

UNMASKING EMPLOYMENT INSURANCE

How EI Increases Unemployment and
Steals Billions from Working Canadians

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in 1990 when the *Association of Saskatchewan Taxpayers* and the *Resolution One Association of Alberta* joined forces to create a national taxpayers organization. Today, the CTF has more than 84,000 supporters from coast-to-coast.

The CTF maintains a federal office in Ottawa as well as provincial and regional offices in British Columbia, Alberta, the Prairies, Ontario and Atlantic Canada. Provincial and regional offices conduct research and advocacy activities specific to their provinces in addition to acting as local organizers of nation-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences, utilize social media like twitter, Facebook, YouTube and the CTF blog, as well as issuing regular news releases, commentaries and publications to advocate on behalf of CTF supporters. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year. *Action Update* e-mails on current issues are sent to CTF supporters regularly. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationwide.

CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Fact Summary

- EI is divided into 58 Economic Regions, with different eligibility rules to collect EI in each one, leading to confusion and unfairness.
- The EI system treats individual Canadians very differently. A CTF calculation shows that the same person who made \$16,200 over the last 26 weeks would be entitled to up to \$16,830 in total benefits in some EI economic regions, but would receive no benefits whatsoever in others.
- Between 1981 and 2009, Ontario and the four western provinces contributed \$113 billion more in EI premiums than they received in EI benefits. The figure for Ontario alone stands at \$75 billion.
- Over the same period, the four Atlantic provinces and Quebec received \$38 billion more in EI benefits than they paid in EI premiums, led by Newfoundland and Labrador at \$14 billion alone.
- In certain regions of the country EI not only acts as assistance for the unemployed but is a major contributor to regional income. Between 2008 and 2010 in rural Newfoundland and Labrador and PEI, EI was the equivalent of 15 per cent of regional employment income. Compare this to the regions of Estevan, Saskatchewan and Wood Buffalo, Alberta, where EI is less than one per cent of employment income.
- During the same period, of all tax filers in Newfoundland and Labrador not including those collecting CPP, 62 per cent received EI benefits compared to 13 per cent in Alberta.
- An analysis of 162 census subdivisions in Canada found that the EI income per tax filer (not including recipients of CPP) ranged from a high of \$7,258 in Bay Roberts, Newfoundland and Labrador to a low of \$586 in Estevan, Saskatchewan.
- Beneficiaries who are frequent claimants of EI make up 62 and 60 per cent of all claimants in Newfoundland and Labrador and PEI respectively, but only 8 per cent in Alberta.
- The EI program is extremely inefficient with administration costs ringing in at \$28 billion between 1993-94 and 2011-12 or \$4 million every day. The admin costs take \$400 a year out of the hands of a dual-income household.

Summary of Recommendations

The Employment Insurance Savings Account

The Canadian Taxpayers Federation suggests that working Canadians be entitled to keep the \$4,277 currently plundered from them and their employer every year in EI premiums, rather than sending the money to Ottawa, to be processed and shipped elsewhere.

Canadian workers should instead direct the money to their own Employment Insurance Savings Account (EISA). If they, their spouse or a family member lost their job, they could draw down the EISA account. This money could be invested in any RRSP eligible investment vehicle.

Upon retirement, the employee would transfer the balance of the EI Savings Account into their Registered Retirement Savings Plan and roll it into a Retirement Income Fund, a Tax-Free Savings Account, or into a Pooled Registered Pension Plan.

An Important Side Benefit: Higher Retirement Savings

By significantly increasing retirement savings, the EISA would address two pressing issues simultaneously; chronic unemployment and inadequate retirement savings.

A dual income household where both earners make over \$47,400 who first started contributing to their EISA at 25 years old would save \$1,065,000 by retirement at age 65, assuming they are gainfully employed the entire time and that EI contributions rise at the rate of inflation along with investment returns reflecting the ten year average of the S&P/TSX (Cdn) Index.¹ This represents a best case scenario but even if the couple had experienced bouts of unemployment, they would still be able to put aside a sizeable nest egg for retirement.

Alternatively, these numbers point to the true cost of EI for individual taxpayers; the current EI program will cost this two-income household over \$1 million in lost savings. In addition, in the event of a job loss, they would have a far bigger safety net to fall on. If both members of the household were to lose their jobs suddenly after ten years of contributing to their EISA, they would have \$67,000 to cushion the blow. Ten years later, that number triples; far more than traditional EI could ever offer them.

¹ Assuming EI employer and employee contributions rise at the 10 year average inflation rate of 2.04 per cent and their investments yield a return equal to the 10 year average S&P/TSX (Cdn) Index, which is 6.6 per cent.

Introduction

On the surface, the Employment Insurance system provides a safety net for Canadian workers. In reality it is a patchwork of complex rules that treats workers in drastically different terms depending on where they live or their occupation.

Few dispute the need for a program that protects Canadians in the event of job loss. But a program that treats workers differently is contrary to the values of fairness and equity that Canadians should expect from their governments.

Canada first introduced federal employment insurance under the *Unemployment Insurance Act* in 1940 during the tenure of Prime Minister Mackenzie King. The vision of the program was one that would provide very temporary relief to low-income workers in the most dire of circumstances. They had to prove that they had paid into the program for 180 days (twice as long as the minimum today), and workers in seasonal industries were excluded due to fears they would collect every year. Additionally, only workers earning less than \$2,000 were eligible. Today, there is no maximum income level that would disqualify someone from EI eligibility.²

The government of Prime Minister Pierre Trudeau oversaw a massive liberalization of the program in 1970, making 96 per cent of the workforce eligible, and allowing people who quit work voluntarily or were fired for misconduct to collect benefits.³

Since then, some improvements have been made, including exclusion of fired workers and those refusing suitable employment. Nevertheless, the EI program we know today, which is effectively also a massive regional wealth transfer, stands in stark contrast to the vision laid out by its creators, which hoped to temporarily assist Canada's most vulnerable.

Consider the scenario of two factory workers who live in Newfoundland and Labrador. One lives in St. John's where the factory is also located. The second commutes to work from outside the city, where EI rules differ. They do identical jobs for the same employer. If they were both laid off after 26 weeks of work where they both earned \$16,200, the worker from inside the city would qualify for no EI benefits, while the worker from outside the city would receive up to \$16,830 over 34 weeks.

While the reforms instituted by the federal government in 2012 took some steps towards cracking down on frequent EI claimants, it did little to address the more pressing issue of the regional unfairness of EI.



Commercial fishers have their own separate set of rules that make it much easier for them to collect EI than the rest of the country. Why do certain groups and regions get special EI treatment? Photo source: Wikipedia.org.

² Makarenko, Jay. "Employment Insurance in Canada: History, Structure and Issues." *Mapleleafweb*. University of Lethbridge, 22 Sep. 2009

³ Makarenko. EI in Canada.

The system has created a perverse incentive for workers to walk away from productive jobs where their skills are needed, after working as few as 14 weeks.

If we want to end chronic unemployment and create a system that works for everyone, we need to completely overhaul the EI system into one that treats all Canadians equally and allows workers to take ownership of the money they pay into EI.

EI in its current form restricts labour mobility and keeps people in some regions where there is little to no available work. Meanwhile, it makes collecting EI benefits extremely difficult for some people out of work in relatively lower unemployment regions. Canada is the only country in the world that has different rules for unemployment insurance benefits for each region of the country.⁴

Canada's Employment Insurance System Makes Most Canadians Poorer

Employment Insurance Taxes Are Up \$433 or 25 Per Cent in Five Years

Employees see EI taken off the top of every paycheque. But many Canadians don't know that their employer also pays into EI – at a higher rate no less – for them. For every dollar of EI an employee pays, their employer will pay \$1.40. To gauge the true costs of this tax, both the employee and employer side of the equation must be considered.

The federal government has hiked Employment Insurance taxes dramatically since 2008, from \$1,706 to \$2,139 for maximum insurable earnings (\$47,400 in 2013). When EI taxes paid by the employer are factored in, the government will collect \$4,277 in EI alone from a dual income household.

Table 1: Employment Insurance Tax Rates, 2008-2013

Year	Employee Taxes	EI rate per \$100 of earnings (employee)	Employer EI taxes	EI rate per \$100 of earnings (employer)	Employee & Employer EI Taxes	Dual Income Family Employer & Employee EI Taxes ⁵
2008	\$ 711	1.73%	\$ 995	2.42%	\$ 1,706	\$ 3,412
2009	\$ 732	1.73%	\$ 1,025	2.42%	\$ 1,757	\$ 3,514
2010	\$ 747	1.73%	\$ 1,046	2.42%	\$ 1,793	\$ 3,587
2011	\$ 787	1.78%	\$ 1,101	2.49%	\$ 1,888	\$ 3,777
2012	\$ 840	1.83%	\$ 1,176	2.56%	\$ 2,016	\$ 4,032
2013	\$ 891	1.88%	\$ 1,248	2.63%	\$ 2,139	\$ 4,277

Source: Canada Revenue Agency EI premium rates and maximums.

⁴ Medow, J. (2011). Hidden Regional Differentiation: EI and Unequal Federal Support for Low Income Workers. *The Mowat Institute*.

⁵ Household with two income earners making at least \$47,400 each.

