

Key Studies Referenced in Chapter 5

The Role of Employment Insurance (EI) as a Built-in Stabilizer

Author: Human Resources and Skills Development Canada (HRSDC) has commissioned three studies on the macro-economic stabilization impact of the EI program.

Objective: To measure the macro-economic stabilization properties of the EI program under three hypothetical economic shock scenarios for the period 2005 to 2009.

Methodology: An approach using employment and Gross Domestic Product (GDP) as key variables has been used to measure the stabilization capacity of the EI program on the economy. Three shock scenarios have been tested:

- a permanent increase in the exchange rate of 10%;
- a replication of the 1990s recession by having four key variables — GDP, employment, unemployment and consumption — forced to follow growth paths identical to those of 1990–1994; and,
- an induced recession by having a reduction in government expenditures, a rise in short-term interest rates and an increase in GST.

Key Findings:

- When an economic shock hits the economy, the EI program spares (on a five-year average basis) approximately 3.8% to 6.5% of the shock on employment. Stabilization effects are smaller in the beginning and increase over time. GDP follows a similar path, while generally slightly lower and more spread out, with a five-year average stabilization effect of 2.7% to 6.2%.
- Results for the Unemployment Insurance (UI) program (1995 parameters) are slightly

higher than those obtained for EI. Given that UI regular benefits payments represented a larger component of the program, it can be concluded that EI and UI are comparably efficient as stabilizers.

- The Federal Personal Income Tax (FPIT) spares around 15% of jobs and 14% of GDP that would otherwise have been lost following an economic shock. However, the FPIT is far larger than EI in dollar terms; if the results are normalized to compare a similar amount of money collected, EI provides 1.5 times greater stabilization, leading to the conclusion that EI is a more efficient stabilizer.

Reliability: A summary and the studies have been circulated internally among experts.

Availability: A draft summary of these studies has been prepared and will be released when final.

EI Reform and Community Mobility

Author: Audit and Evaluation, HRSDC

Objective: This study explores whether migration rates changed during EI reform. It is expected that there would be higher rates of migration immediately following EI reform if communities experienced any difficulty in adjusting to EI reform. The study also comments on the movements of frequent and infrequent claimants.

Methodology: The study uses extracts from the EI database for the 1995 to 2002 period. These extracts are done for the 100% sample, so that they comprise a complete view of mobility within each of the 14 communities studied.

Key Findings: Results indicate that mobility between communities during the 1995 to 2002 period was fairly stable, with as many as

30% of claimants changing communities from one EI claim to the next. Thus, there is little evidence to suggest that EI reform had a sudden effect on mobility in any of the 14 communities studied. This is one possible indicator that no serious difficulties in adapting to EI reform were experienced at the community level. In addition, larger metropolitan areas in Central Canada tend to have a greater degree of mobility than the smaller communities in Atlantic Canada. Finally, evidence suggests there was a decline in frequent and infrequent claimant movement into and out of communities during the period. Communities in the Atlantic region had a far higher percentage of frequent claimant movement into and out of communities.

Reliability: An earlier version of this study was peer reviewed by an external academic.

Availability: This report will be released once the analysis becomes final.

The Income Redistribution Impact of Canada's Employment Insurance Program

Authors: *Ross Finnie and Ian Irvine*

Objective: The objective of this research is to examine how the currently structured system of EI affects the distribution of income and earnings in Canada, and to examine how this distributive impact evolved in the 1990s.

Methodology: The analysis is based on Canada's Longitudinal Administrative Database (LAD). The LAD is a 20% representative sample of Canadian tax filers, constructed from Canada Revenue Agency records, which follows individuals over time and matches them into family units on an annual basis. It thus provides individual- and family-level information on incomes, taxes and basic demographic characteristics in a dynamic framework. The sample for this study is

restricted to individuals aged 20 to 59 who are not full-time students. The sample is also restricted to individuals who have an observable commitment to the labour force, which is important in the context of examining the EI redistribution. The analyzed period starts in 1992 and ends in 2002.

Key Findings: The report indicates that \$4.9 billion in EI net benefits (EI benefits minus EI contributions) were moved by the EI program from the top five deciles into the five bottom deciles in 2002. Individuals in the lowest decile received \$2.3 billion more in benefits than they paid in contributions.

EI reform does not appear to have significantly changed the net benefits distribution. The first decile received \$287 million more and contributed \$20 million more in 2002 than in 1996. Similar results are available for the second decile. The total contributions fell for the top three deciles in absolute terms and as a percentage. Therefore, the percentage of benefits decreased and the percentage of contributions increased for middle deciles (fourth to seventh deciles) between 1996 and 2002.

Analyzing the EI redistribution impact by province indicates some evidence of redistribution between provinces. For example, individuals in Newfoundland and Labrador made 1.4% of contributions yet collected 5.9% of benefits in 2002. The report also shows results for rural regions and urban regions. Individuals in rural regions received 31% of EI benefits, but they made 18% of the contributions in 2002. The percentage distribution did not change after EI reform.

Analysis by gender indicates women received 49% of benefits but paid 43% of contributions in 2002. Women have received a larger proportion of EI benefits since EI reform. However, the increase in the proportion of EI

benefits received by women may be due to the recent enhancements to parental benefits. When EI is examined by age group for all individuals, results show that individuals aged 20 to 34 account for 12 percentage points more in benefits (41.6%) than in contributions (29.7%). This difference has remained stable, before and after EI reform.

Reliability: This study has undergone an informal review by the academic advisor for the EI summative evaluation, Alice Nakamura. Upon completion, the study will undergo a formal peer review.

Availability: This paper is a technical report to be used in the summative evaluation of EI. It will be released once the analysis is final.

Community Size and the Variation in Employment Insurance Use by Industry, Education Level and Family Composition

Author: *Audit and Evaluation, HRSDC*

Objective: This study explores the variation in EI usage by community size and its relationship to industry sector, education level and family composition. The initial impact of the 1996 EI reforms on communities of different sizes is also examined.

Methodology: The study uses information from Statistics Canada's annual Survey of Consumer Finances (SCF) for the 1990 to 1997 reference period. It also uses data from the Survey of Labour and Income Dynamics (SLID) for 1999 and 2000. Data for 1998 were not available.

Key Findings: Results indicate EI usage was highest in rural and small urban communities and lowest in urban areas of more than 500,000 people. EI usage in rural areas rose relative to EI usage in all other communities. There was no substantial difference in the way

EI reform initially affected communities of different sizes.

