re-entry action plans for EI claimants focusing on short-term job searches. There is also individual counselling for those who may need to address more complex issues in their labour activities. Support measures for employers include labour market partnerships used to support and improve the human resources departments of various firms (which benefit both employers and employees), and research and innovation projects designed to help firms understand the labour patterns of their employees. Employment-related benefits and support measures are collectively referred to as EBSMs, and constitute Part II of the EI program.

The EI program, in its design, can also serve as an economic stabilizer, helping avert some of the job losses that would have occurred in the Canadian economy's downturns by financially assisting employers, and helping offset some of the income losses for employees. Correspondingly, when the Canadian economy is performing well overall, the EI program has generally taken in a surplus of EI premiums with which to fund the Consolidated Revenue Funds of the Canadian government. With the creation of the Canada Employment Insurance Financing Board (CEIFB), this stabilization function of the UI/EI system has been weakened, as will be elaborated later.

The EI program also plays an income redistributive role in Canada. Studies have shown that there is a modest redistribution from high-incomers to low-incomers. For example, in 2002, the employees in the bottom half of the income distribution collected $4.9 billion more in benefits than they paid into the program in premiums.[1] Additionally, the workers in the bottom 10% of the income distribution received 22% of all EI regular benefits paid out, collecting $2.3 billion more in benefits than

[1] HRSDC, *Employment Insurance Monitoring and Assessment Report 2006* (EI MAR Report), Ottawa: Human Resources and Skills Development Canada, p. 58

premiums.[2] A 2004 analysis showed that the operations of the EI program also resulted in income re-distribution between different regions, as well as industries.[3]

The Structure of EI

In terms of the parameters of EI as they existed in 2009, Canadians who have been paying EI premiums can receive regular benefits if they have lost their jobs, at the benefit rate of 55% of their average earnings per week, up to a maximum of $447 per week. As Table 1 indicates, this has fallen to 55% from a high of 66.6% in 1971. The benefit rate may be higher for low-income families with dependents. There is a clawback rule in the EI program, which applies to those with a net income in excess of $52,875, who will repay up to 30% of their benefits. However, this rule does not apply in the case where the claimant is receiving special benefits.

Table 1: EI Benefits Replacement Rate

Year	Benefit Rate (Regular/Families with Dependents)
1940-1971	Varied, approximately 60%
1971-1975	66.6%/75%
1975-1979	66.60%
1979-1992	60%
1992-1994	57%
1994-1996	55%/60%
1996-2001	50%~55%/60%
2001-	55%/80%

Sources: HRSDC, *Employment Insurance Act; Employment Insurance Regulations*

[2] Ibid
[3] Ibid, p. 68

The eligibility requirements for these benefits are normally based on a minimum required number of hours worked in the past 52 weeks. If one has started an EI claim within the past 52 weeks, then the required hours would be counted since the start of one's last claim. Eligibility requirements range currently from 420 to 700 insurable working hours within the qualifying period, as shown in Table 2 below. The hours needed to qualify increase as the unemployment rate in one's residential region decreases. However, if one enters the workforce for the first time, or re-enters after an absence of two years, one needs 910 insurable hours to qualify.

Table 2: EI Eligibility Requirements, as of Jan 1, 2009

Regional rate of unemployment	**Required number of hours of insurable employment in the last 52 weeks**
0% to 6%	700 hours
6.1% to 7%	665 hours
7.1% to 8%	630 hours
8.1% to 9%	595 hours
9.1% to 10%	560 hours
10.1% to 11%	525 hours
11.1% to 12%	490 hours
12.1% to 13%	455 hours
13.1% and over	420 hours

Sources: HRSDC, *Employment Insurance Act; Employment Insurance Regulations*

The relationship between required hours and regional unemployment rates appears in Table 2 and Appendix Table G, while that between hours worked, regional unemployment rates and the number of benefit weeks is shown in Table H. Table 2 shows that 700 insurable hours are required for benefit eligibility if one resides in a region where the unemployment rate is less than 6%, but only 420 hours are needed when the unemployment rate exceeds 13.1%. From Table H, it can be seen that 700 hours of work will qualify one for 14 weeks of benefits in regions where the unemployment rate is less than 6%. This rises to 36 weeks in areas where the unemployment rate exceeds 16%. Working for 420 hours in the highest unemployment rate region will qualify one for 32 weeks of benefits However, in areas where the unemployment rate is less than 6%, it takes four times as many hours (1680) to qualify for 32 weeks where the unemployment rate is less than 6%.

It should be noted that regular benefits are payable for an extra five weeks in all of Canada for claims not ending before March 1st, 2009 to those not starting after September 11th, 2010, as enacted by the Government of Canada in response to a global recession which affected Canada beginning in the first quarter of 2009. In response to the recession, the EI program also has extended regular benefits for long-tenured workers, by up to 20 weeks for all who qualify, and by up to a maximum of 104 weeks for those who are taking long-term training.

The most common ratio used to judge the comprehensiveness of the EI program is to calculate the proportion of the unemployed in Canada who actually receive EI benefits. Known as the B/U ratio, this figure has decreased from 83% in 1989[4] to 44% in 2007[5] (See Appendix Table F for the history of the B/U ratios). While this decrease has been seen as a sign of the more restrictive eligibility requirements over time, it also reflects the EI program's focus on serving those who have moderate to strong attachment to the labour market. The B/UC ratio replaces the denominator of the B/U ratio, the number of unemployed individuals, with the number of unemployed individuals who had been paying EI premiums in the previous 12 months.[6] This number was 63.1% in 2007.[7] Among those who became

[4] Hick, Steven, 2004, *Social Welfare in Canada*, Toronto: Thompson Educational Publishing, p. 65
[5] HRSDC, *Employment Insurance Monitoring and Assessment Report 2008*, p. 65
[6] HRSDC EI MAR Report 2008, p. 65.
[7] Ibid.

unemployed with a recent job separation that qualified under the program, 82.3% of these individuals were eligible to receive EI benefits in 2007.[8]

Table 3: EI Benefits to Unemployed Ratio & EI Benefits to Unemployed Contributors Ratio

	B/U Ratio	B/UC Ratio
2000	45.1%	68.9%
2001	44.6%	65.8%
2002	44.2%	63.1%
2003	44.6%	62.5%
2004	43.6%	63.5%
2005	44.8%	65.4%
2006	46.1%	67.8%
2007	44.2%	63.1%

Sources: Statistics Canada, *Employment Insurance Statistics* (Cat. No. 73-001-XPB) and *Annual Supplement* (Cat. No. 73-202-SPB), Statistics Canada, *Labour Force Information* (Cat. No. 71-001-XWE), CANSIM Table 276-0001 (v384773), CANSIM Table 282-0087 (v2064893); HRSDC, *EI Monitoring and Assessment Report*

In addition to regular benefits, EI has special benefits for maternity/parental leaves or sickness leaves. Maternity benefits are payable for a duration of up to 15 weeks if one qualifies for the benefits by having worked for 600 hours in the qualifying period. Sickness benefits are also payable for up to 15 weeks, with similar qualifying requirements. A recently introduced special benefit, entitled compassionate care benefits, will be paid for up to 6 weeks to workers who need to take care of gravely ill family members. The qualifying period for compassionate care benefits is the same as the qualifying period for other special benefits.

Table 4 shows that the total amount of EI benefits paid out amounted to $16.3 billion in 2008/09. The latest *EI Monitoring and Assessment Report* shows that, for

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8 Ibid, p. 64

2007/08, there were $12.3 billion of total income benefits related to Part I of the EI program. The majority of benefits were paid out in the form of regular benefits, which amounted to 64.5% of the Part I EI benefits in 2007/08.[9] Special benefits amounted to 30.0% of the Part I EI benefits in 2007/08, including maternity, parental, and compassionate care benefits. As well, Part I benefits paid to those also receiving Employment Benefits and Support Measures (EBSMs) accounted for 3.4% of Part I EI benefits, and fishing benefits accounted for 2.0% of Part I EI benefits.

Table 4: EI Account Statement of Operations: Total Costs ($ millions)

Fiscal Year	Total EI Benefits	Admin Costs	Doubtful Accounts	Total Costs
2000/01	11,356	1,408	26	12,790
2001/02	13,694	1,476	73	15,243
2002/03	14,501	1,519	81	16,101
2003/04	15,070	1,521	60	16,651
2004/05	14,748	1,542	95	16,385
2005/06	14,418	1,576	56	16,050
2006/07	14,079	1,636	99	15,815
2007/08	14,293	1,689	81	16,063
2008/09	16,308	1,801	27	18,137

Sources: HRSDC, *Departmental Performance Report;* Government of Canada, *Public Accounts of Canada*

The EI program is funded by premiums collected from employees and employers. As of 2009, employees pay 1.73% of their earnings up to the maximum insurable earnings of $42,300, and employers pay 2.42% of the earnings they pay to employees (See Table E for a history of these premium rates). The premiums paid into the EI program do not stay in a separate EI account within the government budget; rather, they are grouped with all other government revenues.

[9] Ibid, p. 13

The Introduction of UI/EI in Canada

The history of the UI/EI reforms in Canada reveals the continuous shifts in the role of UI/EI as a social policy program over successive Canadian governments. From Mackenzie King's initial passage of the *UI Act of 1940* and Pierre Trudeau's "Just Society" initiative of the 1970s to the comprehensive reform of EI in the mid-1990s, the UI/EI reforms have reflected not just the manner in which policymakers perceive the program's effectiveness but, also, the extent to which the welfare state ideology shapes Canada.

The 1930s was a decade marked by widespread economic crisis which has been unmatched since (including the worldwide economic recession which began earnestly in 2008) in North America. The joblessness was at historically high levels, and the United States enacted on a series of programs which Franklin D. Roosevelt entitled the "New Deal", with many of these programs designed to help the unemployed in America.