Canada's Employment Insurance System is Costly

EI is one of the biggest sources of revenue for the federal government, reaching \$20.4 billion in 2012-13. This is 58 per cent as much as was received through corporate income taxes or 47 per cent as much as the government collects in tariffs and duties.

While the case can be made – and the CTF does – that business, income taxes and tariffs are too high in Canada, at least taxpayers can see tangible benefits for their tax dollars in infrastructure spending, national defence and health care. The difference with EI is that the vast majority of Canadians see no benefit to this tax in any given year, while a minority of the population collects from the program on an annual basis.

In Newfoundland and Labrador, the number of frequent claimants, those collecting EI regularly, averaged 62 per cent between 2008 and 2010. This forced redistribution of wealth

Table 2: Frequency of EI Claimants, 2008-2010

	Total Claimants	Frequent Claimants	Percentage that Are Frequent Claimants
NL	90,233	56,290	62.4%
PEI	24,100	14,353	59.6%
NB	92,433	45,320	49.0%
NS	88,967	38,107	42.8%
QC	552,400	197,207	35.7%
SK	46,733	9,533	20.4%
MB	62,367	11,497	18.4%
ON	666,433	101,133	15.2%
BC	248,333	35,287	14.2%
AB	171,900	12,980	7.6%
Canada	2,043,900	521,707	25.5%

Source: ESDC 2012 EI Monitoring and Assessment Report

punishes the take-home pay of workers and rewards those who abuse the system and work only a handful of months each year.

Considering that EI is a program that less than 10 per cent of Canadians even use in any given year,⁶ the sheer size of the

program is alarming when compared with the size of more vital government programs. It is larger or similar in size to our defence spending (\$20 billion), the Department of Health (\$3.8 billion), Environment Canada (\$1 billion), all children's benefits (\$12.7 billion) and Public Safety, the RCMP and the Canadian Border Services Agency combined (\$5.2 billion).⁷

Frequent Claimants

The government classifies workers into three categories; frequent claimants, long-tenured workers and occasional claimants.

A frequent claimant is anyone who collected EI for at least a total of 60 weeks spread over at least three different benefit periods during the last 260 weeks (five years). For example, if golf course worker Arnold collected EI from November to February for each of the last three years he would automatically become a frequent claimant.

A long tenured worker must have received less than 36 weeks of benefits over the same 260 week period and paid at least 70 per cent of the maximum EI premiums in seven of the last 10 years. An occasional claimant falls somewhere in between a long-tenured worker and a frequent claimant.

Source: ESDC EI Rules.

⁶ 2012 Labour Force, Statistics Canada. 2012 EI Monitoring and Assessment Report.

⁷ 2012 Fiscal Reference Tables.

Administration Costs

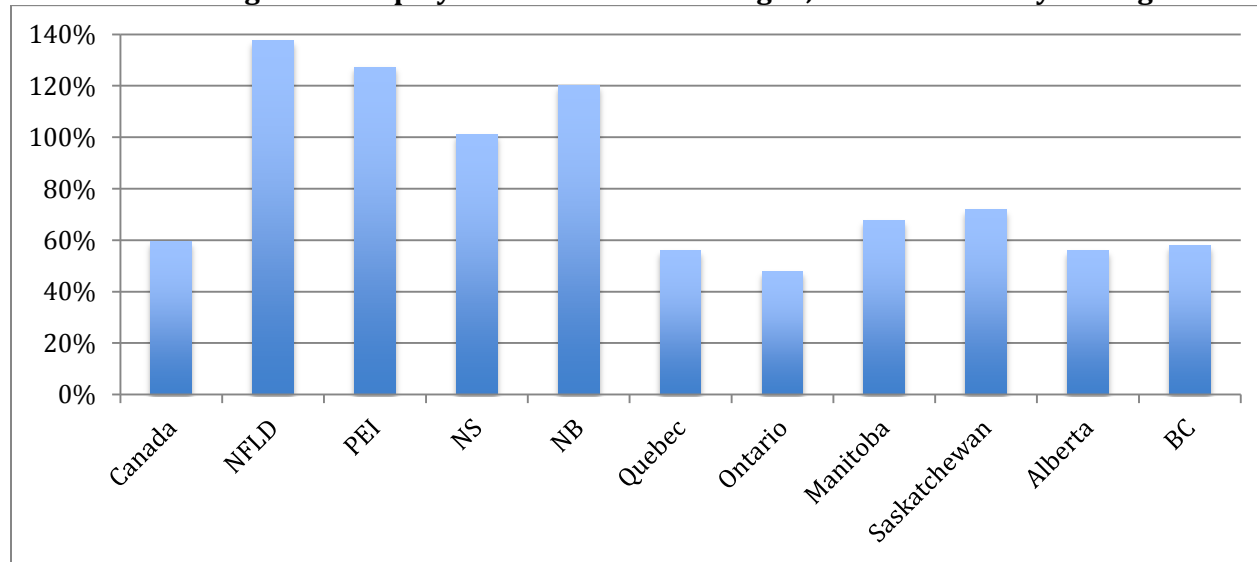
EI is also incredibly expensive program to run. In 2011-12, the EI program's administration costs ran at an incredible \$1.9 billion. For every dual income household, EI administration costs over \$400 a year.⁸ For every \$1 paid in premiums, the government immediately ate up 11 cents to feed the massive bureaucracy that runs the program.

This is not surprising given the incredible complexity of the EI program. Between 1993-94 and 2011-12, running the program cost \$28 billion or \$4 million every day.⁹

Most Unemployed Canadians Don't Qualify for Employment Insurance

Chart 1 illustrates that there is a vast disparity in the proportion of unemployed people relative to how many people are collecting EI in the provinces. Many unemployed Canadians do not qualify for EI benefits or do not apply for them, despite paying into the program. During the fiscal year 2011-12, only 48 per cent of Ontario's unemployed workers collected EI benefits. Compare this to rates of over 100 per cent in Atlantic Canada, meaning that virtually all unemployed workers in this region are collecting EI, along with many not in the labour force taking EI maternity leave and other assorted benefits. The recessions of the early 1980s and 90s both saw similar patterns. Not only is EI available for annual claimants who abuse the system, but it is often not available for new claimants in certain regions who are in genuine need.

Chart 1: Percentage of Unemployed Canadians Collecting EI, 2011-12 Monthly Average



Source: EI figures taken from Economic and Social Development Canada's 2012 EI Monitoring and Assessment Report. Unemployment figures taken from Statistics Canada. Note that the number can reach above 100 per cent if there are people not in the labour force collecting EI because these people would not be reflected in unemployment numbers.

⁸ Assuming both members of household earn at least the average industrial wage of \$47,400.

⁹ 1993-2012 Public Accounts of Canada.

Table 3: Number of Weeks Someone is Eligible to Collect EI, Based on Hours Worked and Local Unemployment Rate, 2013

Hours Worked	Weeks Worked ¹⁰	Local Unemployment Rate											
		<6%	6-7%	7-8%	8-9%	9-10%	10-11%	11-12%	12-13%	13-14%	14-15%	15-16%	>16%
420-454	12	0	0	0	0	0	0	0	0	26	28	30	32
455-489	13	0	0	0	0	0	0	0	24	26	28	30	32
490-524	14	0	0	0	0	0	0	23	25	27	29	31	33
525-559	15	0	0	0	0	0	21	23	25	27	29	31	33
560-594	16	0	0	0	0	20	22	24	26	28	30	32	34
595-629	17	0	0	0	18	20	22	24	26	28	30	32	34
630-664	18	0	0	17	19	21	23	25	27	29	31	33	35
665-699	19	0	15	17	19	21	23	25	27	29	31	33	35
700-734	20	14	16	18	20	22	24	26	28	30	32	34	36
735-769	21	14	16	18	20	22	24	26	28	30	32	34	36
770-804	21	15	17	19	21	23	25	27	29	31	33	35	37
805-839	22	15	17	19	21	23	25	27	29	31	33	35	37
840-874	23	16	18	20	22	24	26	28	30	32	34	36	38
875-909	24	16	18	20	22	24	26	28	30	32	34	36	38
910-944	25	17	19	21	23	25	27	29	31	33	35	37	39
945-979	26	17	19	21	23	25	27	29	31	33	35	37	39
980-1014	27	18	20	22	24	26	28	30	32	34	36	38	40
1015-1049	28	18	20	22	24	26	28	30	32	34	36	38	40
1050-1084	29	19	21	23	25	27	29	31	33	35	37	39	41
1085-1119	30	19	21	23	25	27	29	31	33	35	37	39	41
1120-1154	31	20	22	24	26	28	30	32	34	36	38	40	42
1155-1189	32	20	22	24	26	28	30	32	34	36	38	40	42
1190-1224	33	21	23	25	27	29	31	33	35	37	39	41	43
1225-1259	34	21	23	25	27	29	31	33	35	37	39	41	43
1260-1294	35	22	24	26	28	30	32	34	36	38	40	42	44
1295-1329	35	22	24	26	28	30	32	34	36	38	40	42	44
1330-1364	36	23	25	27	29	31	33	35	37	39	41	43	45
1365-1399	37	23	25	27	29	31	33	35	37	39	41	43	45
1400-1434	38	24	26	28	30	32	34	36	38	40	42	44	45
1435-1469	39	25	27	29	31	33	35	37	39	41	43	45	45
1470-1504	40	26	28	30	32	34	36	38	40	42	44	45	45
1505-1539	41	27	29	31	33	35	37	39	41	43	45	45	45
1540-1574	42	28	30	32	34	36	38	40	42	44	45	45	45
1575-1609	43	29	31	33	35	37	39	42	43	45	45	45	45
1610-1644	44	30	32	34	36	38	40	42	44	45	45	45	45
1645-1679	45	31	33	35	37	39	41	43	45	45	45	45	45
1680-1714	46	32	34	36	38	40	42	44	45	45	45	45	45
1715-1749	47	33	35	37	39	41	43	45	45	45	45	45	45
1750-1784	48	34	36	38	40	42	44	45	45	45	45	45	45
1785-1819	48	35	37	39	41	43	45	45	45	45	45	45	45
1820-	49	36	38	40	42	44	45	45	45	45	45	45	45

The EI Economic Regions

The EI program divides Canada into 58 different Economic Regions. Each region has different requirements to qualify for EI benefits, with higher unemployment regions offering greater benefits for longer periods of time. No other industrialized country has such a system.¹¹ Table 3 shows that an employee who worked in a region with unemployment over 16 per cent would only have to work 420 hours – less than 11 weeks of full time work – to qualify for 32 weeks of benefits.