EI receipt rates varied significantly by industry, but there was only minimal variation in receipt rates in terms of family composition. By education level, for those in the labour force, EI receipt rates were higher for individuals with lower levels of education.

Reliability: The previous year's version of this study was peer reviewed by an external academic.

Availability: This report will be released once the analysis becomes final.

Review of the Employment Insurance Coverage Measures

Author: *Stephen R.G. Jones, McMaster University*

Objective: This paper was commissioned by HRSDC in response to a request by the EI Commission to review the coverage measures used in the *EI Monitoring and Assessment Report*.

Methodology: The report provides an overview of the economics literature on unemployment insurance programs, with particular attention to recent advances in research; offers a critique of the existing literature's failure to address many key program parameters that would be relevant in a practical analysis of unemployment insurance; points to wider issues relevant to an assessment of coverage; evaluates the three EI coverage indicators used in the *Monitoring and Assessment Report*; discusses broad goals that EI coverage measures may seek to meet; and, finally, discusses the joint measurement of coverage and adequacy.

Key Findings: On the three EI coverage indicators used in the *Monitoring and*

Assessment Report, the report gives the following evaluation.

Potential Coverage of the Employed:

The report states that this measure is quite reasonable, but that a number of issues remain. In particular, the report discusses the quality of the SLID data on EI receipt and raises a number of sampling issues associated with the approach used, notably issues pertaining to seasonality and the interrupted nature of observed employment spells. In addition, results on the sensitivity of this measure to variations in how disqualification is measured merit further analysis. In terms of specific quantitative results, the main finding is that EI eligibility of the employed is estimated at 88% in every year studied. Whether this stability warrants confidence in the method is an open issue in light of changing underlying economic conditions. While there are already important breakdowns by new/re-entrant status, by full-time/part-time employment status, and by age, region and gender, the report suggests that some of these sub-category results could be further explored.

Coverage of the Unemployed Population:

The coverage of the unemployed population is calculated from the Employment Insurance Coverage Survey (EICS) and seeks to identify the target population for EI very closely. Specifically, groups not eligible for EI are excluded from the denominator of this measure, including the long-term jobless, voluntary quits and persons without insured employment. The report points out that this measure is a narrowly defined characterization of the extent to which the EI program meets its current targets. The report notes that the measure addresses potential eligibility, and queries whether take-up information should also be reported. The author suggests that adequacy might be a useful supplement to this binary coverage measure, and calls for some

longer-term indications of trends in such potential eligibility. The report further comments that this type of measure takes the target population as a given, so that program changes that affect the eligibility of some groups would not be reflected in a change in the measure. Finally, evidence from the EICS suggests that a substantial group of EI recipients is either working while on claim (and hence employed) or is better characterized as out of the labour force (in a Labour Force Survey sense). A measure that focuses only on the unemployed necessarily misses such groups.

The Beneficiaries to Unemployed (B/U)

Ratio: The third measure of access in the *Monitoring and Assessment Report* is the ratio of two magnitudes, the number of EI regular benefit recipients and the size of the unemployed population. There are several important problems associated with use of the B/U measure, including the following. First, the number of total regular EI beneficiaries includes individuals who are not unemployed, including both those working while on claim (hence employed) and those not in labour force (NILF) but in receipt of benefits. Thus, the numerator includes individuals who are unlikely to appear in the denominator. Second, the denominator counts individuals who are unlikely to appear in the numerator for a variety of reasons. These include individuals with no work in the past year, individuals who quit their past job without just cause (or who left their job to go into education), individuals with insufficient insured employment, individuals who did not make a claim for EI benefits, and individuals who have exhausted their EI benefits but remain unemployed. Thus the two magnitudes are not strictly comparable, and the ratio need not lie between 0 and 1.

Despite these well-known problems, the report defends the qualified use of a broad measure

such as the B/U ratio for several reasons. First, opinions may differ about the appropriate target group for EI and the current state of economics research on optimal unemployment insurance does not provide very precise guidance on where these lines should be drawn. In this context, broad measures have some obvious merit. Second, broad measures such as the B/U ratio also permit assessment of the effects of actual policy changes that have been implemented, such as the changes to UI in 1993 and 1994 and the subsequent change from UI to EI in 1996. To evaluate effects of these actual changes on program access and coverage, one clearly needs a measure that encapsulates those potentially in receipt of benefits before and after the change. A measure that has only the current target population of the EI program as its denominator cannot be used to evaluate such changes. Third, a broad measure of coverage such as the B/U ratio may play a role in ongoing consideration of the appropriate target group for the EI program, particularly in light of changing labour market conditions.

In summary, a merit of the B/U ratio is that it can be used to evaluate program targets, rather than just to evaluate the performance of a program relative to an exogenously given target.

Coverage Measures – Present and Future:

The report stresses the merit of multiple measures, and proposes a number of transparent decompositions of the B/U ratio that would further understanding of the ways in which the overall B/U ratio can vary for different reasons. The report argues that such decompositions are useful both at a point in time and as a tool for assessing the evolution of coverage from one year to the next. Although this type of decomposition may need evidence from the EICS, and hence only be possible for periods since 1997, this may

represent a long enough time series to be of considerable interest.

Reliability: This report was reviewed by experts in the context of a roundtable. A peer review of the paper is also underway. The peer review of the paper will be published with the paper.

Availability: The report will be released in the near future as part of HRSDC's Summary Review of the Employment Insurance Coverage Measures.

Review of the Employment Insurance Coverage Measures

Authors: *David Gray, University of Ottawa, and Arthur Sweetman, Queen's University*

Objective: This paper was commissioned by HRSDC in response to a request by the EI Commission to review the coverage measures used in the *Monitoring and Assessment Report*.

Methodology: The report begins its analysis by considering some conceptual and terminological issues and stresses the importance of using a common vocabulary to facilitate communication and avoid inconsistencies. The report then discusses a series of possible indicators and recommends a core set of "cascading" or "nested" indicators. Finally, the report comments on several existing indicators, pointing out some of their strengths and weaknesses.

Key Findings: Regarding the three EI coverage indicators used in the *Monitoring and Assessment Report*, the report gives the following evaluation.

The B/U Ratio: HRDC's (1998) *Analysis of Employment Insurance Benefit Coverage* report points out a number of flaws inherent in the widely cited B/U ratio. The essence of HRDC's critique is that both the numerator and the denominator consist of shaky proxies for the

economic variables of interest. The current report is in agreement with all of the major points that were raised in this important 1998 report. However, the authors also point out that the B/U ratio can be generated at virtually no cost and its evolution over time can reveal trends and developments in the functioning of Canadian labour markets. The report argues that the B/U ratio can serve as a diagnostic tool to aid in the research of how the Canadian labour market functions, but that it should not be used as a direct indicator of eligibility or to evaluate and shape EI policy. In particular, it is of limited value in providing an understanding of the source of changes in the ratio itself, changes that may result from either changes within the EI system or from developments in the labour market.