Across the border, Canadian labour unions and jobless groups looked enviously at the role of the US federal government in alleviating the devastating effects of the Great Depression in America, and implored the Canadian government to do the same. While Prime Ministers R.B. Bennett and Mackenzie King each sought to implement a federal program of unemployment insurance, they ran into constitutional roadblocks.[10,11] Initially, the Judicial Committee of the Privy Council (JCPC) in United Kingdom, the final court of appeal available in Canada at the time, declared that the provinces had jurisdiction over laws governing such labour issues.

[10] Struthers, James, 1983, *No Fault of Their Own: Unemployment and the Canadian Welfare State, 1914-1941,* Toronto: University of Toronto Press, p. 129
[11] Ibid, p. 161.

However, the provinces did not have the resources necessary to implement any UI programs.[12] When the UI program was finally established, in 1940, the program was based on the British experience in their implementation of UI program, not the American experience.[13]

The British experience with unemployment insurance had started at the turn of the twentieth century. The Industrial Revolution had led to unprecedented economic growth, but industrial growth brought worsening social problems. Britain's industrialization came in a period where employers ruled supreme, and where workers worked in dangerous conditions imposed on them, with low wages and hazardous workplaces. In response to the protests of the unions that had formed to protect workers, British reformers took the opportunity to bring social peace and political credit, and sought to find a social policy answer to the burgeoning problems of British society.[14] This resulted in the introduction of an unemployment insurance program in Britain, in 1911.[15] The British system saw many reforms and amendments to its UI system over the next three decades, but its basic structure as a contributory and compulsory UI program was seen as the best format for the Canadian UI program.

The *UI Act of 1940* created a program with strong hallmarks of the British UI system. The Canadian system was a contributory system, with the unemployed having rights to insurance benefits, and obligations regarding their workplace behaviour.[16] There was one big difference between the two systems. The Canadian system based its basic benefits on the wages earned by the claimants, not on a flat amount.[17] The coverage of the program focused initially on full-time, regular

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[12] Ibid, p. 41.
[13] Ibid., p. 176
[14] Pal, Leslie A., 1988, *State, Class, and Bureaucracy: Canadian Unemployment Insurance and Public Policy*, Kingston, ON: McGill-Queen's University Press, p. 22
[15] Ibid
[16] Struthers, p. 201.
[17] Ibid.

employment. Groups excluded from UI included farmers, fishers, loggers, public servants, and those with a net income over $2,000, resulting in a total of 42% of the labour force who could be covered by the UI system.[18]

The eligibility requirements were measured by days, rather than weeks or hours at this time. To meet the requirement, one had to have worked at least 180 days during the past two years prior to establishing a benefit claim.[19] This is equivalent in the present-day EI in having about 720 hours to qualify in a 52-week period, if one works ninety full-time days. Note that 700 hours is the currently required work period for eligibility in regions with less than 6% unemployment (see Table H). The Canadian policymakers felt it important to ensure that there were strong penalties for those who did not follow what they considered a proper conduct regarding their jobs. Therefore, those who resigned from their jobs without cause and those who were fired for poor working behaviour were excluded from receiving full benefits.

The benefits rates were not calculated as a proportion of one's insurable earnings. Rather, they were calculated as a multiple of one's premiums paid weekly into the UI system. The benefits rate was thirty-four times the average weekly premiums paid during the qualifying period of two years.[20] This benefits rate translates roughly to 59% of one's average weekly earnings, for those earning below the MIE of $42,300 and paying 1.73% premiums into EI, which was the contribution rate as of 2009. However, one did not pay UI premiums based on exact net income; rather, claimants were sorted into wage level categories, which determined how much one contributed to, and received from, the system.

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[18] Dingledine, Gary, 1981, *A Chronology of Response: The Evolution of Unemployment Insurance from 1940 to 1980*, Ottawa: Employment and Immigration Canada, p. 11
[19] Pal, p. 39
[20] Struthers, p. 201.

The *UI Act of 1940* was a compromise between the two mainstream views towards the role of the government in the labour market. The liberal tradition held that responsibility for one's labour status rested upon the individual, with minimal government involvement. The progressive Keynesian tradition held that responsibility for employment rested with the market economy, and government involvement in this economy was imperative. These duelling traditions continued to influence the policymakers in their reforms to the coverage of the program, whether the coverage was expanded or contracted.

The Initial Reforms of UI and Gill Report

The dominating Keynesian tradition of the post-WWII era influenced the transition of UI into a dominant program in the emerging Canadian welfare state. Reforms in 1955 and 1971 reflected the fiscally progressive ideas of the era. The *UI Act of 1955* led to greater generosity in benefits levels and easier eligibility requirements. The reforms confirmed that the Canadian government would take important initiatives in overseeing the consequences of job loss.

As noted earlier, the UI program had been introduced near the beginning of World War II. During this time, the high capacity of the wartime economy resulted in relatively little access by Canadians to the UI program. Moreover, the end of WWII did not result in a slowdown of the Canadian economy, as continuing conflicts in Asia and Europe meant that there was economic stimulus in Canada throughout the period. With the strong economy, the Canadian UI program was left with relatively large surpluses in its fund. The policymakers took advantage of these positive circumstances to strengthen UI's role as an economic stabilizer and income re-distributor.

Initial reforms in 1955 were focused on embedding the UI system into the Canadian welfare state, while relaxing the eligibility requirements and expanding benefits. The end of the Korean War in 1953 had led to a fall in exports and a mild recession for Canada in the following year, which in turn led to UI reforms. The entrance requirement for UI was reduced to thirty weeks, the equivalent of 150 insurable working days, in the qualifying period of 2 years.[21] Seasonal workers, who were mostly excluded from the *UI Act of 1940*, began to receive benefits, as reforms expanded UI's coverage.[22]

Another group that was the subject of numerous reforms during this period was married women. There were many provisions which restricted married women's access to UI benefits. For example, they were suspected by policymakers of collecting benefits while they were homemaking. Thus, newlywed women were obliged to prove they were continuously seeking work in the job market.[23] Indeed, many women were actually disqualified from receiving UI benefits for failing to prove so. Such restrictive provisions seemed to reflect disdain for the contribution women made to the economy. This disdain was interesting, considering they had been a vital component in the wartime economy just a decade earlier.

The more generous benefits that were enshrined in 1955, combined with the rising unemployment of the early 1960s, led to the reduction of the surplus in the UI fund.[24] The policymakers of the era were commissioned to come up with a solution, and the Gill Report, the resulting document, was influenced by fiscally conservative

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[21] HRDC, *The History of Unemployment Insurance, 1940-1994* (History of UI), 1994, Ottawa: Human Resources Development Canada, p. 38.
[22] Ibid, p. 43.
[23] Porter, Ann, 2003, *Gendered States: Women, Unemployment Insurance, and the Political Economy of the Welfare State in Canada, 1945-1997*, Toronto: University of Toronto Press, p. 47
[24] HRDC History of UI, p. 51.

principles which were at odds with the progressive tradition which had thus far permeated the UI program.

The Gill Report authors suggested the program to be run on a stricter actuarial standard, with the system becoming more self-sufficient and needing less federal funding.[25] Part of the blame for the falling surplus was attributed to the introduction of seasonal benefits. These benefits were considered excessive in terms of the original actuarial basis of UI. In particular, the Gill Report felt that insurance should only compensate for income loss since a beneficiary could not "lose what he never had".[26] The authors were taking the position that seasonal benefits were acting as *income supplements*, rather than *insurance benefits*, and they argued that such supplements should not be included in UI. Additionally, the authors argued that training should not be compensated by the UI fund either. Rather, they felt training was "within community interest" and should be funded by the community.[27] The Gill Report also addressed pregnant and married women. It recommended lengthening the period which excluded pregnant women and women with small children from receiving maternity benefits.[28] Married women who were not the sole supporter of their families were to be excluded from receiving certain benefits, reflecting the general neglect of women's role in the workplace during this era.

The Gill Report went as far as suggesting a complete restructuring of UI into three separate systems, so that a separate system could be set up for a pure, actuarial-based employment insurance program.[29] The first component would have been a basic system covering the common short-term unemployment incidents due to the functioning of the economy, known as frictional unemployment. Therefore, the view

[25] Pal, p. 41
[26] *Committee of Inquiry into the Unemployment Insurance Act* (Gill Report), 1962, p. 20
[27] Porter, p. 58
[28] Ibid
[29] Campeau, Georges, 2004, *From UI to EI: Waging War on the Welfare State*, Vancouver: UBC Press,, p. 79

of the Gill Report was that this group of claimants could realistically fully fund themselves, through the payments of employers and employees, and, therefore, this component would call for a pure insurance system.

The second component would have been an extended benefit system paid to those who exhausted regular benefits. These benefits would have been paid from overall government revenue rather than the UI fund. These benefits would be drawn mostly by those needing long-term employment benefits, and the duration of such benefits would be one and a half time as long as the regular benefits. The last component would have addressed residual unemployment with a needs-based assistance scheme.

Ultimately, the majority of the recommendations of the Gill Report were not adopted. However, the UI program was subject to hypothetical reforms which would have dramatically altered its shape and structure, had it been reformed under the fiscally conservative Gill Report with its emphasis on a strict actuarial-based insurance system.

By the late 1960s the economy had recovered and stabilized, and discussion of the program taking a conservative turn was put to respect with the election of the Trudeau government in 1968.

The 1971 UI Reforms Under the Trudeau Government

The 1970 White Paper, *Unemployment Insurance in the 70s*, imparted a strong influence on the 1971 UI reforms under Prime Minister Trudeau. While the Gill Report had focused on transforming the UI program into a self-sufficient system, the 1970 White Paper emphasized the socio-economic role of UI. The late 1960s had become a politically charged era, in both Canada and the U.S., as a “war on poverty” was invoked in the two societies. As Lyndon Johnson campaigned against poverty and civil disunity in the context of his idea of a “Great Society”, Pierre Trudeau was elected into office in 1968 with the initiative of a “Just Society”.