Source: ESDC 2012 EI Monitoring and Assessment Report.

¹⁰ Assumes 37.5 hour work weeks. However, only hours used when calculating benefits. Weeks added for illustration purposes.

¹¹ Medow, Jon. (2011). Hidden Regional Differentiation: EI and Unequal Federal Support for Low Income Workers. *The Mowat Centre*.

How EI Benefits Are Calculated

Workers in Canada who lose their job are entitled to benefits from EI. The program also provides benefits for childbirth and parenting leave, job training, and absence from work due to sickness or caring for a family member who is sick.

A safety net that provides temporary relief for workers who lose their job is a program that exists in all industrialized countries. But Canada is the only country in the world where benefits are calculated based on what region of the country a worker lives.

The Formula to Calculate EI Benefits

EI regular benefits are calculated using the same formula for all workers. The workers' income over the last 26 weeks is added up. Then, this income is divided by the ESDC "divisor" which is based on your local unemployment level. The higher the unemployment level, the lower the divisor. This figure is then multiplied by 55 per cent. This gives you the weekly EI benefit.

Consider the following scenario: Jim worked 13 of the last 26 weeks making \$700 a week. He lives in London, Ontario, which has a divisor of 16. If he lost his job his benefit would be calculated as follows:

$$\begin{aligned} \$700 \times 13 &= \$9,100 \\ \$9,100 / 16 &= \$569 \\ \$569 \times 0.55 &= \$313 \\ \text{Jim's weekly EI benefit is } &\$313 \end{aligned}$$

The EI program divides the country into 58 'economic regions.' Depending on which region you live in, your eligibility for benefits will be calculated differently. The average unemployment rate for the last three months for the entire region is calculated, which is the sole factor in determining the regional divisor. The maximum weekly benefit for 2013 is \$501.

Source: ESDC EI rules.

EI Discriminates Against Millions of Canadians Living in Cities

Complex rules that apply different eligibility to workers depending on what region of Canada they live in results in a program that is both confusing and unfair.

Consider the following scenario. Michael is hired to be a machine operator in a packaging plant. He works 32 hours a week, making \$900 a week. After 14 weeks on the job, the factory reduces hours and he is only given 12 hours of work a week making \$300. After 12 weeks working reduced hours, the factory shuts down operations completely and Michael is laid off. During that time, he earned a total \$16,200.

Despite identical circumstances, if Michael were to apply for EI in each of the country's Economic Regions as illustrated in Table 4 on page 12, he would receive drastically different benefits. In 28 of the Economic Regions, Michael would be eligible for EI Benefits ranging between \$6,168 and \$16,830. In the other 27, he would receive no benefits at all.

If Michael's factory was located in the St. John's Economic Region where Michael lives, he would be entitled to no benefits. But if his colleague, Samuel, who commutes to work from outside the city, were also laid off, he would receive \$16,830 in benefits even though they worked exactly the same hours and same jobs.

The local unemployment rate is also not the only barometre of the local job market for individuals.

A worker in a region with steady 13 per cent unemployment may face better prospects than a worker in an area with 8 per cent unemployment but where that rate is consistently rising.

When the unemployment rate is rising – for example after layoffs from a major local employer

Table 4: Case Study - EI Benefit Eligibility by EI Economic Region for “Michael”

EI Economic Region	Weeks Eligible	Unemployment Rate	Total Benefit	Economic Region	Unemployment Rate	Weeks Eligible	Total Benefit
NL -- Labrador	34	16.1%	\$16,830	St. John's	6.2%	0	\$0
Gaspésie--Îles-De-La-Madeleine	34	16.7%	\$16,830	Halifax	6.5%	0	\$0
Northern Manitoba	34	31.2%	\$16,830	Fredericton-Moncton-Saint John	8.2%	0	\$0
Northern Saskatchewan	34	17.4%	\$16,830	Québec	4.8%	0	\$0
Eastern Nova Scotia	30	14.8%	\$14,850	South Central Quebec	4.0%	0	\$0
Restigouche-Albert	30	16.4%	\$14,850	Sherbrooke	7.3%	0	\$0
Prince Edward Island	24	11.3%	\$11,880	Montréal	6.8%	0	\$0
Madawaska-Charlotte	24	12.2%	\$11,880	Hull	6.4%	0	\$0
Bas-Saint-Laurent--Côte-Nord	24	10.5%	\$11,880	Ottawa	6.3%	0	\$0
Windsor	24	9.7%	\$11,880	Eastern Ontario	7.2%	0	\$0
Northern Ontario	24	12.2%	\$11,880	Kingston	6.7%	0	\$0
Northern British Columbia	24	10.4%	\$11,880	Hamilton	6.4%	0	\$0
North Western Quebec	22	9.9%	\$10,890	Kitchener	7.2%	0	\$0
Niagara	22	9.3%	\$10,890	South Central Ontario	6.3%	0	\$0
Western Nova Scotia	20	10.9%	\$9,900	Thunder Bay	6.2%	0	\$0
Huron	20	8.5%	\$9,900	Winnipeg	5.9%	0	\$0
Northern Alberta	20	7.8%	\$9,900	Southern Manitoba	5.4%	0	\$0
Trois-Rivières	18	8.6%	\$8,910	Regina	3.7%	0	\$0
Central Quebec	18	8.3%	\$8,910	Saskatoon	4.5%	0	\$0
Chicoutimi-Jonquière	18	8.2%	\$8,910	Southern Saskatchewan	6.1%	0	\$0
Oshawa	18	7.8%	\$8,910	Calgary	5.0%	0	\$0
Central Ontario	18	7.6%	\$6,174	Edmonton	4.9%	0	\$0
Toronto	18	8.1%	\$6,174	Southern Alberta	5.6%	0	\$0
St. Catharines	18	8.2%	\$6,174	Abbotsford	7.8%	0	\$0
London	18	8.8%	\$6,174	Vancouver	6.8%	0	\$0
Sudbury	18	7.2%	\$6,174	Victoria	6.2%	0	\$0
Southern Interior British Columbia	18	7.3%	\$6,174	Southern Coastal British Columbia	8.7%	0	\$0
Montréal	18	8.1%	\$6,168				

Source: CTF calculations using ESDC EI benefit calculation formula. Unemployment rate is 2013 average until November.

– the labour market becomes saturated. This is exactly what has occurred in regions with economies heavily reliant on manufacturing such as Windsor.

Workers from cities with sectors hard hit by the manufacturing slowdown are further impacted by EI's distortion in favour of smaller towns and rural areas.

Awarding Benefits Based on Local Unemployment Rate: Arbitrary and Unfair

Take the example of two workers laid off in the Kitchener-Waterloo region. One works in high-tech and the other in manufacturing. Due to a demand for hi skill set, the high-tech worker finds employment shortly. But the second worker cannot find a job. His skills are specifically suited to manufacturing, a field that is facing decline across the country.

According to a report from Statistics Canada on job stability and unemployment duration,

urban workers actually face much longer periods of unemployment.

“Despite their diverse economies, large urban centres were actually hit harder by declining manufacturing job stability than non-metropolitan areas.”¹²

But because the local unemployment rate is only 6.6 per cent,¹³ the worker will qualify for much smaller benefits – or even no benefits at all.

Billions of EI Benefits Pumped into Some Regions for Years, with no Progress Made

Because the nature of EI is so skewed towards regions with high unemployment and large amounts of seasonal workers, it has resulted in the creation of some regions where money from EI benefits represents not just assistance for unemployed workers but a major source of regional income.

Data from Statistics Canada shown in Table 5 illustrates that outside population centres of 10,000 people or more in both PEI and Newfoundland and Labrador, EI benefits are equal to over 15 per cent of total employment income in the area. In other words, for every \$100 dollars earned at work in these regions, another \$15 is being paid out in EI benefits.