Potential Coverage of the Employed:

This measure is based on simulations that estimate the percentage of the employed, in addition to the self-employed with covered employment in the last year, who are eligible for EI benefits. The authors state that the rationale for taking an approach that looks at all (covered) employment is clear: it addresses the overall issue of access to benefits for almost the entire work force, which is a central question regarding access to benefits. Such a measure is by its very nature a "hypothetical" one. It does not address an observable outcome but is meant to quantify the income security of workers in the event of an EI-eligible job loss. Statistics of this nature are difficult to interpret. While the authors state that these critiques do not imply that the indicator is without merit, they do point to the importance of using this indicator in conjunction with others and of carefully interpreting it.

The authors find the overall methodology sound but point to some technical difficulties that are associated with the measure. The measure assumes that all current jobs end for EI-eligible reasons. Further, given its underlying assumptions regarding the population of interest, it is probably an underestimation of actual EI access. The report argues that while the population for this estimator is of some interest, it is not clear if it is the group in which most observers of EI are interested. In particular, it does not place much weight upon those most likely to experience a job separation requiring EI benefits. It would be worthwhile to supplement this indicator with one(s) more focused on populations more relevant to the EI system, such as those who experience separations.

Coverage of the Unemployed Population:

Measures based on the EICS survey represent an improvement over the B/U ratio, as many of the potentially uncovered workers are removed. The EICS is based on the LFS, which has a sampling framework that is widely accepted as reliable. Unlike the B/U, each individual who enters the sample is assessed for his/her EI coverage and eligibility status. However, stock quantities drawn from this survey give an accurate snapshot during the reference week of the survey, but lack information on labour market transitions before and after that date.

Proposed Core Set of Coverage Measures:

While the report stresses that multiple approaches are valuable, it strongly recommends a core set of "cascading" or "nested" indicators pertaining to a series of EI-related outcomes in certain labour market states (such as unemployment) and to the transitions between those states. The report

proposes the following core set of “cascading” indicators:

- coverage, as traditionally defined (that is, workers who pay EI premiums);
- eligibility, conditional on coverage;
- benefit receipt, conditional on eligibility; and,
- benefit exhaustion among those who claim benefits.

Reliability: This report was reviewed by experts in the context of a roundtable. A peer review of the paper is also underway. The peer review of the paper will be published with the paper.

Availability: The report will be released in the near future as part of HRSDC’s Summary Review of the Employment Insurance Coverage Measures.

Measuring the Effectiveness of Employment Insurance

Author: *Richard Shillington, Tristat Resources*

Objective: This paper was commissioned by HRSDC in response to a request by the EI Commission to review the coverage measures used in the *Monitoring and Assessment Report*.

Methodology: This report first discusses various components of program effectiveness and what is meant by coverage. It then presents various principles that should guide the design and selection of coverage measures. It reviews the three existing measures of coverage presented in the *Monitoring and Assessment Report*. Finally, it proposes coverage and access measures that reflect a variety of perspectives and purposes.

Key Findings: On the three EI coverage indicators used in the *Monitoring and Assessment Report*, the report gives the following evaluation.

Potential Coverage of the Employed: The report stresses that the methodology behind this measure relies on a hypothetical “thought experiment.” This hypothetical approach, which assumes acceptable lay-offs and no quits or firings, does not describe an existing or possible reality. Nevertheless, the figure is of some value as a measure of coverage so long as it is described accurately and in a fashion that conveys its hypothetical or theoretical nature. While this measure demonstrates that the vast majority of employed Canadians would be eligible, it tells us nothing about the likelihood that unemployed Canada’s will be able to access benefits. The report argues that the subpopulation of the Canadian labour force that experiences unemployment is not representative of Canada’s labour force. This subpopulation tends to have jobs that are more precarious, temporary, part-time and low-wage. Consequently, under current eligibility criteria, the more likely one is to be unemployed, the less likely one is to be eligible for and in receipt of EI benefits.

To reduce the confusion, the report recommends that this EI coverage measure be used carefully, always ensuring that its hypothetical nature is understood by the reader. This is to ensure that the reader is clear that the statistic applies within the hypothetical construct and does not speak to the reality of those actually unemployed.

Coverage of the Unemployed Population: The report argues that the ratio of “eligible” to “potentially eligible” is an important component of the coverage measurement but is only part of the picture. This figure is useful from a program evaluation perspective and thus is limited to “those the legislation was designed to serve.” This is its value. However, because of this narrower focus, it does not speak to a wider public policy question related to whether EI is reaching those with income

replacement needs due to unemployment. The statistic, to be of real value, needs to be used in conjunction with other measures of EI coverage and while it has value from a program evaluation perspective, it still needs to be used with care.

The B/U Ratio: According to the report, the B/U ratio may be a useful simple statistic, but it is, at best, a crude measure of the disconnect between the unemployed population and those receiving EI benefits. Unfortunately, it is of little value as a diagnostic tool because it gives virtually no information about the source of any disconnect. According to the author, there can be little doubt that the B/U ratio presents problems in interpretation. A low figure suggests that something is amiss but does not tell why. Is it the growth of non-standard employment, the exclusion from EI of those not “potentially eligible,” or the exclusion from eligibility based on hours of work and also whether benefits are actually received, depending on the duration of benefits?

The value of the B/U ratio, despite its flaws, is that it can be calculated easily based on data that are readily available from Statistics Canada. Not only is the statistic easy to calculate, but it can be determined historically for many years and it can be calculated based on the Labour Force Survey and the Census for regions below the provincial level and for subpopulations of interest at a reasonably low cost.

Proposed Set of Coverage Measures:

The report stresses the merit of multiple measures, and proposes the following ones:

- unemployed contributors as a percentage of the unemployed;
- the potentially eligible as a percentage of unemployed contributors;

- the eligible as a percentage of the potentially eligible; and,
- those in receipt of regular benefits as a percentage of the eligible.

The report also proposes the use of the beneficiary to unemployed contributors ratio (B/UC ratio), even though it recognizes that this measure does not convey the diagnostic information of the four values above.