Among the first steps in the new government’s social reform process was establishing an expanded and more generous UI program. Immediately after the election of Trudeau, the government set about commissioning a study on the feasibility of expanding the UI program. Key reasons for targeting the UI program included the lack of any constitutional obstacles to overcome in reforming the program, unlike welfare assistance, and the belief that the program would become self-sufficient if contributions to the program became universal.[30] The issue of provincial-federal relations rights rose to the top of the policy agenda at this time. However, with a conference in 1971 failing to resolve the issue of jurisdiction supremacy in income security and social services, the federal government asserted its jurisdiction in unemployment insurance and proceeded with many of the reforms suggested in the 1970 White Paper, a report based chiefly on the study commissioned after the election of Trudeau.

The underlying message of the 1970 White Paper was that an unemployment insurance program had to be not just about funds, but about workers as well. When it came to considering workers, the report considered their concerns in the 1970s. For example, workers were concerned with the rise of technologies that had been introduced in factories, while also coping with the gradual shift to an economy that did not emphasize regular, full-time jobs.[31] At the time of the White Paper, the

[30] Campeau, p. 82
[31] *Unemployment Insurance in the 70s*, (1970 White Paper), 1970, Ottawa: Department of Labour, p. 4.

eligibility requirement was thirty weeks of employment over the qualifying period of two years. This had remained unchanged since the reforms of 1955. This requirement was seen as too high since many workers could not accumulate sufficient working hours to meet these criteria.[32] The benefit level, which was thirty-four times one's weekly contribution to UI, was also deemed to be too low, since many claimants needed to access further social assistance.[33] The White Paper strongly advocated relaxing the eligibility requirement and raising the regular benefits level, reflecting the shift of UI to a more universal program with wealth redistributive goals.

The report's recommendation regarding those who had a fleeting labour force attachment was to grant them early but limited access to the UI benefits.[35] This ran counter to the Gill Report's second recommendation in lieu of early access, namely those with weak attachment to the labour force could have access to secondary benefits funded not from UI but from Ottawa's general revenues. In the Gill Report, these workers were deemed to have no roles in an ideal, self-financing insurance system. The 1970 White Paper took the completely opposite view of these workers, seemingly blaming the strict provisions of UI for their weak attachment to the workforce.[36]

There were many new social policy tools recommended for the UI program in the White Paper. The system would now include sickness, maternity, and retirement benefits, and the UI program would become a broader social policy instrument. The result was a set of provisions that would cover 96% of the workforce, which would become a truly universal social policy program.[37] To become a broader program, the contributions had to come in from more workers, though.

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32 Ibid, p. 19.
33 Ibid, p. 5.
35 Ibid, p. 19.
36 Ibid, p. 5.
37 Ibid, p. 17.

As well, such an ambitious program would need the federal government to fund parts of the expenditure. The system's proposal was such that the federal government would fund the excess benefits that would be paid out when the unemployment rate exceeded 4%.[38] This willingness of the government to financially support UI represented its commitment to responsibility in social policy.

Hence, the *Unemployment Insurance Act of 1971* led to greater generosity in terms of existing benefits, created new types of benefits and eased eligibility requirements. Moreover, special benefits regarding sickness and maternity were introduced, and durations for standard benefits were adjusted for local labour market settings across Canada for the first time. The program had expanded to cover nearly all employed workers and became a primary policy tool to address income and social policy issues.

Coverage now included teachers and government employees for the first time, and this helped push up the coverage to 96% of the workforce, as the White Paper had suggested.[39] The eligibility requirements were dramatically relaxed from what it had been for the previous thirty years, more or less. Now, one needed eight weeks in a qualifying period of one year prior to the claim, rather than thirty weeks in a qualifying period of two years. However, a claimant could qualify as one with a strong attachment to the labour force with twenty weeks of insurable employment, and this in turn qualified a claimant for special benefits as well. Those who did not qualify as a worker with strong attachment to the labour force were made to wait two weeks to receive initial benefits, which was quite long among UI systems in the world.

The benefit rate was established at 66.6% of insurable earnings for single

[38] *Report of the Study for Updating the Unemployment Insurance Programme*, 1968, Ottawa: Unemployment Insurance Commission, Volume 1, Part I, Chapter V, p. 19.
[39] 1970 White Paper, p. 17.

claimants and 75% for claimants with dependents.[40] This helped contribute to a 35% increase in average weekly benefits from 1968 to 1972. Premiums paid to the UI fund became tax deductible, and UI benefits became taxable income. The determination of the contribution rate for UI premiums was reworked: henceforth, the rate would now be calculated to reflect the health of the UI fund's surplus, with premium rates going down if the UI fund showed a healthy surplus and vice versa.

The duration of the benefits were subject to a complex set of five phases, of which two were accessible to all claimants, one was accessible to those strongly attached to the labour force, one was accessible to all claimants depending on the economic climate of the nation, and one was accessible to claimants living in regions with a higher unemployment rate.[41] The benefits duration lasted from a minimum of 18 weeks to a maximum of 51 weeks. Not surprisingly, these reforms led to a substantial drop in the number of unemployed people receiving provincial social assistance.[42]

Special benefits were first introduced in the *UI Act of 1971*.[43] In the event of a medical problem causing absence from work, the sickness benefits covered claimants with major attachment to the labour force for up to fifteen weeks. The provisions for maternity benefits, which also lasted for up to fifteen weeks, reflected considerable doubt about the woman's role in the labour force.[44] Access was severely limited by a complicated requirement, known as the "magic ten" rule.[45] Of the twenty insurable hours required to qualify as a strongly attached worker to the labour force, ten had to be more than thirty weeks prior to the expected date of confinement. Certainly, women had faced obstacles in receiving UI benefits

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[40] HRDC History of UI, p. 69.
[41] 1970 White Paper, p. 20-22.
[42] Campeau, p. 88
[43] HRDC History of UI, p. 70.
[44] Porter, p. 89
[45] Ibid

previously, as married women had been excluded from benefits in the 1950s. The difficulty of accessing maternity benefits in the 1970s continued the trend of a lack of empathy for the role of women in the work force.

Overall, the reforms of 1971 had a strong impact on UI becoming more accessible to more workers in the labour force. However, the reforms immediately encountered problems and faced criticism. Funding became a problem, as the premiums from a broader workforce were not enough to cover the greater costs of such an expansive UI program. The federal government's proportion of the UI funding rose from 19% in 1971 to 51% in 1975.[46] As well, employers were not happy that workers could claim benefits with such ease, as it distorted the workers' employment behaviour.

Public criticisms of the UI reform hurt Trudeau and his Liberals. Indeed, many political observers attributed the Liberals' loss of ridings in the 1972 Canadian general election to a backlash against UI reform.[47] The Liberals' reaction was to reverse some of their reforms, and tighten up the rules, especially for workers who suddenly found access to UI much easier. The first amendment proposed to the 1971 reforms came in the form of Bill C-125, which sought to discourage voluntary unemployment. This bill would have led to additional contribution periods and longer eligibility requirements for those who quit their jobs voluntarily or were fired for misconduct.[48] However, this bill did not have enough popular or political support to pass in Parliament. Nevertheless, public surveys commissioned by the government showed the public opinion was concerned about UI abuse.[49] Certainly, it seemed that greater UI reforms were forthcoming.

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[46] Campeau, p. 89.
[47] Ibid.
[48] HRDC History of UI, p. 85.
[49] Campeau, p. 90

The Rise of the Neoliberal Philosophy within UI

Not surprisingly, perhaps, the generosity of the *UI Act of 1971* was subject to considerable revision over the next decade. Starting with Bill C-69 in 1975, legislative reforms reduced some of the work disincentives that were introduced in 1971, such as advance payments to employees with strong attachment to the labour force. Another reform of the UI program, Bill C-27 in 1977, introduced variable eligibility and entrance requirements according to different local regions, and placed a greater emphasis on labour market training programs, such as work sharing and job creation programs. Bill C-14 in 1978 furthered the process of decreasing work disincentives and over-reliance on the UI program. For the first time, benefit repayment provisions were passed. As well, the benefit rate was decreased and the eligibility requirements were tightened, and marked a decade of revisions to UI to reduce over-reliance on the program.

The late 1970s were a fraught time for economies in North America. A combination of stagnation and inflation had led to a widely documented recession in the Canadian and the American economy during this decade. The Keynesian economic theories which had so influenced the two economies for near half a century were deemed unable to curb the stagflation which beset the economies. Neoliberalism ideas began to gain strong ground in the economic policies of the Canadian and American governments, and their proponents focused on counter-reforming UI into a program that favoured labour market management at expense of labour income support.

Neoliberal economic ideas emphasized minimal government influence in market regulation. The UI program was targeted by economists for being too costly and not providing enough incentives to work. Additionally, policymakers doubted whether full employment was a sustainable objective to attempt to reach in the wake of rising inflation. Indeed, some reports held that the 1971 reforms had helped raise the equilibrium unemployment rate, by a percentage point, due to encouraging worker turnover.[50] The neoliberal approach sought to shift the responsibility for unemployment to workers, as it was believed that the government should help the labour supply instead, rather than the demand. The result was a shift in Canada's socio-economic policy, where the government's involvement in the labour market would become less pronounced. The federal government embraced this cut in the costs of the UI system.