Table 5: EI Income Relative to Employment Income, 2008-2010

Provinces		Highest 10 Census Subdivisions		Lowest 10 Census Subdivisions	
NL	9.4%	Non CMA-CA, NL ¹⁴	16.2%	Estevan, SK	0.8%
PEI	8.6%	Non CMA-CA, PEI	15.1%	Wood Buffalo, AB	0.9%
NB	5.8%	Bay Roberts, NL	13.7%	Okotoks, AB	1.0%
NS	4.3%	Non CMA-CA, NB	10.5%	Canmore, AB	1.1%
QC	3.3%	Campbellton, QC part	9.7%	Ottawa-Gatineau, ON part	1.1%
BC	2.0%	Cape Breton, NS	8.5%	Regina, SK	1.1%
ON	1.9%	Miramichi, New Brunswick	8.4%	Calgary, AB	1.1%
MB	1.8%	Dolbeau-Mistassini, QC	8.4%	Lloydminster, AB part	1.2%
SK	1.6%	Campbellton, NB part	8.3%	Yellowknife, NWT	1.2%
AB	1.3%	Corner Brook, NL	8.1%	Saskatoon, SK	1.3%
Canada					2.4%

Source: Statistics Canada Cansim Table 111-0025.

Meanwhile, in many regions of the country, income from EI represents a statistically insignificant amount when compared to employment income. EI

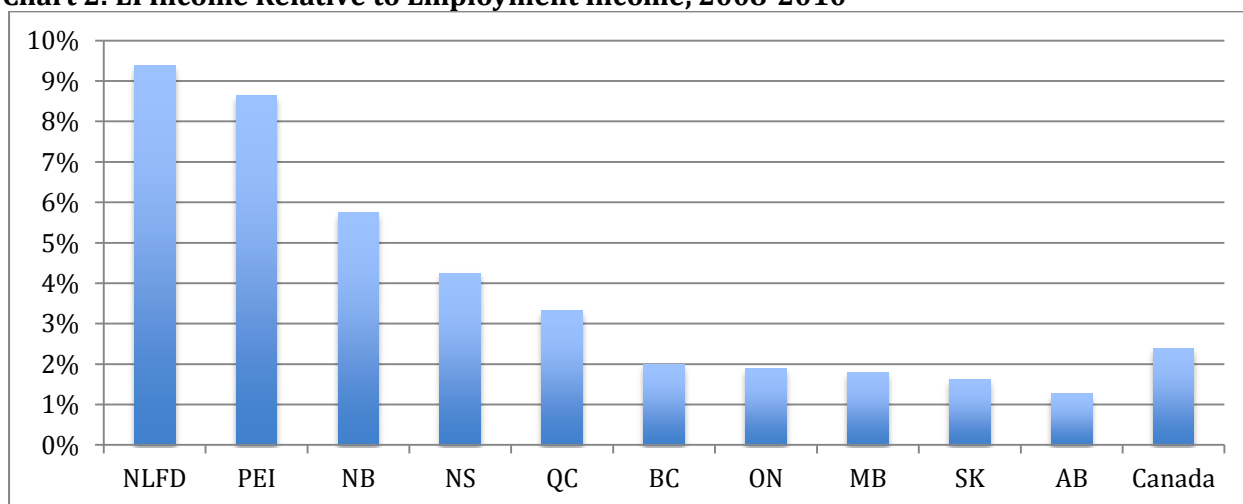
relative to employment income is 20 times higher in rural Newfoundland and Labrador than it is Estevan, Saskatchewan.

At the provincial level, the four western provinces and Ontario all have EI to employment income ratios of between 1 and 2 per cent, while PEI and Newfoundland and Labrador have ratios of 8.6 and 9.4 per cent respectively.

¹² “Job stability and unemployment duration in manufacturing.” *Statistics Canada*. November 2009.

¹³ ESDC, EI Economic Region of Kitchener

¹⁴ Non CMA-CA refers to an entire province, excluding population’s centres of 10,000 people or more

Chart 2: EI Income Relative to Employment Income, 2008-2010

Source: Figures are CTF calculations taken from data in Statistics Canada Cansim Table 111-0025.

A program that produces such stark differences based on region is one that is not serving Canadians equitably or effectively.

The percentage of people who receive EI benefits also varies greatly among census subdivisions. By taking all tax filers per region, subtracting all of those who collect CPP benefits and then dividing this number by the total number of tax filers who collected EI benefits, we can find the percentage of workers who receive EI for any given region.

Table 6: Percentage of Tax Filers Collecting EI at Least Once During Calendar Year, 2008-2010 average

Highest 10		Lowest 10		Provinces	
Non CMA-CA, NL ¹⁵	89.0%	Estevan, SK	10.1%	NL	58.3%
Bay Roberts, NL	80.2%	Okotoks, AB	10.3%	PEI	49.0%
Cape Breton, NS	68.8%	Yellowknife, NWT	10.6%	NB	41.2%
Non CMA-CA, PEI	67.9%	Canmore, AB	10.8%	NS	34.3%
Dolbeau-Mistassini, QC	65.7%	Ottawa, ON	11.5%	QC	29.7%
Campbellton, NB	62.8%	Calgary, AB	11.6%	BC	18.0%
Non CMA-CA, NB	62.5%	Regina, SK	11.6%	ON	17.9%
Miramichi, NB	55.9%	Lloydminster, AB	11.7%	MB	16.7%
Corner Brook, NL	52.7%	Saskatoon, SK	12.3%	SK	14.8%
Campbellton, QC	38.5%	Wood Buffalo, AB	12.4%	AB	12.7%
Canadian Average					21.3%

Source: Figures are CTF calculations taken from data in Statistics Canada Cansim Table 111-0025. Note that this data includes EI recipients receiving maternity, training and other benefits because data on the type of EI benefits being received only exists at the provincial level. The figure is obtained by dividing the number of EI beneficiaries divided by the number of total taxfilers (minus those collecting CPP).

¹⁵ Non CMA-CA refers to an entire province, excluding population's centres of 10,000 people or more

Types of EI Benefits

EI does not just provide benefits to people who are out of work, known as “regular” benefits. The program also provides income for a variety of reasons including maternity leave and sickness. Table 7 outlines the proportion of people collecting the different types of EI benefits.

Table 7: Total Provincial Usage of Different EI Benefits, 2011-12

	Benefits Received	Regular	Fishing	Parental	Sickness	Compassionate Care	Work-Sharing	Maternity	Other
NL	\$891m	76.3%	11.9%	4.1%	3.6%	0.0%	0.0%	1.9%	2.2%
PEI	\$225m	70.7%	10.6%	5.9%	6.2%	0.0%	0.1%	2.9%	3.6%
NS	\$805m	72.6%	6.2%	9.0%	6.5%	0.0%	0.0%	3.7%	1.9%
NB	\$848m	75.2%	3.0%	6.7%	7.9%	0.0%	0.0%	3.1%	4.1%
QC	\$3,564m	88.2%	0.4%	0.0% ¹⁶	8.8%	0.0%	0.3%	0.0%	2.3%
ON	\$5,203m	60.6%	0.0%	21.8%	6.3%	0.1%	0.3%	9.1%	1.8%
MB	\$452m	54.7%	1.7%	21.6%	7.6%	0.1%	0.2%	8.7%	5.3%
SK	\$378m	54.7%	0.1%	24.1%	6.4%	0.1%	0.0%	9.9%	4.7%
AB	\$1,346m	49.9%	0.0%	27.0%	6.3%	0.1%	0.1%	11.5%	5.1%
BC	\$1,906m	61.6%	1.6%	17.9%	8.6%	0.1%	0.1%	7.5%	2.5%

Source: ESDC 2012 EI Monitoring and Assessment Report.

Fishing Benefits

Considering the vast complexity of the EI program and the separate rules that exist for different regions, it should come as no surprise that workers in certain industries also get favourable treatment. Fishers can qualify for EI benefits after earnings of just \$2,400.

EI claims are a lucrative source of income for the industry, with a full 41 percent of fishers who collected EI actually receiving benefits twice in the 2011-12 fiscal year *alone*.

A fisher is also nearly guaranteed to qualify for fishing benefits. 98.5 per cent of applicants who made at least \$5,500 qualified.

Because of the way fishing benefits are structured, with qualifying being contingent on earnings and not hours worked, a self-employed fisher could earn enough money to qualify for EI in *just one day*.

Overall, fishing benefits cost \$259 million in 2011-12, far more than workers in this industry paid in premiums.

Source: ESDC EI rules

In this sense, a major part of EI is not actually unemployment insurance but a government social program. It is important to separate the two elements of EI to understand each province's relationship with the EI program. Table 8 groups regular and fishing benefits into one column that we call “Unemployment Benefits;” when someone is collecting EI because they don't have a job. The next column is called “Social Benefits;” for all the other EI benefits including maternity and sickness benefits.