According to the author, this measure improves on the original B/U ratio, but retains its advantages. This ratio compares those receiving regular benefits to those unemployed who had paid employment in the last year.

The denominator, those with paid employment in the last year, would be virtually identical to the number contributing to the EI fund. This measure would correct the concern that many express about the B/U ratio: that the denominator includes the self-employed or those who did not work in the last year.

According to the report, the B/UC ratio can be calculated below the provincial level (that is, for federal electoral districts, cities and towns), over a long historical time period and for important subpopulations (such as youth, women and low-income populations).

Reliability: This report was reviewed by experts in the context of a roundtable. A peer review of the paper is also underway. The peer review of the paper will be published with the paper.

Availability: The report will be released in the near future as part of HRSDC’s Summary Review of the Employment Insurance Coverage Measures.

An Analysis of Employment Insurance Benefit Coverage

Author: *Applied Research Branch, Human Resources Development Canada (HRDC)*

Objective: The regular B/U ratio declined by almost 50% in the 1990s, falling from a level of 83% in 1989 to 42% in 1997. This report goes beyond the decline in the B/U ratio to examine the broad issue of the evolution of EI benefit coverage in the 1990s, including a detailed look at the current state of EI benefit coverage using new survey data. It examines the reasons for the decline in the B/U ratio in the 1990s and proposes alternative indicators to the B/U ratio.

Methodology: In attempting to assess the causes of the decline in the B/U ratio, the standard methodology that has been used by researchers is to run the following counterfactual experiment: if there had been no change to the EI program—that is, if the rules for qualifying for benefits and for duration of benefits had remained at their pre-1990 level—what would have happened to the number of EI beneficiaries? This is done by estimating the number of would-be beneficiaries or “potential beneficiaries” using micro data from Statistics Canada’s Labour Force Survey.

This study improves on the standard methodology used in previous studies by including in the pool of potential beneficiaries not only some unemployed but also some “out-of-the-labour-force” individuals. The importance of including these individuals in the pool of potential beneficiaries is that they are in many ways very similar to the unemployed in their relationship to the labour market and the EI program. In particular, the EI Coverage Survey reveals that, contrary to the usual assumption made by previous studies, many of these so-called out-of-the-labour-force individuals do receive EI benefits.

Another improvement of the study is to distinguish beneficiaries with earnings from beneficiaries without earnings. Since it is not possible to model effectively the factors that have been responsible for the change in the number of beneficiaries with earnings, the study concentrates on modelling the behaviour of beneficiaries without earnings, leaving the evolution of the number of beneficiaries with earnings as a residual.

Key Findings: The study examines the significance of the B/U ratio as an indicator of EI benefit coverage and concludes that the indicator has many drawbacks.

- The B/U ratio was never intended to be used for measuring the proportion of the unemployed who receive EI benefits. It was intended to be used as an aid for forecasting the EI account.
- The B/U ratio uses a measure of beneficiaries in the numerator that is not compatible with the level of unemployed used as the denominator. Some beneficiaries are excluded from the numerator and some are excluded from the denominator.
- But most importantly, the B/U ratio says very little about how effectively the EI program meets its objectives, since it is not an objective of the EI program to cover the unemployed who have little or no previous attachment to the labour market or who quit their job without cause.

The study concludes that somewhat less than 50% of the decline in the B/U ratio between 1990 and 1997 can be attributed to changes in the program (induced program effects or policy changes) and that the rest of the decline must be accounted for by other factors, notably changes in the composition of unemployment (such as labour market changes and the

increase in the number of unemployed who have not worked for 12 months or more) and changes in the number of beneficiaries with earnings in proportion to the number of unemployed.

A major labour market development behind the decline in the B/U ratio in the 1990s is the increase in the number of unemployed who have not worked in the past 12 months. The proportion of unemployment accounted for by individuals with no employment in the last 12 months has increased from 20.8% in 1989 to 38.4% in 1997. This includes unemployed with no previous work (10.3%) and unemployed with previous work but not in the last 12 months (28.1%)

Reliability: This report was reviewed by experts.

Availability: The study can be accessed from the HRSDC Web site at <http://www11.hrsdc.gc.ca/en/cs/sp/arb/publications/research/1998-000128/page00.shtml>

Employment Insurance Coverage Survey

Author: *Statistics Canada*

Objective: The Employment Insurance Coverage Survey (EICS) is designed to provide information on unemployed individuals, whether or not they qualify to receive EI.

Methodology: The EICS is an annual survey that is a supplement to Statistics Canada's Labour Force Survey. It identifies those individuals for whom the EI program is designed to provide coverage (also referred to as "the potentially eligible"), and those who worked enough insurable hours to be eligible to receive benefits from the EI program.

Key Findings: In 2003, 83.7% of the unemployed individuals who lost or quit a job with just cause in the last 12 months were potentially eligible to receive EI benefits; 58.4% were in receipt of benefits at the time of the survey reference week. The following table provides more detailed findings.

Annex 5 – Key Studies Referenced in Chapter 5

Eligibility for EI Benefits 2003 Employment Insurance Coverage Survey (EICS)

	Eligibility Rate for Unemployed with Recent Job Separation that Qualifies under EI ⁽¹⁾ %	Receipt Rate for Unemployed with Recent Job Separation that Qualifies under EI ⁽¹⁾ %
Total unemployed population	83.7	58.4
Gender		
Women	79.7	55.3
Men	86.4	60.4
Age and gender		
Unemployed youth (15 to 24 years old)	61.2	38.8
Unemployed adult women (25 to 69 years old)	83.9	60.4
Unemployed adult men (25 to 69 years old)	91.4	63.7
Region		
Atlantic	86.5	69.8
Quebec	82.9	61.6
Ontario	83.2	49.8
Prairies	84.0	56.6
British Columbia	83.6	62.1
Full-time/part-time employment status over last 12 months		
Unemployed who worked part-time only in the last 12 months	48.5	†
Unemployed who worked full-time only in the last 12 months	91.9	67.2
Unemployed who worked part-time and full-time in the last 12 months	78.2	51.5
Work pattern of last employment		
Permanent		
Full-time	94.5	68.8
Part-time	71.6	41.7
Non-permanent		
Seasonal	80.8	56.1
Other non-standard	70.9	48.2
Immigrant status		
Canadian-born	84.7	61.8
Immigrants	80.3	45.9

(1): The unemployed with recent job separation that qualifies under EI are individuals who have lost or quit a job with just cause, under current EI rules, in the previous 12 months. This includes all those who have done some work in the last 12 months, and were not self-employed, and did not leave their job to go to school or did not quit their job for a reason considered invalid according to current EI rules.