The reforms of the late 1970s were designed to reduce the generosity of the UI program. The first cuts to the program came with the passage of Bill C-69 in 1975. The most significant amendment was to the benefits rate, which was lowered for those with dependents from 75% to 66.6%, identical to the benefits rate for single claimants.[51] This reduction in benefits rate was offset by increases to family allowances benefits. The disqualification period was amended as well, as it was doubled from three to six weeks, to deter frequent claims from the voluntarily unemployed.[52] Another significant change to the UI program was the modification of the 4% threshold, which dictated that the federal government would fund additional costs in UI when the national unemployment rate rose above 4%.[53] This threshold was relaxed so that the federal government would only step in if the national unemployment rate exceeded a historical average of the unemployment rate over the past eight years. Lastly, benefits were discontinued for those aged 65 and over, and

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50 Ibid., p. 93.
51 HRDC History of UI, p. 92.
52 Ibid, p. 91.
53 Campeau, p. 94

for those claimants with strong attachment to the labour force, a three-week advance payment was eliminated.[54]

The bill was generally supported by employers and firms, while it was opposed by workers and unions. It was certainly a reflection of the government's backtracking in the strong financial role they had initially taken on in the early 1970s in income support for those chronically unemployed.

There were further reforms to come. In Bill C-27 in 1977, further amendments continued the cuts to the UI program. It introduced a variable entrance requirement (VER) for the first time to the UI program.[55] The standard eligibility requirements of eight weeks of insurable hours lasted just five years before it was subject to change. Now it would take a minimum of ten weeks, and in some cases, up to fourteen weeks, of insurable hours in one year to qualify for UI.[56] The VER meant that the qualifying number of insurable hours would depend on the region in which the claimant resided. While the VER has been considered a normal standard over the past quarter-century, it was initially brought upon as a compromise in policy-making, suggested during House debate by then Opposition critic Lincoln Alexander.[57] Note that the details of the current VER for 2009 appear in Appendix Tables G and H.

During the process of reform, UI policymakers had also seriously considered a plan whereby the eligibility requirements would increase from eight weeks to twelve weeks across Canada, which was more in line with the fifteen weeks it took to become eligible prior to 1971. Considering that some employers were arguing for up to twenty weeks of insurable hours within the qualifying period of fifty-two weeks, the

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54 HRDC History of UI, p. 92.
55 Ibid., p. 109
56 Pal, p. 45
57 HRDC History of UI, p. 107

era for generous income support for the marginally employed had lasted for less than half of a decade.

Bill C-27 also marked the first significant introduction of pro-employment measures. The job training programs that had already been in place were combined with new job creating and job saving programs as a separate context within the UI system.[58] The job creation program, known also as Job Creation Partnerships (JCP), enabled claimants to receive greater and extended benefits and gain work experience in community level projects. Another addition to the UI's new portfolio of employment measures was the Work Sharing provision, whereby claimants would work for part of a week and collect benefits for the rest of the week, with the provision that there was a reduction in normal business activity for a firm which was outside its control.[59] This provision was aimed at helping both workers and employers, especially for firms who were in danger of closing their business. Additionally, the job training programs were modified so that claimants could collect benefits the entire time they were training, for a maximum period of 104 weeks.

While the reforms were aimed at addressing the concerns being brought upon against the 1971 reforms, primarily regarding excessive generosity, these new reforms brought upon a fresh set of criticism, particularly regarding its strong and further departure away from an actuarial-based insurance policy system. No longer was UI simply an income support program. The special benefits introduced in 1971 had angered fiscal conservatives who wanted UI to work strictly as an insurance system. Now, neoliberals took UI into a whole new terrain, as active employment programs were operated with revenues in the UI fund collected from premium paying workers and employers, rather than general tax revenue. Consequently, both unions and

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[58] Ibid, p. 106
[59] Ibid

employers fought against the new employment measures.[60] However, the federal government sought to calm their fears, with the argument that the employment measures would be accessed by workers who were most in need of benefits.

There were further reforms in this tumultuous decade for the UI system, with Bill C-14 receiving royal assent in 1978 to become the fourth bill regarding UI to be passed in the 1970s. Firstly, the benefit rate was cut to 60% for all claimants. However, the main component of this bill was to introduce the category of "NERE", or those who were *n*ew *e*ntrants or *r*e-*e*ntrants to the labour force.[61] Those who did not have at least fourteen weeks of insurable employment in the fifty-two weeks preceding their qualifying period of fifty-two weeks were subject to a higher eligibility requirement of twenty weeks of insurable employment in the qualifying period. Those who collected more weeks of benefits in the qualifying period than the weeks they needed to become eligible for UI were subject to a harsher eligibility requirement, as well.[62] Here, the rationale behind the introduction of the "NERE" category was to reduce the "UI dependency" of those marginally attached to the labour force. As such, this reform had a certain reference to the actuarial ideology of the Gill Report.

In just one decade, the federal government had taken on an extraordinary amount of responsibility in the unemployment problem, and had relinquished nearly all of it by the end. The federal government's share of UI funding, from 19% in 1971, rose to 51% in 1975; by 1980, this share had gone down to pre-1970 figures, with the share at 22%.[63]

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[60] Campeau, p. 95.
[61] HRDC History of UI, p. 114.
[62] Ibid.
[63] Campeau, p. 97

The Conflict of Ideologies within UI

The 1980s saw moderate, small-scale amendments which combined some reforms aimed at maintaining the labour market management and other reforms which did favour the jobless. This decade also saw a number of commissioned reports which suggested alternate routes that the UI system could take.

The Gershberg Task Force Report of 1981 was led by Lloyd Axworthy, the Minister of Employment and Immigration at the time. Its general strategy focused on labour force adjustment to an ever-changing economy, with the UI system considered an obstacle to this goal.[64] With respect to specific aspects of UI, the Gershberg Report criticized what it considered too easy of an eligibility requirement, as evidenced by the VER in Newfoundland which required ten weeks of insurable work for forty-two weeks of benefits, or the "10/42 formula".[65] The report also favoured raising the VER to a range of fifteen to twenty weeks, while removing the "NERE" category, so that new entrants and frequent claimants would not be subject to complex rules.[66]

The Gershberg Report focused its attention on the issue of claimants who left their employment voluntarily. Its authors wished to promote efficient labour market operation, and considered voluntary quitters as clogging the job market with inefficiencies. Two possibilities were considered regarding voluntary quitters, with the report suggesting an increase in the maximum disqualification period to twelve weeks, or eliminating regular benefit entitlement until a new job was held for a

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64 *Unemployment Insurance in the 1980s* (Gershberg Report), 1981, Ottawa: Employment and immigration Canada, p. 7.
65 Ibid, p. 49.
66 Ibid, p. 56.

sufficient number of weeks.[67] The latter recommendation was considered harsh at the time, and was rejected by the report.

Another report significant to our understanding of the ideologies concerning the UI system during this era was compiled by the Newfoundland Royal Commission on Employment and Unemployment. Also referred to as the House Commission Report after its chair, Douglas House, it emphasized the key economic role of UI in poorer provinces, such as Newfoundland, while calling for reforms to the UI program in a fashion not dissimilar to the Gill Report.

The key point in the recommendations of the House Report was its support for the reversion of the UI system back into an insurance-based income maintenance system, while calling for a bolstering of the income support and income supplementation system in Canada, essentially some version of a guaranteed annual income.[68] Thus, while it has some similarities to contemporary reports, the House Report's call for a firmly established income support and supplementation system distinguished the report because it embraced a more balanced approach to the Canadian labour market. The weaknesses of the UI's dual role as insurance/income supplement was described by the House Report in terms of a series of disincentives created by the system which undermined the working habits and educational attainment of labourers.[69] The manipulation of the UI system by workers was given as another reason for considering a reduced role for UI and a greater role for a strengthened income supplementation program which would be subject to less manipulation. The bureaucratic process of UI was brought out as another weakness of the system, even though such criticisms could arguably be applied to any social

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[67] Ibid, p. 64
[68] Newfoundland, 1986, Royal Commission on Employment and Unemployment, *Building on Our Strengths (House Report),* St. John's: Queen's Printer, p. 410
[69] Courchene, Thomas J., 1987, *Social Policy in the 1990s: Agenda for Reform*, Toronto: Prentice-Hall Canada Inc., p. 74

security system.

The House Report recommended various forms of income support and supplement systems. With regard to income support programs for those without a source of earnings, the report considered a Guaranteed Basic Income System, which would have provided basic income support for all individual households at half the income level established by Statistics Canada's low income cut-off lines (LICO).[70] As for income supplementation programs, the report suggested an Earned Income Supplementation System, which would have subsidized earned income through the Canadian tax system at a higher rate for a lower income level, with a ceiling on the maximum income level at which one could receive income supplements.[71]

The recommendations of the two aforementioned reports, however, were not implemented, in part because they appeared in the wake of a severe recession in the early 1980s, when the unemployment rate reached 12.0% in 1983 (Table D). This situation mirrored that of the Gill Report, as these reports advocated a more restrictive UI system in terms of generosity but were thwarted by unfavourable economic conditions they were deemed to preclude such reforms. However, the policymakers in Ottawa did not address the recession with generous reforms to the UI system either. The only reforms to the UI system during this period were minor, with Bill C-156 in 1983 adding fifteen weeks of adoption benefits for major attachment claims.[72]

However, the economic foundations of the Canadian economy were about to be subject to a shake-up, as a newly elected Liberal government commissioned a former Minister of Finance, Donald Macdonald, to develop a new broad strategy for Canadian economic future. The looming free trade agreement with United States meant that the Canadian labour market had to become more competitive, and the UI

[70] House Report, p. 411
[71] Ibid, p. 412
[72] HRDC History of UI, p. 134

system would no doubt be held suspect if the labour market could not become so. The Macdonald Commission viewed UI with an actuarial ideology, as it considered UI's role should be defined to act more as an income protection role and less as an income redistributive role.[73] Furthermore, the commission argued it found UI to be discouraging return to work and negatively affecting the efficiency of the labour market.[74]

The recommendations of the Macdonald Commission for UI were quite severe in terms of its benefits and eligibility. The Commissioners proposed an increase to entrance requirements to 15-20 weeks, reducing the benefit rate to 50%, and a reduction to benefit durations to one week of benefit per two weeks or three weeks of work.[75] Particularly noteworthy was the proposal of the elimination of economic regions and VERs in determining eligibility and benefit rates and durations. Additionally, the idea of an experience rating component in UI premiums was introduced for the first time.[76]

While the Macdonald Commission recommendations were not implemented at the time, the report reflected the neoliberal approach to the UI system. With this approach, the workers in outlying areas of Canada and those in seasonal industries were targeted especially within the Canadian labour force. Additionally, the Canadian UI program's characteristic of reducing regional disparities within a federalist state, which distinguished it from the American state UI programmes, was coming under fire. The neoliberals argued that this regional redistribution weighed down the labour force and the federal government in the context of a more competitive economy with increased free trade with U.S.