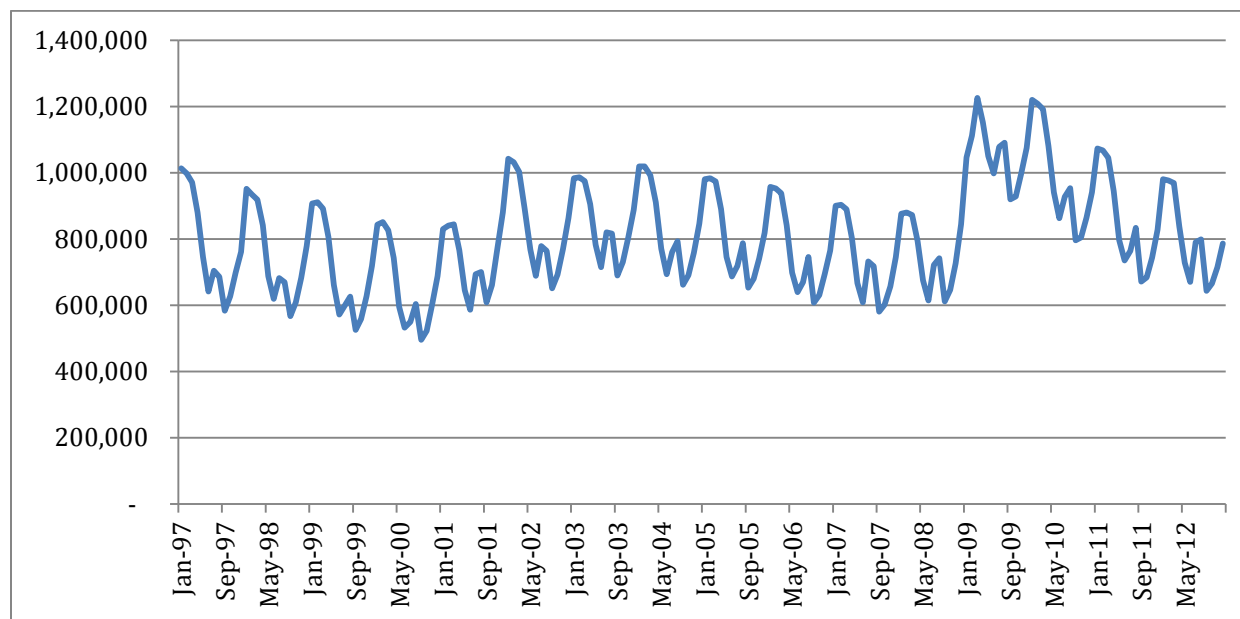
¹⁶ Quebec operates its own parental and maternity EI benefits program.

The data shows that people in different provinces use EI for very different reasons. Only 50 per cent of EI beneficiaries are collecting benefits because they are out of work in Alberta, compared to 88 per cent in Newfoundland and Labrador.

Collecting EI in the Winter Time Can be a Real Beach

Statistics Canada data going back to 1997 on the number of total EI beneficiaries in Canada shows a near 40 per cent upward swing in the winter. The annual spike in beneficiaries in Chart 3 draws a clear parallel with seasonal work.

Chart 3: Number of People Collecting EI, 1997-2012 (monthly)



Source: Statistics Canada Cansim Table 276-0006.

For example, in January 2006, 957,600 people were collecting EI. In September of that year, the number had dropped to 607,840. A similar pattern occurs every year.

Table 8: Provincial Usage of EI for Unemployment or Social benefits, 2011-12

	Amount Paid	Unemployment Benefits ¹⁷	Social Benefits ¹⁸
NL	\$891m	88.18%	11.83%
PEI	\$225m	81.31%	18.69%
NS	\$805m	78.78%	21.22%
NB	\$848m	78.24%	21.76%
QC	\$3,564m	88.60%	11.41%
ON	\$5,203m	60.59%	39.41%
MB	\$452m	56.49%	43.51%
SK	\$378m	54.80%	45.20%
AB	\$1,346m	49.93%	50.06%
BC	\$1,906m	63.25%	36.75%

ESDC 2012 EI Monitoring and Assessment Report

¹⁷ Combines data for Regular and Fishing Benefits

¹⁸ Combines data for Maternity, Parental, Sickness, Compassionate Care, Work-sharing Benefits and others

“So What Does that Tell You?”

Companies who try to invest in high EI use regions face major hurdles to finding and retaining workers despite high local unemployment rates. The disincentive EI creates for people to become regular members of the workforce is a major barrier to investment and job creation. Employers have difficulty maintaining operations, while other businesses will not even consider opening shop in the region.

In May 2012, call-centre operator Aditya Birla Minacs, a major employer in the Nova Scotia town of Port Hawkesbury, closed its doors after a difficult five years of operation in the area. The company was unable to recruit workers despite regional unemployment sitting at 15.4 per cent, twice the Canadian average. But Port Hawkesbury Mayor Billy Joe MacLean didn't blame the company – certainly the most politically expedient option – but the government handouts that allow employees to work only three months a year. “But when you want to hire 200 people and you can't find them and you've got 30 people out on stress leave, you know you've got a problem...They even gave \$3,000 bonus once an employee worked there three months, and they had people who would stay until they got the \$3,000 and then they'd quit. So what does that tell you,” asked Mayor MacLean.¹⁹

What Happened to the EI Surplus?

In 1996, Jean Chretien's Liberal government introduced much needed reforms that placed restrictions on collecting EI. With fewer EI benefits being paid out, the program began running huge surpluses.

Instead of using the money to give business and workers significant relief on their EI tax bill, much of the \$57 billion surplus was diverted to pay down the debt. The move faced a court challenge from groups arguing that the money should be paid back to EI contributors, which ultimately failed.

The Conservative government has passed legislation that ensures that all EI taxes be used only for the EI program. More importantly, EI rates will be set to collect just enough revenue to break even. Unfortunately, the feds will continue to collect a surplus between 2013 and 2016, to the tune of \$13.8 billion, when they will finally start matching EI tax revenues with expenses.

Source: “\$57-billion EI surplus won't be coming back to contributors.” *Edmonton Journal*. Dec 12 2008. And 2013 Finance Department Fall Economic Update

¹⁹ Macintyre, Mary Ellen. “Port Hawkesbury mayor doesn't blame call centre for closing.” *The Chronicle-Herald* 14 May. 2012, Online.

EI Robs Some Regions Just like Equalization

The core purpose of EI is to provide temporary assistance to workers who have lost their jobs and, to a lesser extent, provide income for people taking maternity and parental leaves, leaves due to sickness and to care for a family member who is ill.

But on a macro level, EI actually functions as a major regional redistributor of wealth similar to Equalization. While Equalization transfers money from federal coffers to recipient provincial governments with the explicit purpose of wealth redistribution, EI does so through transfers to people in the guise of an insurance program.

Statistics Canada data from 1981 to 2009 shows that workers in the western provinces and Ontario have paid \$113 billion more into EI than they have received in benefits. \$75 billion of this total came from Ontario alone.

Table 10: Comparing EI and Equalization Redistribution of Wealth, 1999-00 to 2009-10 (\$CDN Billions)

	Federal Equalization Payments	EI Regional Income Redistribution
1999-00	\$10.7b	\$9.1b
2000-01	\$12.5b	\$9.7b
2001-02	\$11.6b	\$7.9b
2002-03	\$10.9b	\$6.3b
2003-04	\$9.4b	\$5.5b
2004-05	\$12.9b	\$5.0b
2005-06	\$12.4b	\$6.0b
2006-07	\$13.0b	\$5.8b
2007-08	\$14.0b	\$5.6b
2008-09	\$15.1b	\$4.7b
2009-10	\$16.2b	\$0.7b
Total	\$138.7b	\$57.3b

Source: Equalization payments data from Fiscal Reference Table. EI regional income redistribution data from Statistics Canada Provincial and Territorial Accounts, Catalogue 13-018-XWe.

Table 9: Net Contribution to EI, 1981 to 2009 (Billions of CDN\$)

	Benefits Received	Premiums Paid	Net Provincial Contribution to EI
NL	\$20.4b	\$6.1b	-\$14.3b
PEI	\$4.5b	\$1.6b	-\$2.8b
NS	\$16.7b	\$11.5b	-\$5.2b
NB	\$18.3b	\$9.6b	-\$8.8b
QC	\$105.9b	\$99.2b	-\$6.8b
ON	\$100.0b	\$175.2b	\$75.3b
MB	\$10.0b	\$15.5b	\$5.5b
SK	\$8.0b	\$12.0b	\$3.9b
AB	\$26.2b	\$44.1b	\$17.9b
BC	\$43.3b	\$53.9b	\$10.6b
Surplus EI taxes collected			\$75.3b

Source: Statistics Canada Provincial and Territorial Accounts, Catalogue 13-018-XWe.

Meanwhile Atlantic Canada and Quebec – the net recipients of EI – have collected \$38 billion more in EI than they paid in premiums. The Atlantic provinces account for \$31 billion of that figure.

Provincial Premium Paid - Provincial Benefits Collected = Net Contribution to EI

Equalization, because of its very nature as a redistribution of wealth scheme, draws criticism. But data from the Finance Department on Equalization shows that EI regional income redistribution – the money that employees and employers from a respective province pay in to the EI system which does not get paid back to the

residents of that province in benefits – redistributes wealth much like Equalization. The recession saw EI premiums spike leading to a lower level of EI regional income redistribution, but this number will rise as the economy grows.

Construction Industry Hiring Halls

The construction sector, like most industries that rely on employees from the skilled trades, is facing a major labour shortage. A Certified General Accountants-Canada report on labour shortages estimates that 28 per cent of firms are suffering serious labour shortages. That number reached as high as 68 per cent before the recession and is expected to grow as Canada's economy recovers and the labour force faces its looming demographic crunch.

Despite these serious challenges, government policy is intentionally making it difficult for construction firms to find badly needed workers, while simultaneously costing taxpayers millions. Hiring Halls are setup through labour unions to facilitate the placement of employees with employers who use union employees. The catch is that being in a Hiring Hall automatically qualifies an employee "looking for work," negating all the rules which are required of people collecting EI including applying for available jobs, keeping records of applications and not leaving the country.