†: This estimate has a high level of variability and is considered marginally reliable.

Reliability: At a confidence level of 95% (19 times out of 20), the 83.7% coverage is accurate within + or – 2.3 percentage points. Only estimates that are deemed to be reliable according to Statistics Canada’s guideline of a coefficient of variation (CV) below 16.5% are used and reported.

Availability: Findings for the 2003 EICS can be accessed at Statistics Canada Web site at <http://www.statcan.ca/Daily/English/040622/d040622c.htm>.

EI Eligibility of Employed Canadians in 2001 Using the Survey of Labour and Income Dynamics (SLID)

Authors: *Jean-François Bertrand and Adrienne ten Cate from HRSDC, and Constantine Kapsalis and Pierre Tourigny from Data Probe Economic Consulting Inc.*

Objective: The objective of this report is to provide an estimate, using the SLID, of the proportion of paid employees who would have sufficient insurable hours to be eligible for EI benefits if they were to lose their job or quit with just cause.

Methodology: The SLID is a longitudinal survey conducted by Statistics Canada that follows individuals over six consecutive years. Every three years a new panel of individuals is added to the survey. The SLID provides information on people and their jobs including weekly labour force activity, characteristics of each job held in a year, and personal/family/household characteristics.

Coverage measures from the SLID are determined using a simulated scenario on the paid employed population.

Key Findings: Simulations suggest that 88.4% of individuals who were working as paid employees in December 2002 would have been eligible for EI regular benefits had they lost their job at the end of that month.

The proportion of individuals with sufficient hours to claim EI benefits was consistent across the country, with coverage rates ranging from 86.8% in the Prairies to 90.0% in the Atlantic. The following table provides more detailed findings.

Annex 5 – Key Studies Referenced in Chapter 5

Simulated EI Eligibility⁽¹⁾ as a Proportion of Individuals Working in Paid Employment in December, Using the Survey of Labour and Income Dynamics (SLID), Various Groups December 2001 and December 2002

	December 2001 %	December 2002 %
Total employed population	88.4	88.4
Gender		
Women	85.3	84.5
Men	91.2	92.3
Age and gender		
Employed youth (15 to 24 years old)	65.0	64.1
Employed adult women (25 years old and over)	90.1	90.0
Employed adult men (25 years old and over)	95.6	96.1
Region		
Atlantic	88.7	90.0
Quebec	89.4	89.5
Ontario	88.4	88.0
Prairies	87.0	86.8
British Columbia	88.0	88.6
Full-time/part-time employment status over last 12 months		
Employed who worked part-time only in the last 12 months	52.6	54.4
Employed who worked full-time only in the last 12 months	96.2	95.9
Employed who worked part-time and full-time in the last 12 months	81.8	82.0
Gender and full-time/part-time employment status over last 12 months		
Employed who worked full-time only in the last 12 months		
Women	95.8	95.0
Men	96.5	96.7
Employed who worked part-time only in the last 12 months		
Women	56.9	56.5
Men	41.4	47.6
Employed who worked part-time and full-time in the last 12 months		
Women	82.0	80.8
Men	81.4	83.6

(1): *Simulated scenario* – Individuals with paid employment in December 2002 are all laid off at the end of the month. The longitudinal segment of SLID is used to calculate insurable employment under EI. Rules in effect in December are used to calculate eligibility for regular benefits under EI.

Reliability: At a confidence level of 95% (19 times out of 20), the 88.4% coverage is accurate within + or – 0.7 percentage points. Only estimates that are deemed to be reliable according to Statistics Canada’s guideline of a coefficient of variation (CV) below 16.5% are used and reported.

Availability: This report is being peer reviewed and will be published in the near future.

The Canadian Out of Employment Panel (COEP)

Author: *Audit and Evaluation, HRSDC*

Objective: The COEP survey is a key data source for monitoring and evaluating the EI program. This paper describes the survey.

Methodology: The COEP survey includes a wide range of persons who had a job separation, including both those who claimed EI benefits and those who did not. The survey collects detailed micro-level information, including information on individuals’ employment history, job search activity, training and receipt of EI benefits, as well as information on their household demographics and financial situation. Statistics Canada is contracted by HRSDC to administer and conduct the COEP survey, and the data collected by COEP are co-owned by HRSDC and Statistics Canada.

Key Findings: The COEP survey has been used to produce several EI monitoring reports.

Reliability: Not applicable. This is only a descriptive paper and has no analysis.

Availability: This survey will be posted on the HRSDC Web site during the fiscal year.

EI Use and Qualification by Industry, Province and Community

Author: *Audit and Evaluation, HRSDC*

Objective: The purpose of this paper is to look at workers’ ability to meet the variable entrance requirement (VER) and take-up of EI benefits across provinces, unemployment rates and economic regions.

Methodology: The Record of Employment (ROE) data files for 1991 to 2002 were used for the analysis. The focus of the study was on the percentage of ROEs meeting the VER, combining weeks/hours from ROEs in the last 52 weeks. In the last 52 weeks, were there enough weeks/hours accumulated in multiple jobs to meet the VER?

Key Findings:

- The impact of the VER was measured by comparing the percentage of ROEs that meet the VER to the percentage that meet a fixed requirement across different unemployment rates.
 - Prior to EI reform, the VER compensated for lower insured weeks in regions of higher unemployment so that the percentage meeting the entrance requirement was fairly even across regions.
 - After EI reform, the VER increased the percentage meeting the entrance requirement in regions of higher unemployment above the percentage meeting the entrance requirement in regions of lower unemployment.
- The overall percentage of ROEs meeting the VER has decreased from 84.7% in 1991 to 75.3% in 2002.
 - The decrease in the percentage of ROEs with enough hours to meet the

VER could be due to the decrease in the unemployment rate over the years, from 10.3% in 1991 to 7.7% in 2002.

- The decrease in the B/U ratio over time is steeper than the decrease in the percentage of ROEs with enough hours to meet the VER.
- The percentage of ROEs that meets the VER varies greatly among economic regions.
 - It ranges from 89.8% in Restigouche–Albert, New Brunswick, to 66.9% in Winnipeg, Manitoba.

Reliability: This study has undergone an informal review by the academic advisor for the EI summative evaluation, Alice Nakamura. Upon completion, the study will undergo a formal peer review.

Availability: This paper is a technical report to be used in the *2004 Monitoring and Assessment Report*. It will be released once the analysis is final.