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[73] *Report of the Royal Commission on the Economic Union and Development Prospects for Canada* (Macdonald Report), Ottawa: Supply and Services Canada, 1985, vol. II, part V, p. 602.
[74] Ibid, p. 606.
[75] Ibid, p. 815.
[76] Ibid, p . 611.

However, it would not be correct to view the Macdonald Commission as neoliberal in the broader social policy context. This is so because their UISP (Universal Income Security Program) was a very generous version of a guaranteed annual income that incorporated the UI provisions as part of the overall system.

If the Macdonald Commission recommendations for UI were too drastic to be put into action, it had to be remembered that it analyzed the UI system in the context of a report concerning itself foremost with free trade. The Forget Commission, in contrast, was an inquiry that focused strictly on the UI system. Composed of union leaders, corporate leaders and economists, the commission failed to reach any consensus on issues, including the general approach that it should take regarding UI. The result was two reports — a majority report, and a minority report written by the two union members.

The majority report took the actuarial approach that had dominated many of the commissioned reports of the past three decades. It stressed the original role that UI played, namely as a pure income replacement and insurance program, before VERs and differences in durations of benefits transformed UI into an income supplement and redistributive program.[77] Similar to the Macdonald Report, the majority Forget Report suggested ridding the UI of VERs and complex benefit duration phases.[78]

While these recommendations were not accepted, one feature of the Forget Commission did see the light of legislative day. This was their suggestion that accounting for units of time within the UI system should be based on hours rather than weeks, with an entrance requirement of 350 hours over the past fifty-two weeks, or the equivalency of ten weeks of full-time employment.[79]

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[77] *Commission of Inquiry on Unemployment Insurance* (Forget Report), 1986, Ottawa: Supply and Services Canada, p. 121
[78] Ibid, p. 181.
[79] Ibid. p. 183.

A controversial recommendation from the Forget Commission was to use all fifty-two weeks preceding the claim to calculate average insurable weekly earnings, rather than using only the number of weeks one had worked in the qualifying period.[80] While the replacement rate would have concurrently risen, the usage of fifty-two weeks to calculate average weekly earnings would have had a strong *downward* impact on the level of regular benefits of UI claimants who did not work the full fifty-two weeks. Despite this, the "annualization" of benefits was commended by the Forget Commission as harking back to strong social insurance principles and as being more equitable within a single rule for the entire nation.[81]

The proposed annualization of benefits was certainly one of the main issues that resulted in the split within the commission when the majority report was not endorsed by those representing the unions. It was decried by this minority as the "biggest cut in benefits in the history of the program" if it went into effect.[82] Without a doubt, seasonal and marginal workers would have been far greatly more penalized than those who had worked full-time year-round jobs.

The minority report reflected a deep chasm between the unions and the business/economics participants. The commission members representing the unions were convinced, through their consultation process, that Canadians were satisfied with the UI system, and that workers from lower unemployment regions were willing to bear the redistribution costs to those in higher unemployment regions.[83] Additionally, this minority report made some strong recommendations of its own. While calling for the preservation of the VERs, the report also called for an extension of the duration of benefits, to a maximum of seventy-one weeks.[84] When this report was published,

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[80] Ibid.
[81] Ibid, p. 193.
[82] Ibid, p. 435
[83] Ibid, p. 432.
[84] Ibid, p. 429.

the maximum duration of UI regular benefits was fifty weeks, and a suggestion of a benefit duration of seventy-one weeks was unheard of at the time.

Few of the recommendations of the Forget Report were enacted, as strong opposition from unions, employers and politicians from economically susceptible regions on issues such as annualization forced the policymakers to reconsider the report. The House of Commons returned the verdict on annualization as "totally at variance with the concept of pooling risks within a social insurance program."[85]

The two reports resulting from the Forget Commission on Unemployment Insurance reflected the two opposing concepts of the government's role in UI in the past half-century. The majority report reflected a pure actuarial-based social insurance and income protection system which put an emphasis on individual workers and their individual risks of unemployment. This system had been favoured by many economists who had taken a critical look at UI and its perceived the program to be too generous to workers marginally attached to the labour force. The minority report, on the other hand, reflected an assistance-based social redistributive and income supplement program which put an emphasis on collective responsibility of unemployment between workers, firms, and the government. It was obvious which system would be financially appealing, but the UI system had long ago taken on a more social development approach, and the two approaches to UI would continue to battle for ideological supremacy.

UI in the Free Trade Era

In 1989, several changes were made to the UI program under Bill C-21.

[85] Campeau, p. 107.

Parental benefits, payable to women or men, were introduced, and UI coverage was extended to those aged 65 and over. Eligibility requirements were tightened, benefit durations were reduced, and benefit rates were lowered. The important change in UI policy was the shift of greater emphasis of the program on “active” employment measures. These measures included occupational training designed to help UI users return to work more quickly, in industries which may or may not be the same one as one’s previous industry. Reforms followed for the next 5 years, with Bill C-113 in 1993 eliminating benefits for workers who quit or were fired from their jobs. The bill also led to an increase in premiums and a decrease in the benefit rate. Bill C-17 in 1994 further decreased the benefit rate, to 55% for the majority of individuals, and reducing benefits duration.

The early 1990s saw a continuous stream of reforms aimed at transforming UI into a leaner program designed to withstand economic pressure from free trade with U.S. A newly elected Conservative government, led by Prime Minister Mulroney, signed a free trade agreement (FTA) with U.S. in 1989. Just a year later, the federal government ceased to contribute financially to the UI account. This counter-reform of the 1990s culminated in the *Employment Insurance Act of 1996*, which saw a significant reduction in benefits and tightening in eligibility.

Around the early 1990s, the Organization for Economic Cooperation and Development (OECD) had been pushing Canada and other nations to take the neoliberal approach further in their unemployment insurance programmes. The key concept that the OECD made usage of was “UI dependency”, the idea that certain unemployed workers were taking advantage of the system to work certain number of weeks and wait for UI paycheques for the rest of the year. The first components to be targeted with this renewed approach to UI were the regional components, such as

VERs. They had been targeted in the Macdonald and Forget Reports of the 1980s, and were coming under further scrutiny in the 1990s. The tone of the reforms of this era was set with Bill C-21 in 1989. This bill marked the significant event of the cessation of the federal contribution to the UI account.[87] This cessation nearly marked the end of VERs, as the federal government had bore the cost of excess benefits to economic regions with higher unemployment.

The emphasis of the bill was on active employment measures, a component that was neither pleasing to the strictly actuarial-based theorists nor the income supplement-focused unionists but had gained much favour among economists. Some of the new changes to active employment measures included training, relocation assistance, self-employment and re-employment incentives.[88] A complementary report, the de Grandpre Report, suggested a 1% payroll tax to help expand active employment measures.[89, 90] However, the business community was less than enthusiastic about this proposal. Additionally, the VER of ten to fourteen weeks was to be raised to a range of ten to twenty weeks.

The bill was met with resistance from the Liberal opposition of Parliament for its impact on the marginally attached workers. The unions were not happy at what it perceived to be the government's backing away from a social program, while leaving workers to take the burden of paying for the cost of training. The Senate went further, denouncing the cessation in funding as the government's abdication of its "responsibility to build a stable economic future" for Canada.[91] But the employers were successful in taking down the de Grandpre Report's suggestion of a 1% payroll tax, and forced the policymakers to add a small contribution to funding the training

87 Campeau, p. 131
88 HRDC History of UI, p. 156.
89 Advisory Council on Adjustment, 1989, *Adjusting to Win: Report of the Advisory Council on Adjustment* (The de Grandpre Report), Hull, QC: Supply and Services Canada, p. 14
90 Ibid., p. 22
91 Campeau, p. 134.

programs.

The counter-reform of 1989 was followed with counter-reforms aimed at further imposing the neoliberal approach upon UI. The Conservative government, after passing Bill C-21, were emboldened to continue the campaign of weaning the habitually unemployed from the UI system. The cessation of financial contribution from the federal government led to an increase in the UI account deficit, up to $2.8 million in 1991/92. To make up for this deficit, Ottawa introduced measures in Bill C-105 in 1992 designed to save more funds within UI, rather than contributing financially to UI.

The Conservatives justified their reforms, attempting to reduce the benefit rate for all claimants to 57%, from 60% previously.[92] More significantly, this bill became the first to call for the complete suppression of income benefits to those who quit their jobs without cause and those who were dismissed for misconduct.[93] This reform seemed to deviate even from the standard neoliberal approach to looking at UI, as this approach stressed the importance of an actuarial-based social insurance program, whereas the new reform would not replace the incomes of those who had quit their jobs or were dismissed. Here, the theme of "UI dependency" was referred to, and the theme of "UI fraud" was hinted at, as well. Minister of Employment and Immigration Bernard Valcourt alluded to workers "quitting a job for no reason but the mere goal of collecting unemployment insurance."[94]

Predictably, the reaction from stakeholders such as unions was fierce opposition to the bill. When referring to those who lost benefits when quitting jobs without just cause, the opponents to the bill pointed out how difficult it was for employees to prove just cause. Workers left jobs for various extenuating

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[92] HRDC History of UI, p. 166.
[93] Porter, p. 205
[94] Campeau, p. 140.

circumstances, including cases as severe as sexual harassment, yet all of these were difficult and expensive to prove. Additionally, many older workers who had been asked to take early retirement by the government during the severe recession of the early 1980s expressed their anger at the reform, as it would have led the loss of their UI benefits.[95] Bill C-105 would be retracted soon after.