A worker can collect EI for up to 18 weeks simply by belonging to a Hiring Hall, even if there is limited or no jobs available through this Hiring Hall.¹ While this implies an actual physical building where a worker must be present to collect EI, they in fact could be on vacation. Membership in the Hiring Hall is enough to qualify for EI. While construction firms face massive labour shortages and are forced to import foreign workers to cover the shortfall, government policy is actively restricting the flow of labour and allowing people to collect EI benefits while jobs remain unfilled elsewhere.

The federal government has made it a major priority to connect unemployed Canadians with available jobs. Scrapping the Hiring Hall system would tear down a major barrier to employment for Canadian workers by removing disincentives to find work, while stimulating major Canadian industries and saving taxpayers in wasted EI taxes.

Source: ESDC Hiring Hall rules.

Myth: Seasonal Industries Would Disappear Without EI

Some suggest that if workers in seasonal industries were not eligible for EI, these industries would simply vanish. However, in reality, market forces would lead business to offer higher wages to employees to compensate for the lack of year round employment. A study by William B. Conerly, Ph.D. a Senior Fellow at the American National Center for Policy Analysis stated that wages would be driven up for employees in seasonal industries.

In a free labor market, employers offering seasonal employment would have to pay higher wages in order to compete against employers who offer year-round employment. Unemployment benefits undercut this natural market phenomenon and act as a subsidy to employers whose need for labor is cyclical or

seasonal.²⁰

Is the Federal Government Moving in Right Direction?

2012 EI Reforms

While much attention has been paid to the Conservative government's 2012 reforms of the EI program, the changes actually do very little to alter the fundamentally unfair aspects of EI as a vehicle that redistributes wealth to certain regions and industries.

²⁰ William B. Conerly, Ph.D. "Unemployment Insurance in a Free Society." *National Center for Policy Analysis*. March 2005.

The Mowat Centre, an Ontario based public policy think-tank, that has written extensively on EI, argues that the EI system remains fundamentally flawed.

Canadians' access to unemployment benefits will continue to be heavily conditioned by where they live. Region of residence will continue to determine the length of time at work needed to qualify for benefits, the length of time for which an unemployed worker can collect benefits, as well as the size of weekly EI benefits.²¹

EI benefits will still be calculated using the 58 Economic Regions, with local unemployment still being the barometer for EI eligibility. This system will continue to favour seasonal workers in high unemployment regions and business operating in seasonal industries.

What the reforms have done is changed the definition of what "suitable work" that those collecting EI must accept.

- *EI recipients will be expected to take all available hours of work, including at times that fall outside of previous working hours;*
- *EI recipients will be expected to accept work within a one hour commute. Expected commute times could be higher in cities;*
- *No EI recipient will be required to take a position that is vacant due to a labour dispute (this is a current practice);*
- *However, a person receiving EI will not have to accept work if they:*
 - *have a health problem that prevents them from taking a particular job;*
 - *have family obligations that prevent them from working at certain times of the day;*
 - *have limited transportation options in terms of commuting to and from work; or*
 - *are not physically capable of performing the work." (ESDC, 2012)*

Reducing EI Fraud

Fraudulent EI claims have been identified as a problem. In 2007-2008, the government recorded \$150 million in losses from EI fraud, or 0.9 per cent of all EI premium revenues. However this figure only represents *reported* cases of fraud. The number of fraudulent EI claims that go unfound is likely far higher. While no estimates exist in Canada, the US Department of Labour estimates that 11 per cent of all its Unemployment Insurance claims are fraudulent.²² This suggests that the *actual* number of money waste due to EI fraud could be as high as \$1.8 billion in Canada.

If unemployed workers were drawing money that belonged to them instead of to the government, it would likely eliminate fraud as workers would simply be stealing from themselves if they abused the system.

²¹ "What the New EI Rules Mean." *The Mowat Centre*. June 2012.

²² "Unemployment Insurance Benefit Payments: UI Payment Integrity Information." US Department of Labour. November 2009.

Fixing Employment Insurance

Liberating Canadians from a Nasty Government Version of Robin Hood

This year, every working couple (with each earning \$47,400 or more) and their employers will pay \$4,277 to Ottawa in EI taxes. Millions of Canadians pay these taxes each and every year of their working lives, going years, even decades, without collecting a cent in EI benefits.

Yet, in any given year, less than 10 per cent of Canadians collect any EI. Worse still, in some provinces, the majority of EI recipients collect on a regular basis.

Employers find it impossible to retain staff once they have worked enough weeks to qualify for EI benefits. Canadians are treated to the bizarre spectacle of workers coming from overseas, with Temporary Foreign Worker visas, to work in regions with chronically high unemployment and massive annual costs for Employment Insurance benefits.

Employment Insurance Savings Account

The Canadian Taxpayers Federation recommends that working Canadians be entitled to keep the \$4,277 currently taxed off their paycheques every year.

Canadian workers could instead direct the money to their own Employment Insurance Savings Account (EISA). Workers would become eligible for an EISA at 16 years of age or after their first job, whichever comes last. If they, their spouse or a family member lost their job, they could draw down the savings account. The account could also be used for maternity leave, long-term sickness and a leave of absence from work to care for a sick family member and other social benefits which are currently part of the EI program. The fishing benefit would be abolished, with workers in that industry subject to the same rules as other workers.

A dual income household where both earners make over \$47,400 who first started contributing to their EISA at 25 years old would save \$1,065,000 by retirement at age 65, assuming no drawdown of their EISA, EI contributions rising at the rate of inflation and investment returns reflecting the 10 year average of the S&P/TSX (Cdn) Index.²³

²³ Assuming EI employer and employee contributions rise at the 10 year average inflation rate of 2.04 per cent and the investments yield a return equal to the 10 year average S&P/TSX (Cdn) Index, which is 6.6 per cent.

Foreign Workers Needed?

There is no better illustration of the failure of the EI program than when firms complain of labour shortages in regions with high unemployment and large segments of the population on EI.

In Newfoundland and Labrador, which at the time had unemployment of 13.2 per cent, managers of Vale SA's \$3 billion nickel processor have had difficulty filling 1,500 skilled labour positions, forcing them to look outside the province and overseas for labour.

"We are looking for people in Canada, but the contingency plan will be to go offshore to find people," said product manager Rinaldo Stefan.

"We know it's a problem," added Newfoundland and Labrador Premier Kathy Dunderdale.

Source: McCarthy, Shawn. "Labour shortage looms in Newfoundland and Labrador." *Globe and Mail*. Sep 6, 2012.

Table 11: Size of EISA by Household and Year

Years contributing	Single Income	Dual Income
10	\$33,555	\$67,111
20	\$104,646	\$209,292
30	\$248,542	\$497,083
40	\$532,446	\$1,064,892

Source: CTF calculations.

Because Canadians would be drawing from their own money or their family's money, they would be strongly motivated to find work as quickly as possible, while enjoying as much flexibility in the search as their savings would allow.

Like the current system, both employees and employers would make mandatory contributions. But the EI Savings Account would be owned by the employee. Table 11 identifies the potential for savings for individuals and families. An individual could save \$532,446 in their EISA over a 40 year career, while a dual income household could save just over \$1 million. With regular EI, workers have nothing to show for their premiums they've paid over their working lives.

Upon retirement, the employee could transfer the balance of the EI Savings Account into their Registered Retirement Savings Plan and roll it into a Retirement Income Fund, a Tax-Free Savings Account, or rolled into a Pooled Registered Pension.

Canadians could choose between investing their EI Savings Account through private savings vehicles such as mutual funds or a fund managed by the Canada Pension Plan Investment Board.

In the case of new entrants to the labour force like young people and immigrants who have no or limited savings in their EISA, the government would allow them to run a negative balance on their EISA up to predetermined limit for their first five years of eligibility for an EISA. The negative balance would be paid back interest free when the person reenters the workforce and begins to make contributions again.

However, research suggests that very few Canadians would run large negative balances on their accounts. The New York-based National Bureau of Economic Research, which has proposed a similar program, created a simulation showing that few workers would in fact run negative balances on their account. "Our analysis indicates that almost all individuals have positive [account] balances and therefore remain sensitive to the cost of unemployment compensation. Even among individuals who experience unemployment, most have positive account balances at the end of their unemployment spell."²⁴

An Important Benefit: Higher Retirement Savings

With an aging population, Canadians are also facing a major shortfall of private savings for retirement. A report by the Canadian Institute of Actuaries found that only one in three households in Canada who hope to retire in 2030 are saving enough for retirement.

²⁴ Martin Feldstein, Daniel Altman. "Unemployment Insurance Savings Accounts." *The National Bureau of Economic Research*. December 1998

“Two thirds of Canadian households expecting to retire in 2030 are not saving at levels required to meet necessary living expenses. Old Age Security (OAS) and the Canada and Quebec Pension Plans (C/QPP) provide a modest base, and by themselves, are not designed to fill the gap.”²⁵

By significantly increasing retirement savings, the EISA would effectively be addressing two pressing issues – chronic unemployment and personal savings – simultaneously.

Case Study: Chile

The government of Chile in 2002 implemented a program similar to the EI Savings Account. The Chilean program combines some forms of pooled money, similar to our EI system today, with an Unemployment Insurance Savings Account. A study by German think-tank IZA of the effects from the reforms suggests that the private savings account model significantly reduces the disincentive to work and reduces the length of unemployment spells.