The Rise in Low-Income Rates among Immigrants in Canada

Authors: *Garnett Picot and Feng Hou, Statistics Canada*

Objective: This study analyzes low income among immigrants.

Methodology: This study is based primarily on Census micro data (20% sample) from 1981 to 2001. The Survey of Consumer Finance (SCF) for 1980 to 1996 and the Survey of Labour and Income Dynamics (SLID) for 1996 to 2000 are used sparingly.

Key Findings: Low-income rates among recent immigrants (those in Canada for less than five years) almost doubled between 1980 and 1995, and then fell during the

strong recovery of the late 1990s. As a result, the gap in the low-income rate between recent immigrants and Canadian-born individuals widened significantly during the past two decades. Most of the increase was a result of the widespread rise in low income among recent immigrants in all age groups, family types, and language and education groups, and in most of the numerically significant source regions, notably Africa and the Asian source regions.

Low-income rates among immigrants tend to fall with time spent in Canada. Furthermore, among the more recent entering cohorts with the higher low-income rates at entry, the rate of decline is faster. There is evidence of a “catch-up” (to earlier cohorts) among the more recent entering cohorts. However, low-income rates remain higher among immigrant cohorts of the late 1980s and early 1990s than among their counterparts in the 1970s (comparing groups with a comparable number of years in Canada).

Availability: This report was published in 2003 (Catalogue no. 11F0019MIE — No. 198) and can be accessed from Statistics Canada’s Web site at <http://www.statcan.ca:8096/bsolc/english/bsolc?catno=11F0019M2003198>

EI Reform and New Entrants/Re-Entrants (NEREs) to the Labour Market

Author: *Audit and Evaluation, HRSDC*

Objective: This study examines the effect of the increase in the entrance requirements for those entering the labour market for the first time and for those re-entering the market. A particular emphasis is placed on the impact on women and those who have had a child in the last two years. Recent changes caused by the change in definition of NEREs in Bill C-2 have been examined as well.

Methodology: The study uses data from the Canadian Out of Employment Panel (COEP) survey linked with EI administrative data. The analysis compares data from the four quarters prior to EI reform (1995Q3 to 1996Q2) to the four quarters following EI reform (1997Q1 to 1997Q4). Another sample from October 2000 to June 2002 is used to analyze the effects of Bill C-2 on the NERE population and for analysis of recent time periods.

Key Findings: The study found that non-claimants were 17% more likely to be NEREs than were claimants. Women were only marginally more likely to be NEREs than were men, as the overwhelming concentration of NEREs is in the youth population. The probability of NEREs collecting EI has not significantly declined in the periods following EI reform compared to one year before EI reform, because there was a significant increase in the insured hours worked by NEREs who just barely qualified. The probability of NEREs collecting EI in the most recent quarter (April to June 2002) appears to be decreasing compared to the same quarter the year earlier (April to June 2001). Finally, the study found that the change to the definition of NEREs in Bill C-2 has not changed the percentage of NEREs who are unemployed or collect EI.

Reliability: A previous version of this study has been peer reviewed by an external academic. There have been two published evaluations related to this subject area, and they are available on the HRSDC's Web site.

Availability: This study has been produced on an ongoing basis. It will be released once the analysis becomes final.

A Note on the Characteristics of Unemployed Older Workers Using COEP

Author: *Audit and Evaluation, HRSDC*

Objective: This note intends to provide additional information on the characteristics of unemployed older workers.

Methodology: For this note, cohorts 22 to 29 (October 2000 to September 2002) of the Canadian Out of Employment Panel (COEP) survey are linked to EI administrative data. The sample for this analysis is the Records of Employment in COEP for individuals 25 years of age and older (that is, younger workers are excluded from the sample), which allows for a comparison between prime-age (25 to 54 years of age) workers and older workers (55 and older) who left employment.

Key Findings: The study found there was no difference between the percentages of older workers and prime-age workers qualifying for or collecting EI between October 2000 and September 2002. Meanwhile, the percentage of older workers exhausting their benefits was larger than for prime-age workers. In general, older workers tended not to take training courses during job search, had lower education levels, and were more likely to be in part-time or seasonal work than prime-age workers. When the duration of unemployment was examined more closely, the study found that the differences in weeks of unemployment for older workers versus prime-age workers was small at lower levels of education but increases as the education level increased.

Reliability: This brief note is based on tabulations from the COEP survey.

Availability: This paper is a technical report to be used in the *2004 Monitoring and Assessment Report*. It will be released once the analysis is final.

Employment Insurance and the Canadian Fishing Industry

Author: *Audit and Evaluation, HRSDC*

Objective: This study examines the Canadian fishing industry and the use of EI benefits by self-employed fishers. It starts with a brief overview of the fishing industry. It also examines the sources and distribution of income of self-employed fishers.

Methodology: The primary data source for this analysis is the Longitudinal Administrative Database (LAD). The database is a 20% sample of the T1 Family File. It thus provides annual income tax data for tax filers and their families. Using data from 1992 to 2001,¹ this study focused on those who had reported at least \$1 of self-employed fishing income.

Key Findings:

- Over the past decade, the total number of fishers has steadily declined.
 - In 1992, 47,425 Canadians reported self-employed net fishing income.
 - In 2001, this number had declined to 35,825.
 - P.E.I. is the only region that has not seen a decline in the number of fishers.
- Fishers are primarily male (80 to 85%) and of prime age (70 to 75%).
 - The percentage of females has increased slightly in recent years.
 - Also, in recent years, there has been a slight increase in family-based fishing (that is, more than one family member reports fishing income).
- Over 80% of those reporting self-employed fishing income also report EI income.

- This results in a ratio of benefits to premiums that is roughly 10 times higher than that for the rest of the labour force.
- Fishing income represents about 40% to 45% of an average fisher's total income.

Reliability: This study has undergone an informal review by the academic advisor for the EI summative evaluation, Alice Nakamura. Upon completion, the study will undergo a formal peer review.

Availability: This paper is a technical report to be used in the summative evaluation of EI. It will be released once the analysis is final.

Update Report of the Preventative Withdrawal Pilot Project

Author: *Audit and Evaluation, HRSDC*

Objectives: This paper presents an updated analysis of Pilot Project No. 5, known also as preventative withdrawal. The aim of the pilot project is to enable persons who are entitled to partial EI benefits during their period of preventative leave to refuse the partial benefits. Those persons will thus be able to extend their benefit period and receive full EI benefit weeks during their maternity, parental or sick leave.

Methodology: The preliminary analysis has been done with EI administrative data from September 2002 to June 2004. The Status Vector trailer databases have been used to determine persons eligible for the pilot project.