However, Bill C-113, which was tabled a year later, was nearly identical to Bill C-105. The new bill did address the concerns of those who had expressed anger at the definition of quitting jobs with just cause and those who would have lost their UI benefits when they had retired at the urging of the federal government.[96] A referee board was set up for special job leaves, including cases of sexual harassment. This bill, however, still contained the complete suppression of income benefits for those who were fired for misconduct, as well as those who quit their jobs for reasons which did not fit into the definition of "just cause".[97] In abolishing these benefits, Canada became alone among industrialized nations to do so.[98]

The 1993 federal election saw the Liberals being elected into a majority government. While they had attacked the neoliberal approach that the Conservatives took to UI while they were the Opposition, the Liberals continued the tradition, mainly due to the large deficit in the UI notional account, which was $6 billion at the time.[99] Their first UI reform, Bill C-17 of 1994, cut the benefit rate from 57% to 55% for the great majority of all UI claimants.[100] Those with dependents who earned less than half of the maximum insurable weekly earnings were spared from the rate reduction, as their rate was increased to 60%. This bill contained minor reforms regarding the provisions of voluntary job leaves and dismissal for misconduct.

95 Ibid.
96 Porter, p. 206
97 HRDC History of UI, p. 167.
98 Campeau, p. 163
99 Ibid, p. 144
100 HRDC History of UI, p. 169.

However, this bill would only serve as the precursor to the most significant UI reforms in Canadian history. Certainly though, the aim of the federal government was to enlist a labour market focused UI system with the growing influence of active employment measures.

The Transition from UI to EI

The Liberal government of Jean Chretien, elected into Parliament in 1993, promised an overhaul of the Canadian social security program. At the centre of this social overhaul was unemployment insurance. The Chretien government demanded that the national UI system had to adjust to a new world order in the labour market, with the shift of unskilled labour out of Canada and the demand for more highly skilled workers within Canada.

The result was the *Employment Insurance Act of 1996*, or Bill C-12. It represented a wholesale overhaul of the UI system, with numerous amendments to benefits, eligibility requirements and employment measures. Significantly, employment measures and training programs became legitimized enough within the new EI system so that one could speak of EI as having two components now – unemployment benefits, and employment benefits. Certainly, the newly consolidated Employment Benefits and Support Measures had a positive tone, as well as the new name of Employment Insurance, as policymakers sought to lend a positive feeling to the labour market relationships. However, this positive feeling could not be extended all the way to the bottom rung of the ladder, since reforms hinted at pushing the frequent claimants further down the ladder.

These reforms, passed as Bill C-12, marked the second time that the "timekeeping units" were changed. The tracking of working hours had been kept in weeks, which was inflexible when considering part-time workers. Rather than reverting to days, as the UI system first kept track of working hours, the new timekeeping unit was changed to hours.[101] In keeping in line with the VER in place at the time of the reforms, which was 12 to 20 weeks, the policymakers converted the new eligibility requirements to 420 to 700 hours, which converted one week to 35 hours of full-time work.

While this added flexibility for part-time workers, it certainly increased the number of hours and days they would have to work to become eligible for EI, as part-time workers did not work 35 hours per week. Indeed, the conversion to hours at a rate of 35 hours per week translated to an increase in the minimum number of hours needed to qualify from 180 hours (12 weeks at a minimum of 15 hours per week) to 420 hours. However, this increase in the number of hours needed to qualify was accepted by part-time workers, as the disqualification of weeks with less than fifteen hours worked was repealed, which gave part-time workers more flexibility in choosing the hours they worked per week.[102]

In keeping with the shift of timekeeping units to hours, the requirements for benefit eligibility for NEREs were converted from twenty weeks to 910 hours, which was equivalent not to twenty weeks but to twenty-six full-time weeks.[103] Considering that the previous eligibility requirement for NEREs amounted to 300 hours (20 weeks at 15 hours per week), it became significantly harder for these workers to qualify for the new EI. The requirement for special benefits, such as parental, sickness, and compassionate care benefits, was set at 700 hours within the

[101] Bill C-12, 1996, *Employment Insurance Act*, 35th Parliament, 2nd Session, House of Commons
[102] Campeau, p. 155
[103] Porter, p. 221

qualifying period, converted from 20 weeks, which could be thought of as either 300 hours, at 15 hours per week, or 700 hours, at 35 hours per week.

Two substantial additions to the new EI program were the divisor rule and the intensity rule. The divisor rule's motivation was given as encouraging workers to work longer than their minimum hours required to become eligible for EI.[104] The new rule changed the way EI benefit levels were calculated, as they had previously been the proportion of one's average earnings. With the new rule, the denominator used to calculate a claimant's average earnings would be the greater of the number of weeks worked in the last 26 weeks or the divisor of the claimant's economic region. The divisor itself would be calculated as the VER of the economic region converted into weeks, plus two. Appendix Table I contains these minimum divisors. While Bill C-111, which failed in 1995, pushed for a universal denominator of twenty to calculate average earnings in a pseudo-demi-annualization approach, this approach was opposed strongly by economic regions which would have seen claimants heavily penalized.

The motivation for the intensity rule was clearer. It was designed to punish frequent claimants of UI/EI. The intensity rule was the first component of UI/EI to introduce a work history for individual claimants longer than the qualifying period, which has historically been one year. This new rule lowered the benefit rate of 55% by one percent for each additional twenty weeks of benefits collected above twenty weeks of regular benefits received in the past five years, to a minimum of 50%.[105] For low-income claimants with dependents, however, the intensity rule would not be applied: rather, their basic benefit rate was raised to 60%. However, the two new additions to the new EI program, at their core, incorporated the neoliberal approach to

[104] Ibid
[105] Campeau, p. 156

UI/EI of the past quarter-century reforms, for less than full time workers but with greater emphasis on income protection for full-time workers. Certainly, the divisor rule and the intensity rule were designed to punish those who worked only enough hours to qualify for EI or those who received benefits frequently over the years.

With the cessation of the government's contribution, the newly self-financing EI account's role as a stabilizer of the economy had been passed on to the contributors to the EI account. The cessation of financial contributions by the federal government meant that the EI system's coverage had to be limited to a certain degree. Yet, policymakers continued to call for avoiding any further deficits to the account. All together, this resulted in the employers' and employees' premiums propping up the federal government's role in EI operations.[106] Indeed, in 1994, UI/EI premiums were the largest source of federal revenue next to personal income taxes.[107] Such usage of UI/EI account did not fit with either the income replacement approach of the neoliberal view or the income redistributive approach of the Keynesian view.

The decision by Finance Minister Paul Martin to divert the huge excess EI surpluses from 1995/96 onward initially to reduce the federal deficit and, later to pad the surpluses, affected the EI program greatly for the next decade. As seen from Table A, the EI surplus increases from $3.92 billion in 1995/96 to $6.67 billion in 1996/97, arguably due to the 1996 EI Act. Over the next 5 years, the cumulative value of these surpluses totalled about $35 billion, all of which went directly to improving the federal budget balance. This practice has now been ended, but there is an on-going class-action suit against Ottawa which has only recently been settled in the Supreme Court of Canada.[108]

106 Courchene, Thomas J., John R. Allan, "A Short History of EI, and a Look at the Road Ahead", *Policy Options*, September 2009, p. 23.

107 Campeau, p. 160

108 Confédération des syndicats nationaux v. Canada (Attorney General), 2008 SCC 68, [2008] 3 S.C.R. 511

This caveat aside, the ideological significance of the *Employment Insurance Act of 1996*, and the continuous ascendancy of the neoliberal approach to UI/EI over the past quarter-century, has been seen in many facets of the new EI system. The shift of the government's focus from demand-side economics, of encouraging a policy of full employment, to supply-side economics, of encouraging individual worker's qualifications, has been discussed earlier. The easily identifiable result of the neoliberal approach to UI/EI has been a transformation of the system into a less accessible program. This is seen in Table 3 where the B/U ratio has fallen since 1996 and the B/UC ratio has fallen quite sharply since 2000. The decrease in these ratios can be seen in a positive or a negative light depending on one's preferred role of the federal government in the labour market.

EI in the New Millennium

The turn of the millennium has seen a flurry of reforms of the new EI system, in light of the large-scale amendments made to the system in the *Employment Insurance Act of 1996*.

The first bill to address the 1996 reforms was Bill C-32, passed in 2000. It greatly enhanced parental benefits and eased access to special benefits.[109] Special benefits and compassionate care benefits were further expanded in 2002 and 2003.[110]

In 2001, Bill C-2 repealed the intensity rule, as it was deemed unfair and

[109] HRSDC, *Report of the Chief Actuary to the Employment Insurance Commission on the Employment Insurance Break-even Premium Rate and Maximum Insurable Earnings 2010*, Ottawa: Human Resources and Skills Development Canada, Appendix VII, p. 6.
[110] Ibid, p. 9.

ineffective to the claimants that were targeted and affected by the rule.[111] The political uproar that this provision caused in Atlantic Canada in the 1997 federal election caused policymakers to reconsider the provision. Another amendment to the EI system that was well received by workers was the relaxation of the entrance requirements for parents who exited the labour market to raise their infants.[112] Previously, they had been subjected to the categorization as NEREs, and faced stricter eligibility requirements.

A point of contention in this bill, however, was the refusal to raise the maximum insurable earnings (MIE) of $39,000 until the average industrial wage of Canada exceeded $39,000.[113] The MIE had been cut and frozen, from the 1996 level of $43,490, in the 1996 reforms. The MIE affected the system in its redistributive role, as the lesser contributions of higher-earning workers amounted to a regressive employment insurance system.