“By internalizing the costs of unemployment benefits, the [EISA] system is expected to reinforce worker incentives and thus to avoid or reduce the moral hazard inherent in traditional UI programs while, under some variants of the program, providing the same protection as the traditional UI system. The system is thus credited with a potential to substantially decrease overall unemployment and, by lowering payroll taxes, increase wages.”²⁶

For open-ended contracts, employees pay 0.6 per cent of monthly wages to an Individual Savings Account (ISA). Their employer pays 1.6 per cent, while contributing 0.8 per cent to a government account that is to be used for a more traditional unemployment insurance benefit.

Benefits are paid to an out-of-work employee over five months, with diminishing monthly returns. In month one, they would receive 50 per cent of their previous monthly earnings. By month five they receive only 30 per cent. All of this is funded from their ISA. To access the government run unemployment program, they must meet strict conditions including having exhausted their ISA, contributed to their ISA for at least 12 of the last 24 months, and collected from the government unemployment fund only one other time in the last five years.²⁷

²⁵ “Planning for Retirement: Are Canadians Saving Enough?” The Canadian Institute of Actuaries.

²⁶ Gonzalo Reyes Hartley, Jan C. van Ours, Milan Vodopivec. Incentive Effects of Unemployment Insurance Savings Accounts: Evidence From Chile. IZA. January 2010.

²⁷ “Unemployment insurance in Chile: Reform and innovation.” International Social Security Association. July, 2009.

Appendix I

Data on all 162 Census Subdivisions – 2008-2010 Annual Average

Census Subdivision	% of Taxfilers on EI*	Average EI Benefit per Tax Filer	Average EI Benefit per EI Beneficiary	EI Income Relative to Employment Income	Employment Income (in millions)	EI Income (in millions)
Non CMA-CA, Newfoundland and Labrador	89%	\$8,459	\$9,504	16%	\$4,309	\$697
Non CMA-CA, Prince Edward Island	68%	\$6,024	\$8,867	15%	\$874	\$131
Bay Roberts, Newfoundland and Labrador	80%	\$7,258	\$9,053	14%	\$169	\$23
Non CMA-CA, New Brunswick	63%	\$5,040	\$8,064	11%	\$4,699	\$493
Campbellton, Quebec part	39%	\$3,045	\$7,901	10%	\$33	\$3
Cape Breton, Nova Scotia	69%	\$5,526	\$8,034	8%	\$1,590	\$134
Miramichi, New Brunswick	56%	\$4,462	\$7,979	8%	\$404	\$35
Dolbeau-Mistassini, Quebec	66%	\$4,375	\$6,662	8%	\$2,26	\$19
Campbellton, New Brunswick part	63%	\$4,814	\$7,664	8%	\$221	\$18
Corner Brook, Newfoundland and Labrador	53%	\$4,588	\$8,705	8%	\$528	\$42
Grand Falls-Windsor, Newfoundland and Labrador	55%	\$4,603	\$8,322	8%	\$248	\$19
Matane, Quebec	65%	\$4,505	\$6,895	8%	\$263	\$20
Summerside, Prince Edward Island	48%	\$3,498	\$7,247	7%	\$314	\$22
Non CMA-CA, Nova Scotia	52%	\$3,801	\$7,330	7%	\$5,130	\$355
Bathurst, New Brunswick	53%	\$3,929	\$7,396	7%	\$572	\$37
Non CMA-CA, Quebec	46%	\$2,952	\$6,413	6%	\$24,573	\$1,529
Edmundston, New Brunswick	51%	\$3,309	\$6,522	6%	\$379	\$23
La Tuque, Quebec	48%	\$3,017	\$6,282	6%	\$213	\$12
Alma, Quebec	49%	\$3,077	\$6,337	6%	\$611	\$34
Non CMA-CA, Yukon	30%	\$2,402	\$8,016	5%	\$155	\$8
Shawinigan, Quebec	60%	\$3,541	\$5,904	5%	\$831	\$44
New Glasgow, Nova Scotia	42%	\$2,941	\$7,010	5%	\$629	\$33
Hawkesbury, Quebec part	41%	\$2,388	\$5,881	5%	\$25	\$1
Amos, Quebec	40%	\$2,569	\$6,465	5%	\$399	\$19
Rivière-du-loup, Quebec	41%	\$2,477	\$6,102	5%	\$465	\$22

Census Subdivision	% of Taxfilers on EI*	Average EI Benefit per Tax Filer	Average EI Benefit per EI Beneficiary	EI Income Relative to Employment Income	Employment Income (in millions)	EI Income (in millions)
Drummondville, Quebec	40%	\$2,269	\$5,608	5%	\$1,402	\$64
Prince Rupert, British Columbia	31%	\$2,152	\$7,003	5%	\$251	\$11
Charlottetown, Prince Edward Island	32%	\$2,316	\$7,300	4%	\$1,227	\$54
Rimouski, Quebec	38%	\$2,498	\$6,526	4%	\$920	\$47
Thetford Mines, Quebec	52%	\$2,737	\$5,267	4%	\$381	\$16
Quesnel, British Columbia	33%	\$2,292	\$6,899	4%	\$456	\$19
Lachute, Quebec	42%	\$2,421	\$5,749	4%	\$185	\$8
Saguenay, Quebec	41%	\$2,425	\$5,978	4%	\$2,967	\$127
Victoriaville, Quebec	41%	\$2,216	\$5,392	4%	\$875	\$37
Cowansville, Quebec	41%	\$2,116	\$5,107	4%	\$199	\$8
Rouyn-Noranda, Quebec	35%	\$2,301	\$6,505	4%	\$896	\$35
Port Alberni, British Columbia	38%	\$2,210	\$5,785	4%	\$384	\$15
Kentville, Nova Scotia	32%	\$2,022	\$6,349	4%	\$429	\$16
Saint-Georges, Quebec	38%	\$1,829	\$4,830	4%	\$584	\$22
Chatham-Kent, Ontario	31%	\$2,021	\$6,582	4%	\$1,869	\$71
Val-d'Or, Quebec	34%	\$2,134	\$6,289	4%	\$729	\$27
Elliot Lake, Ontario**	36%	-\$23,179	\$6,417	4%	\$136	\$5
Trois-Rivières, Quebec	39%	\$2,308	\$5,976	4%	\$2,656	\$100
Baie-Comeau, Quebec	36%	\$2,209	\$6,165	4%	\$675	\$25
Truro, Nova Scotia	34%	\$2,076	\$6,143	4%	\$759	\$28
Tillsonburg, Ontario	41%	\$2,429	\$5,989	4%	\$321	\$11
Granby, Quebec	35%	\$1,922	\$5,438	4%	\$1,362	\$49
Sept-Îles, Quebec	29%	\$2,034	\$6,925	4%	\$648	\$23
Terrace, British Columbia	26%	\$1,866	\$7,063	4%	\$364	\$13
Williams Lake, British Columbia	29%	\$1,866	\$6,344	4%	\$393	\$14
Hawkesbury, Ontario part	48%	\$2,464	\$5,123	4%	\$147	\$5
Sorel-Tracy, Quebec	43%	\$2,386	\$5,538	4%	\$879	\$30
Campbell River, British Columbia	32%	\$1,969	\$6,138	4%	\$705	\$24

Census Subdivision	% of Taxfilers on EI*	Average EI Benefit per Tax Filer	Average EI Benefit per EI Beneficiary	EI Income Relative to Employment Income	Employment Income (in millions)	EI Income (in millions)
Sherbrooke, Quebec	34%	\$1,852	\$5,383	3%	\$3,486	\$120
Joillette, Quebec	39%	\$2,214	\$5,651	3%	\$795	\$27
Norfolk, Ontario	31%	\$1,929	\$6,201	3%	\$1,103	\$37
Salaberry-de-Valleyfield, Quebec	36%	\$1,955	\$5,397	3%	\$646	\$21
Saint-Hyacinthe, Quebec	34%	\$1,795	\$5,313	3%	\$1,017	\$33
Salmon Arm, British Columbia	33%	\$1,960	\$5,890	3%	\$306	\$10
Saint-Jean-sur-Richelieu, Quebec	30%	\$1,707	\$5,710	3%	\$1,820	\$59
Prince George, British Columbia	25%	\$1,678	\$6,821	3%	\$1,957	\$61
Non CMA-CA, British Columbia	27%	\$1,690	\$6,201	3%	\$9,141	\$285
St. John's, Newfoundland and Labrador	25%	\$1,823	\$7,186	3%	\$4,573	\$140
Windsor, Ontario	28%	\$1,697	\$6,065	3%	\$6,176	\$187
Leamington, Ontario	22%	\$1,252	\$5,620	3%	\$925	\$28
Temiskaming Shores, Ontario	32%	\$1,927	\$6,052	3%	\$277	\$8
Courtenay, British Columbia	29%	\$1,737	\$6,095	3%	\$926	\$27
Non CMA-CA, Northwest Territories	19%	\$1,522	\$8,220	3%	\$575	\$16
Midland, Ontario	33%	\$1,872	\$5,682	3%	\$612	\$17
Brantford, Ontario	24%	\$1,584	\$6,497	3%	\$2,566	\$72
Penticton, British Columbia	34%	\$1,948	\$5,700	3%	\$758	\$21
Powell River, British Columbia	32%	\$1,869	\$5,776	3%	\$280	\$7
Sault Ste. Marie, Ontario	27%	\$1,682	\$6,236	3%	\$1,573	\$43
Kawartha Lakes, Ontario	31%	\$1,815	\$5,943	3%	\$1,253	\$35
Vernon, British Columbia	29%	\$1,731	\$5,982	3%	\$1,090	\$30
Kenora, Ontario	24%	\$1,588	\$6,729	3%	\$305	\$8
Ingersoll, Ontario	26%	\$1,478	\$5,620	3%	\$288	\$8
Abbotsford-Mission, British Columbia	23%	\$1,312	\$5,611	3%	\$3,120	\$84
Moncton, New Brunswick	23%	\$1,408	\$6,009	3%	\$758	\$21
Woodstock, Ontario	26%	\$1,491	\$5,731	3%	\$862	\$22
Duncan, British Columbia	26%	\$1,522	\$5,892	3%	\$734	\$19
Cornwall, Ontario	29%	\$1,509	\$5,166	3%	\$992	\$26