Key Findings: After two years of the pilot, 500 of the 848 participants, or 59%, have chosen to make use of the option of extending their benefit period made available to them by the pilot project. The average length of entitlement was 31 weeks for the

¹ Data for 2002 have recently become available and results will be available in the final draft of this report.

500 claimants who chose the extended leave option and 26 weeks for those who chose instead to receive partial EI benefits. The average weekly benefit was \$280 for those who chose an extension period and around \$246 for the other participants. The claimants who chose to extend their benefit period received higher average weekly Commission de la santé et sécurité au travail du Québec indemnities for a longer period (\$272 during 16 weeks on average) than the claimants who chose to receive partial EI benefits (\$128 during 6 weeks on average).

Reliability: The previous year's version of this study provided similar results. Preliminary evaluation results corroborate the updated results.

Availability: An evaluation of the program will be available in 2005. Preliminary evaluation results have been available since December 2004. HRSDC will continue to monitor the pilot project.

Compassionate Care Benefits

Author: *Audit and Evaluation, HRSDC*

Objectives: This paper presents the first monitoring analysis of the compassionate care (CC) benefits. This report provides an overview of the measure and analyzes the new CC benefits. The objective of the CC benefits is to provide financial stability to families facing economic crisis due to the grave illness of a family member.

Methodology: The analysis is based on the Record of Employment and the Status Vector databases for the period beginning January 2004 and ending June 2004. This information was used to determine which individuals had set up a claim and which had received CC benefits.

Key Findings: Since January 2004, 3,175 individuals have requested access to CC benefits, equivalent to an average of 120 claims per week. In all, 2,490 individuals set up a claim during this period, for an acceptance rate of around 80%. Reasons for not collecting CC benefits were ineligibility, not reaching the qualifying conditions or not providing an acceptable medical certificate.

Of individuals who set up a CC claim and those receiving CC benefits, three-quarters were female; close to 65% were between 35 and 54 years old; 23% worked in wholesale trade, retail trade or food services, and around 15% in financial services; and close to 50% received benefits during the entire entitlement of six weeks. The average weekly benefit was \$301. On average, CC benefits were received over 4.3 weeks.

Reliability: The results should be seen as preliminary, as no evaluation has been done to explain the results.

Availability: The results in this study will be used as input to the CC benefits formative evaluation. HRSDC will continue to monitor the project and a formative evaluation is scheduled to be completed in the 2005/06 fiscal year.

Family Supplement

Author: *Audit and Evaluation, HRSDC*

Objective: This study examines two issues related to the Family Supplement (FS). The first is its impact on the incentive to work. The second is the declining share of FS claims relative to all EI claims since 1999/00, as noted in recent editions of the *Monitoring and Assessment Report*. It has been suggested this is due to the frozen threshold level for receiving the FS, which has led to a fall in the receipt of FS as wage rates have increased.

Methodology: The Status Vector provided information describing the characteristics of individual claimants to measure the incentive to work. To test the possible impact of the FS threshold's indexation and the consequences for accessibility, two surveys were used: the Survey of Labour and Income Dynamics (SLID) and the Canadian Out of Employment Panel (COEP) survey. The databases were used to create two models to replicate the FS calculation.

Key Findings: Overall, there appears to be no evidence that the FS has created a significant disincentive to return to work, as evidenced by only a marginal increase of 1.6 weeks between 1994 and 2002 in the average total number of weeks that affected individuals claimed UI/EI benefits. This change in the average total weeks has been constant since 1998. On the second issue, the share of EI claims that involve the FS has decreased each year relative to all EI claims since 1999/00. This situation can be explained by rising annual family net income combined with an FS threshold that has remained at \$25,921. Indexing the FS threshold would maintain access to the FS for the target population of low-income families that receive EI and have children.

Reliability: The effect of the FS on the incentive to work has been reported on in the past. This report reflects similar results of earlier studies.² However, this study was the first to monitor the non-indexation of the FS threshold. Two surveys were used (SLID and COEP) to provide corroboration from multiple sources.

Availability: The results in this study will be used as input to the summative evaluation of EI Part I.

Did the Exhaustion of UI/EI Benefits and the Take-up of Social Assistance Change After EI Reform?

Author: *Audit and Evaluation, HRSDC*

Objective: This study examines the impact of changes under EI reform on the extent to which EI claimants exhaust their benefits and the rate at which EI claimants seek social assistance (SA). It had been suggested that the cut to the maximum entitlement from 50 to 45 weeks might have caused an increase in the exhaustion rate and subsequent take-up of SA.

Methodology: The study uses the COEP survey linked with data from the EI databank in order to examine the rate of exhaustion of EI and the subsequent take-up of SA. The analysis compares data from just prior to EI reform (1995Q3 to 1996Q2) to three years of data subsequent to EI reform.

Key Findings: Results indicate that following EI reform there has been a slight downward trend in the percentage of claimants exhausting their entitlement to EI benefits. The findings also indicate that the take-up rate of SA also followed a downward trend after EI reform. Although the drop in both the claim exhaustion rate and take-up rate of SA were likely due to economic factors, the report concludes that it would be difficult to argue that EI reform had caused an increase in either.

Reliability: A previous version of this study was peer reviewed by an external academic prior to its release. It confirms the research of several other evaluation studies that indicate that EI reform had little impact in terms of overall qualification for EI or of length of entitlement to benefits.

² For example, the 1998 *Employment Insurance Monitoring and Assessment Report*, p. 28.

Availability: An earlier version of this study is posted on HRSDC Web site at <http://www11.hrdc-drhc.gc.ca/pls/edd/EISA.shtml>.

Employment Insurance and Social Assistance: Evidence on Program Interaction

Author: *Alex Grey, Applied Research Branch, HRDC*

Objective: The goal of the working paper was to examine patterns of receipt of EI and SA.

Methodology: The study used two data sources: the EICS for 1999 and the Survey of Consumer Finances for 1987 and 1997.

Key Findings: This study confirms a finding of other HRDC/HRSDC studies: that only a small proportion of individuals who exhaust their EI entitlement move on to SA in the short term (for instance, within a year). But it also shows that individuals not eligible for EI benefits or no longer eligible may not appear as SA clients until some time has passed.

This raises the possibility that the move from EI exhaustion to SA, and the impact of EI ineligibility on SA in general, is a longer term process. One potential reason is the fact that individuals have to exhaust other sources of income and a share of their assets before being entitled to SA benefits. This longer term transition to SA also implies that there is a significant period of time where many jobless individuals are left without income support.