A significant change in the rate-setting mechanism of EI premiums was established in 2008 with the creation of the Canada Employment Insurance Financing Board (CEIFB).[114] With the emphasis on equalling EI revenues and expenditures for fiscal years from onwards, the creation of the CEIFB was a significant milestone in EI policy-making history, as the EI program's role as an automatic stabilizer was weakened at the expense of creating a truly actuarial standard in the program. The creation of the CEIFB answered the critiques regarding the surplus accumulated in the EI Account, which had exceeded $50 billion by 2005/06, during the relatively strong economic period following the early 1990's recession (see Table A). However, the

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[111] Fortin, Pierre and Marc Van Audenrode, 2000, *"The Impact of Worker's Experience Rating on Unemployed Workers"*, Ottawa: Human Resources Development Canada, p. 27
[112] Bill C-2, 2002, *Act to Amend the Employment Insurance Act and Employment Insurance Regulations (Fishing)*, 37th Parliament, 1st Session, House of Commons
[113] Ibid
[114] Bill C-50, 2008, *Canada Employment Insurance Financing Board Act*, 39th Parliament, 2nd Session, House of Commons

creation of the CEIFB, and the corresponding switch to an actuarial standard of the program, coincided with the worst global economic crisis since the Great Depression of the 1930's and faced a temporary setback.

Legislative changes to regular benefits were provisionally introduced in the wake of the global economic crisis of 2008. The initial response of the federal budget of 2009 was to extend the duration of all EI claims by 5 weeks, which took the maximum claim duration to 50 weeks, which had been the case a decade ago.[115] Interestingly, the minimum claim duration has now become 19 weeks, a level that has not been seen in Canada for more than three decades. As discussed previously, further regular benefit expansions were targeted towards long-tenured workers, as those who undertook training were allotted benefits up to 104 weeks under the Career Transition Assistance, while those who had drawn less than a certain amount of EI regular benefits in the past were allocated 5 to 20 extra weeks of benefits.

Regarding the role of the CEIFB, its role was retracted for 2009 and 2010, as the premium rate for the two years were frozen at the level of 2008 rather than allowing it to rise during the economic downturn. This ensured that the EI program would play an important role as an automatic stabilizer of the economy during the severe economic contraction.

Work-sharing agreements, labour market development agreements (LMDAs), and EBSMs were expanded in the 2009 federal budget, as well. Following the initial response to the economic downturn, the latest development of the EI program has been the extension of special benefits to self-employed people.[116] Whether these benefits are actuarially sound or not are unclear, but regular benefits for self-employed people remains a distant idea. With a strong call from various stakeholders calling

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[115] Bill C-10, 2009, *Budget Implementation Act 2009*, 40th Parliament, 2nd Session, House of Commons
[116] Bill C-56, 2009, *Fairness for the Self-Employed Act*, 40th Parliament, 2nd Session, House of Commons

for further reforms to the EI program, however, one can be sure that the program will be influenced by competing ideologies for years to come.

Conclusion

When the Unemployment Insurance program was first introduced in Canada in 1940, it was based on strong actuarial insurance principles with the specific goal to protect the incomes of regular, full-time workers. Since then, there have been numerous shifts in the ideological approaches to UI/EI. The emerging influence of Keynesian economics and its steady authority in the post-WWII era helped shape the perceived role of the federal government in the labour market. With the Keynesian approach, the UI/EI program undertook a greater role in the Canadian economy, as an income re-distributor within economic classes and provinces.

The past quarter-century has seen an emergence of a neoliberal approach, where the UI/EI program has reverted more to an actuarial-based income insurance system which has lessened the role of UI/EI as an income re-distributor. In addition, to emphasize the role of individual workers, the neoliberal influenced UI/EI program has greatly expanded labour market programs designed to train workers and address their needs outside the usual realm of income benefits. With positive reaction to the new labour market programs, one might have expected the neoliberal philosophy of UI/EI to stand the test of time. This, however, remains to be seen in the wake of the latest global financial crisis of the late-2000s. The EI program will continue to be influenced by the persuasive economic ideology of the period.

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Tables

Table A: EI Account Statement of Operations ($ millions)

Fiscal Year	Total Costs	Total Receipts	Current Year Surplus (Deficit)	Cumulative Surplus (Deficit)
1980/81	5,040	4,358	(682)	(575)
1981/82	5,987	5,972	(15)	(590)
1982/83	10,624	7,189	(3,435)	(4,025)
1983/84	10,745	10,320	(425)	(4,450)
1984/85	11,704	10,725	(979)	(5,429)
1985/86	11,157	11,880	723	(4,706)
1986/87	12,216	12,731	515	(4,191)
1987/88	11,671	13,358	1,687	(2,504)
1988/89	12,105	14,164	2,059	(445)
1989/90	12,777	13,807	1,030	585
1990/91	15,925	14,872	(1,053)	(468)
1991/92	19,349	16,532	(2,817)	(3,285)
1992/93	20,333	18,037	(2,296)	(5,581)
1993/94	19,381	18,750	(632)	(6,213)
1994/95	16,508	19,430	2,922	(3,291)
1995/96	15,019	18,940	3,921	630
1996/97	13,813	20,483	6,671	7,301
1997/98	13,208	19,553	6,344	13,645
1998/99	13,239	20,571	7,332	20,977
1999/2000	12,742	19,967	7,225	28,203
2000/01	12,790	21,222	8,432	36,635
2001/02	15,243	19,152	3,909	40,544
2002/03	16,101	19,369	3,268	43,812
2003/04	16,651	19,072	2,421	46,233
2004/05	16,385	18,701	2,316	48,549
2005/06	16,050	18,319	2,269	50,818
2006/07	15,815	19,117	3,302	54,120
2007/08	16,063	18,898	2,835	56,955
2008/09	18,137	18,232	95	57,171

Sources: HRSDC, *Departmental Performance Report;* Government of Canada, *Public Accounts of Canada*

Table B: EI Account Statement of Operations: Total Costs ($ millions)

Fiscal Year	Total EI Benefits	Admin Costs	Interest Charges	Doubtful Debt	Total Costs
1980/81	4,524	516	0	N/A	5,040
1981/82	5,318	663	6	N/A	5,987
1982/83	9,823	791	10	N/A	10,624
1983/84	9,782	846	117	N/A	10,745
1984/85	10,052	911	741	N/A	11,704
1985/86	10,029	903	225	N/A	11,157
1986/87	10,444	937	835	N/A	12,216
1987/88	10,487	969	215	N/A	11,671
1988/89	10,972	968	165	N/A	12,105
1989/90	11,694	1,083	0	N/A	12,777
1990/91	14,665	1,260	0	N/A	15,925
1991/92	18,124	1,207	18	N/A	19,349
1992/93	19,065	1,242	26	N/A	20,333
1993/94	17,627	1,310	444	N/A	19,381
1994/95	14,815	1,286	407	N/A	16,508
1995/96	13,476	1,351	192	N/A	15,019
1996/97	12,377	1,375	N/A	61	13,813
1997/98	11,798	1,321	N/A	89	13,208
1998/99	11,834	1,360	N/A	45	13,239
1999/2000	11,280	1,406	N/A	56	12,742
2000/01	11,356	1,408	N/A	26	12,790
2001/02	13,694	1,476	N/A	73	15,243
2002/03	14,501	1,519	N/A	81	16,101
2003/04	15,070	1,521	N/A	60	16,651
2004/05	14,748	1,542	N/A	95	16,385
2005/06	14,418	1,576	N/A	56	16,050
2006/07	14,079	1,636	N/A	99	15,815
2007/08	14,293	1,689	N/A	81	16,063
2008/09	16,308	1,801	N/A	27	18,137

Sources: HRSDC, *Departmental Performance Report;* Government of Canada, *Public Accounts of Canada*

Table C: EI Account Statement of Operations: Total Receipts

Fiscal Year	Government Contributions	Premium Revenue	Penalties	Interest Credit	Total Receipts
1980/81	946	3,399	N/A	13	4,358
1981/82	1,047	4,887	N/A	38	5,972
1982/83	2,148	5,039	N/A	2	7,189
1983/84	2,854	7,465	N/A	1	10,320
1984/85	2,946	7,777	N/A	2	10,725
1985/86	2,920	8,955	N/A	5	11,880
1986/87	2,912	9,819	N/A	0	12,731
1987/88	2,672	10,686	N/A	0	13,358
1988/89	2,656	11,508	N/A	0	14,164
1989/90	2,675	11,096	N/A	36	13,807
1990/91	1,615	13,232	N/A	25	14,872
1991/92	N/A	16,499	33	0	16,532
1992/93	N/A	17,995	42	0	18,037
1993/94	N/A	18,704	46	0	18,750
1994/95	N/A	19,385	45	0	19,430
1995/96	N/A	18,892	48	0	18,940
1996/97	N/A	20,307	68	108	20,483
1997/98	N/A	19,122	67	364	19,553
1998/99	N/A	19,728	79	764	20,571
1999/2000	N/A	18,825	74	1,068	19,967
2000/01	N/A	19,581	76	1,565	21,222
2001/02	N/A	17,999	65	1,087	19,152
2002/03	N/A	18,243	71	1,055	19,369
2003/04	N/A	17,900	47	1,125	19,072
2004/05	N/A	17,655	51	995	18,701
2005/06	N/A	16,917	50	1,352	18,319
2006/07	N/A	17,109	56	1,952	19,117
2007/08	N/A	16,877	58	1,963	18,898
2008/09	N/A	17,217	41	974	18,232

Sources: HRSDC, *Departmental Performance Report;* Government of Canada, *Public Accounts of Canada*