Census Subdivision	% of Taxfilers on EI*	Average EI Benefit per Tax Filer	Average EI Benefit per EI Beneficiary	EI Income Relative to Employment Income	Employment Income (in millions)	EI Income (in millions)
Non CMA-CA, Ontario	25%	\$1,508	\$6,119	3%	\$27,150	\$702
Squamish, British Columbia	18%	\$1,201	\$6,590	3%	\$394	\$10
Saint John, New Brunswick	24%	\$1,504	\$6,160	3%	\$2,708	\$69
Nanaimo, British Columbia	24%	\$1,437	\$6,111	3%	\$1,744	\$44
Montréal, Quebec	23%	\$1,414	\$6,234	3%	\$5,894	\$142
North Bay, Ontario	23%	\$1,563	\$6,658	3%	\$1,350	\$33
Timmins, Ontario	24%	\$1,532	\$6,450	3%	\$1,043	\$26
Greater Sudbury, Ontario	25%	\$1,581	\$6,372	2%	\$3,711	\$92
Prince Albert, Saskatchewan	20%	\$1,325	\$6,673	2%	\$817	\$20
Kamloops, British Columbia	23%	\$1,423	\$6,070	2%	\$2,168	\$53
Québec, Quebec	25%	\$1,418	\$5,682	2%	\$360	\$8
Non CMA-CA, Manitoba	20%	\$1,172	\$5,838	2%	\$5,894	\$142
Parksville, British Columbia	85%	\$5,116	\$6,020	2%	\$401	\$9
Stratford, Ontario	25%	\$1,395	\$5,614	2%	\$690	\$16
Belleville, Ontario	23%	\$1,393	\$5,947	2%	\$1,731	\$40
Port Hope, Ontario	26%	\$1,512	\$5,826	2%	\$333	\$7
Thunder Bay, Ontario	24%	\$1,497	\$6,137	2%	\$2,540	\$59
Cobourg, Ontario	32%	\$1,949	\$6,027	2%	\$361	\$8
Kelowna, British Columbia	22%	\$1,357	\$6,043	2%	\$3512	\$80
Sarnia, Ontario	25%	\$1,605	\$6,316	2%	\$2016	\$46
Non CMA-CA, Saskatchewan	18%	\$1,164	\$6,472	2%	\$6967	\$157
Dawson Creek, British Columbia	18%	\$1,252	\$6,829	2%	\$374	\$8
Brockville, Ontario	25%	\$1,430	\$5,693	2%	\$645	\$14
Ottawa-Gatineau, Quebec part	19%	\$1,255	\$6,762	2%	\$7252	\$160
Chilliwack, British Columbia	21%	\$1,226	\$5,794	2%	\$1,613	\$35
Cranbrook, British Columbia	22%	\$1,253	\$5,691	2%	\$537	\$11
Peterborough, Ontario	23%	\$1,367	\$5,853	2%	\$2,279	\$49
Fredericton, New Brunswick	20%	\$1,192	\$6,051	2%	\$1,953	\$42
Orillia, Ontario	23%	\$1,311	\$5,684	2%	\$792	\$17
North Battleford, Saskatchewan	18%	\$1,150	\$6,515	2%	\$413	\$9

Census Subdivision	% of Taxfilers on EI*	Average EI Benefit per Tax Filer	Average EI Benefit per EI Beneficiary	EI Income Relative to Employment Income	Employment Income (in millions)	EI Income (in millions)
Oshawa, Ontario	18%	\$1,245	\$6,852	2%	\$8,352	\$177
Whitehorse, Yukon	16%	\$1,178	\$7,495	2%	\$766	\$16
Collingwood , Ontario	25%	\$1,490	\$5,849	2%	\$379	\$8
London, Ontario	20%	\$1,242	\$6,178	2%	\$10,044	\$212
Pembroke, Ontario	25%	\$1,337	\$5,414	2%	\$522	\$10
Barrie, Ontario	18%	\$1,154	\$6,327	2%	\$4,121	\$85
Kitchener-Cambridge-Waterloo, Ontario	18%	\$1,154	\$6,260	2%	\$11,130	\$228
Owen Sound, Ontario	23%	\$1,291	\$5,603	2%	\$568	\$11
Guelph, Ontario	19%	\$1,177	\$6,254	2%	\$3,351	\$67
Lloydminster, Saskatchewan part	14%	\$996	\$6,956	2%	\$388	\$7
Halifax, Nova Scotia	17%	\$1,081	\$6,274	2%	\$8,599	\$160
Kitimat, British Columbia	18%	\$1,194	\$6,739	2%	\$234	\$4
Medicine Hat, Alberta	18%	\$1,085	\$6,150	2%	\$1,781	\$31
Hamilton, Ontario	18%	\$1,121	\$6,214	2%	\$16,246	\$280
Moose Jaw, Saskatchewan	20%	\$1,072	\$5,416	2%	\$746	\$12
Portage la Prairie, Manitoba	13%	\$730	\$5,440	2%	\$368	\$6
Yorkton, Saskatchewan	17%	\$997	\$5,710	2%	\$385	\$6
Brandon, Manitoba	15%	\$814	\$5,474	2%	\$1,136	\$18
Petawawa, Ontario	14%	\$869	\$6,207	2%	\$348	\$5
Fort St. John, British Columbia	14%	\$978	\$6,864	2%	\$901	\$14
Toronto, Ontario	15%	\$977	\$6,690	2%	\$138,655	\$2,265
Centre Wellington, Ontario	18%	\$995	\$5,608	2%	\$575	\$9
Brooks, Alberta	13%	\$823	\$6,292	2%	\$601	\$9
Winnipeg, Manitoba	16%	\$889	\$5,693	2%	\$15,979	\$252
Camrose, Alberta	17%	\$1,079	\$6,415	2%	\$460	\$7
Vancouver, British Columbia	14%	\$866	\$6,214	2%	\$52,964	\$831
Red Deer, Alberta	14%	\$901	\$6,339	2%	\$2,596	\$39
Kingston, Ontario	16%	\$934	\$5,749	2%	\$3,311	\$49
Wetaskiwin, Alberta	15%	\$927	\$6,180	1%	\$338	\$5

Census Subdivision	% of Taxfilers on EI*	Average EI Benefit per Tax Filer	Average EI Benefit per EI Beneficiary	EI Income Relative to Employment Income	Employment Income (in millions)	EI Income (in millions)
Non CMA-CA, Alberta	13%	\$844	\$6,325	1%	\$16,780	\$246
Grande Prairie, Alberta	13%	\$855	\$6,587	1%	\$2,532	\$3
Cold Lake, Alberta	13%	\$852	\$6,552	1%	\$539	\$7
Victoria, British Columbia	14%	\$847	\$6,073	1%	\$7,613	\$106
Lethbridge, Alberta	12%	\$719	\$5,927	1%	\$2,422	\$33
Thompson, Manitoba	11%	\$754	\$7,123	1%	\$408	\$5
Edmonton, Alberta	13%	\$856	\$6,485	1%	\$33,855	\$437
Swift Current, Saskatchewan	12%	\$660	\$5,432	1%	\$425	\$5
Saskatoon, Saskatchewan	12%	\$726	\$5,892	1%	\$6,366	\$80
Yellowknife, Northwest Territories	11%	\$830	\$7,867	1%	\$792	\$10
Lloydminster, Alberta part	12%	\$792	\$6,759	1%	\$629	\$7
Calgary, Alberta	12%	\$818	\$7,060	1%	\$41,441	\$471
Regina, Saskatchewan	12%	\$706	\$6,089	1%	\$5,565	\$63
Ottawa-Gatineau, Ontario part	11%	\$764	\$6,649	1%	\$24,899	\$280
Canmore, Alberta	11%	\$659	\$6,081	1%	\$393	\$4
Okotoks, Alberta	10%	\$701	\$6,788	1%	\$896	\$9
Wood Buffalo, Alberta	12%	\$865	\$6,981	>1%	\$3,934	\$36
Estevan, Saskatchewan	10%	586	5,826	>1%	\$429	\$4

*Defined as the total tax filers in the area minus those collecting CPP who collected EI at least once during the year. Figure is an average over the three year period.

**Elliot Lake, Ontario is the only census subdivision where the number of people collecting CPP exceeds the number of tax filers collecting employment income, distorting the data for that area.

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