Table D: Canadian GDP Growth Rates, Unemployment Rates and EI Premium Rates

Year	**GDP Growth Rate**	**Unemployment Rate**	**Employee Premium Rate**
1980	2.2%	7.5%	1.35%
1981	3.5%	7.6%	1.80%
1982	-2.9%	11.0%	1.65%
1983	2.7%	11.9%	2.30%
1984	5.8%	11.3%	2.30%
1985	4.8%	10.7%	2.35%
1986	2.4%	9.6%	2.35%
1987	4.3%	8.8%	2.35%
1988	5.0%	7.8%	2.35%
1989	2.6%	7.5%	1.95%
1990	0.2%	8.1%	2.25%
1991	-2.1%	10.3%	2.25%/2.80%
1992	0.9%	11.2%	3.00%
1993	2.3%	11.4%	3.00%
1994	4.8%	10.4%	3.07%
1995	2.8%	9.4%	3.00%
1996	1.6%	9.6%	2.95%
1997	4.2%	9.1%	2.90%
1998	4.1%	8.3%	2.70%
1999	5.5%	7.6%	2.55%
2000	5.2%	6.8%	2.40%
2001	1.8%	7.2%	2.25%
2002	2.9%	7.7%	2.20%
2003	1.9%	7.6%	2.10%
2004	3.1%	7.2%	1.98%
2005	3.0%	6.8%	1.95%
2006	2.9%	6.3%	1.87%/1.53%
2007	2.5%	6.0%	1.80%/1.46%
2008	0.4%	6.1%	1.73%/1.39%
2009	-2.6%	8.3%	1.73%/1.36%

Sources: Statistics Canada, *Canadian Economic Accounts Quarterly Review* (Cat. No. 13-010-XWE), Statistics Canada, *Labour Force Information* (Cat. No. 71-001-XWE), CANSIM Table 380-0002 (v1992067), CANSIM Table 282-0087 (v2064894); HRSDC, *Departmental Performance Report*; *Report of the Chief Actuary to the Employment Insurance Commission on the Employment Insurance Break-even Premium Rate and Maximum Insurable Earnings*

Table E: EI Premium Rates and Maximum Weekly Insurable Earnings/Benefits

Year	Maximum Insurable Earnings	Employee Premium Rate	Employer Premium Rate	Break-even Premium Rate	Maximum Weekly Benefits
1980	$290	1.35%	1.89%	2.02%	$174
1981	$315	1.80%	2.52%	1.98%	$189
1982	$350	1.65%	2.31%	3.17%	$210
1983	$385	2.30%	3.22%	3.59%	$231
1984	$425	2.30%	3.22%	3.23%	$255
1985	$460	2.35%	3.29%	3.04%	$276
1986	$495	2.35%	3.29%	2.86%	$297
1987	$530	2.35%	3.29%	2.58%	$318
1988	$565	2.35%	3.29%	2.42%	$339
1989	$605	1.95%	2.73%	2.32%	$363
1990	$640	2.25%	3.15%	2.53%	$384
1991	$680	2.25%/2.80%	3.15%	3.24%	$408
1992	$680	3.00%	3.92%	3.38%	$374
1993	$710	3.00%	4.20%	3.16%	$426
1994	$745	3.07%	4.20%	2.67%	$447/$424.65
1995	$780	3.00%	4.30%	2.29%	$444.60/$429
1996	$815	2.95%	4.20%	2.24%	$448
1997	$750	2.90%	4.13%	1.99%	$464.75/$413
1998	$39,000	2.70%	4.06%	1.85%	$413
1999	$39,000	2.55%	3.78%	1.78%	$413
2000	$39,000	2.40%	3.57%	1.63%	$413
2001	$39,000	2.25%	3.36%	1.83%	$413
2002	$39,000	2.20%	3.15%	1.92%	$413
2003	$39,000	2.10%	3.08%	1.94%	$413
2004	$39,000	1.98%	2.94%	1.89%	$413
2005	$39,000	1.95%	2.77%	1.80%	$413
2006	$39,000	1.87%	2.62%	1.87%	$413
2007	$40,000	1.80%	2.52%	1.80%	$423
2008	$41,100	1.73%	2.42%	1.73%	$435
2009	$42,300	1.73%	2.42%	1.73%	$447

Sources: HRSDC, *Departmental Performance Report*; *Report of the Chief Actuary to the Employment Insurance Commission on the Employment Insurance Break-even Premium Rate and Maximum Insurable Earnings*

Table F: EI Benefits to Unemployed Ratio & EI Benefits to Unemployed Covered Ratio

	B/U Ratio	B/UC Ratio
1986	75.7%	
1987	76.2%	
1988	83.9%	
1989	84.4%	
1990	83.8%	
1991	77.0%	
1992	70.4%	
1993	64.3%	
1994	59.3%	
1995	52.9%	
1996	47.9%	
1997	43.9%	
1998	45.5%	
1999	46.3%	
2000	45.1%	68.9%
2001	44.6%	65.8%
2002	44.2%	63.1%
2003	44.6%	62.5%
2004	43.6%	63.5%
2005	44.8%	65.4%
2006	46.1%	67.8%
2007	44.2%	63.1%

Sources: Statistics Canada, *Employment Insurance Statistics* (Cat. No. 73-001-XPB) and *Annual Supplement* (Cat. No. 73-202-SPB), Statistics Canada, *Labour Force Information* (Cat. No. 71-001-XWE), CANSIM Table 276-0001 (v384773), CANSIM Table 282-0087 (v2064893); HRSDC, *EI Monitoring and Assessment Report*

Table G: EI Eligibility Requirements, as of Jan. 1, 2009

Regional rate of unemployment	Required number of hours of insurable employment in the last 52 weeks
0% to 6%	700 hours
6.1% to 7%	665 hours
7.1% to 8%	630 hours
8.1% to 9%	595 hours
9.1% to 10%	560 hours
10.1% to 11%	525 hours
11.1% to 12%	490 hours
12.1% to 13%	455 hours
13.1% and over	420 hours

Sources: HRSDC, *Employment Insurance Act; Employment Insurance Regulations*

Table H: EI Benefits Duration, as of Jan. 1, 2009

Number of weeks payable											
Unemployment rate in economic region											
Hours of Work	6% and under	6% to 7%	7% to 8%	8% to 9%	9% to 10%	10% to 11%	11% to 12%	12% to 13%	13% to 14%	14% to 15%	15% to 16%	16%
420-454									26	28	30	32
455-489								24	26	28	30	32
490-524							23	25	27	29	31	33
525-559						21	23	25	27	29	31	33
560-594					20	22	24	26	28	30	32	34
595-629				18	20	22	24	26	28	30	32	34
630-664			17	19	21	23	25	27	29	31	33	35
665-699		15	17	19	21	23	25	27	29	31	33	35
700-734	14	16	18	20	22	24	26	28	30	32	34	36
735-769	14	16	18	20	22	24	26	28	30	32	34	36
770-804	15	17	19	21	23	25	27	29	31	33	35	37
805-839	15	17	19	21	23	25	27	29	31	33	35	37
840-874	16	18	20	22	24	26	28	30	32	34	36	38
875-909	16	18	20	22	24	26	28	30	32	34	36	38
910-944	17	19	21	23	25	27	29	31	33	35	37	39
945-979	17	19	21	23	25	27	29	31	33	35	37	39
980-1014	18	20	22	24	26	28	30	32	34	36	38	40
1015-1049	18	20	22	24	26	28	30	32	34	36	38	40
1050-1084	19	21	23	25	27	29	31	33	35	37	39	41
1085-1119	19	21	23	25	27	29	31	33	35	37	39	41
1120-1154	20	22	24	26	28	30	32	34	36	38	40	42
1155-1189	20	22	24	26	28	30	32	34	36	38	40	42
1190-1224	21	23	25	27	29	31	33	35	37	39	41	43
1225-1259	21	23	25	27	29	31	33	35	37	39	41	43
1260-1294	22	24	26	28	30	32	34	36	38	40	42	44
1295-1329	22	24	26	28	30	32	34	36	38	40	42	44
1330-1364	23	25	27	29	31	33	35	37	39	41	43	45

1365-1399	23	25	27	29	31	33	35	37	39	41	43	45
1400-1434	24	26	28	30	32	34	36	38	40	42	44	45
1435-1469	25	27	29	31	33	35	37	39	41	43	45	45
1470-1504	26	28	30	32	34	36	38	40	42	44	45	45
1505-1539	27	29	31	33	35	37	39	41	43	45	45	45
1540-1574	28	30	32	34	36	38	40	42	44	45	45	45
1575-1609	29	31	33	35	37	39	41	43	45	45	45	45
1610-1644	30	32	34	36	38	40	42	44	45	45	45	45
1645-1679	31	33	35	37	39	41	43	45	45	45	45	45
1680-1714	32	34	36	38	40	42	44	45	45	45	45	45
1715-1749	33	35	37	39	41	43	45	45	45	45	45	45
1750-1784	34	36	38	40	42	44	45	45	45	45	45	45
1785-1819	35	37	39	41	43	45	45	45	45	45	45	45
1820-	36	38	40	42	44	45	45	45	45	45	45	45

Sources: HRSDC, *Employment Insurance Act; Employment Insurance Regulations*

Table I: EI Divisor Rule (Benefits Level), as of Jan. 1, 2009

Divisor Rule	
Unemployment rate in economic region	**Minimum divisor**
0% to 6%	22
6.1% to 7%	21
7.1% to 8%	20
8.1% to 9%	19
9.1% to 10%	18
10.1% to 11%	17
11.1% to 12%	16
12.1% to 13%	15
13.1% and over	14

Sources: HRSDC, *Employment Insurance Act; Employment Insurance Regulations*

Table J: EI Benefits Replacement Rate

Year	Benefit Rate (Regular/Families with Dependents)
1940-1971	Varied, approximately 60%
1971-1975	66.6%/75%
1975-1979	66.60%
1979-1992	60%
1992-1994	57%
1994-1996	55%/60%
1996-2001	50%~55%/60%
2001-	55%/80%

Sources: HRSDC, *Employment Insurance Act; Employment Insurance Regulations*