The fact that few individuals combined SA and short-term work suggests that there are barriers, once someone is on SA, to reintegrating into the labour market. This underlines the importance of programs such as the National Child Benefit to reducing or alleviating these barriers.

Reliability: The estimates of the interaction of EI and SA are statistically reliable. The paper has been peer reviewed.

Availability: This study can be accessed from the HRSDC Web site at http://www.hrdc-drhc.gc.ca/sp-ps/arb-dgra/publications/research/2002docs/SP575/SP575_E_abs.shtml.

Evaluation of EI Parental Benefits

Author: *Audit and Evaluation, HRSDC*

Objective: The evaluation examines the recent legislation extending and enhancing the provisions of the parental benefits program, starting December 31, 2000. The focus is on the effects of the change, relative to previous EI parental benefits. With this new regime, the weeks of parental benefits were extended from 10 to 35 weeks, extending the total maternity/parental benefits duration from 25 weeks to 50 weeks. The number of insurable hours of employment required for eligibility was also reduced from 700 to 600 hours. The parental benefit can be shared between the mother and the father without a second two-week waiting period and parents can earn up to 25% of their parental benefits per week without a reduction in their benefits.

Methodology: The evaluation report is based on three different data sources: surveys of participants, HRSDC administrative data and a survey of employers.

Key Findings: The program changes increased the numbers of eligible workers, as those with between 600 and 700 insured hours became eligible in 2001, and other eligible workers increased their usage due to the longer maximum duration and the sharing of benefits. The overall participation rate went up to 48.8% under the enhanced program relative to 44.4% under the pre-2001 program. Male and female participation

rates increased, as did participation by individuals in most categories of marital status, age group, occupation and level of education. Participants in the enhanced program substituted 7 weeks of unpaid parental leave for 18 weeks of EI paid leave. This suggests that, on balance, the enhanced program encouraged parents to take approximately 11 weeks of extra total leave. However, participants under the enhanced program received the same amount in weekly benefits as those under the pre-2001 program. Furthermore, 18.5% of dual-earner couples reported that they shared benefits, compared to 8.1% under the pre-2001 program. The two main strengths of the enhanced program reported were that the program allowed for more time with the child/children and improved the parent/child relationship. When asked to suggest improvements, respondents generally indicated that they were not looking for major changes, except maybe a higher fraction of income replacement. On another point, mothers indicated they breastfed their babies for a longer period, from 28.6 weeks under the pre-2001 program to 32.1 weeks under the enhanced program. Finally, most of the surveyed employers felt that the program changes had no impact on their profitability, growth, ability to attract new workers and ability to retain employees.

Reliability: This evaluation was peer reviewed by an external academic.

Availability: The final report of the evaluation of EI parental benefits will be released in the near future.

International Comparison of Maternity/Parental Benefits

Authors: *Shelley Phipps and Lynn Lethbridge*

Objective: The focus of this study is a comparative analysis of Canada's maternity and parental benefit system through EI and systems in other countries. A similar study was conducted in 1995 with an update in 1998. However, since that time, Canada has considerably extended the duration of the combined special benefits (maternity/parental/sickness benefits), and also reduced the eligibility requirements, making the program considerably more flexible.

Methodology: Canada is compared with other members of the G7 group (France, Germany, Italy, Japan, the United Kingdom and the United States), as well as the Nordic countries (Finland, Norway and Sweden). The major part of the report involves an institutional survey of what is currently available regarding maternity/parental benefits in those countries. Specific details include eligibility, total duration of benefits, benefit amount, who operates the program and how it is financed. The second part of the report includes simulations that use program information to calculate entitlements for five sample cases. The last part of the report uses the most recent micro data available in the Luxembourg Income Study (LIS) to compare the financial well-being of families with very young children in the countries studied.

Key Findings: Since 2001, the total duration of Canadian benefits has compared relatively favourably with international standards. Most countries with a longer duration eventually move to a flat-rate benefit or a lower replacement rate towards the end of the extended period. However, the level of benefits offered in Canada is rather low,

particularly in comparison with first-stage maternity benefits available elsewhere. Canada imposes a two-week waiting period before benefits can begin. This form of deductible is not evident in other countries.

Maternity or parental benefits are not available to self-employed new parents in Canada. However, such benefits do exist in several other countries, such as the U.K., Sweden, Norway, Finland and Italy.

The ceilings on maximum benefits payable (in Canada, France and Sweden) or flat-rate benefits for some part of the covered period (in Germany and France) mean that the effective replacement rate for men is usually lower than for women. Men generally have higher earnings. Some countries have implemented inducements for men to take parental leaves by allocating a portion of the leave to men (in Sweden and Norway), or by adding to the total entitlement if men take part of the leave (in Finland). Avoiding the second waiting period may help in this regard in Canada.

Scandinavian countries are particularly flexible about allowing parents to choose whether to take full-time leave or to receive the same total payment, but spread out over a longer time by returning to work part-time. In Canada, new parents receiving parental leave are now able to earn up to 25% (or \$50) of their weekly benefit without any deduction in that benefit, though they are not able to extend their benefit period in this way.

Reliability: The study is an update of studies conducted in 1995 and 1998. Upon completion, it will undergo a formal peer review process.

Availability: This paper is a technical report to be used in the summative evaluation of EI. It will be released once the analysis is final.

Determinants of Mothers' Time at Home after Childbirth: The Role of Maternity and Parental Leave Policy

Author: Adrienne ten Cate, presented at the Canadian Economics Association Meetings, Toronto, June 4–6, 2004

Objective: This study examines the determinants of mothers' time at home after childbirth, including the impact of receipt of EI maternity and/or parental benefits.

Methodology: This study uses the maternity component of the EICS from 2000 to 2002 in order to examine the determinants of a mother's time at home after childbirth. The analysis estimates the impact on the duration of time at home after childbirth using survival analysis (hazard model).

Key Findings: The results suggest that qualifying for and receiving EI maternity or parental benefits is one of the key determinants of the duration of time at home after childbirth. Mothers who received EI were half as likely to return to work during the months when EI benefits were available compared to when they were no longer available. Furthermore, they were more likely to return to work once EI expired than mothers who did not receive EI at all. The report concludes that EI maternity and parental benefits play a crucial role in allowing mothers to stay home with their newborns and promote their return to the labour force.

Other factors related to duration of time at home after childbirth included labour force status prior to childbirth (such as employed, unemployed, or out of the labour force), education, age and receipt of employer-provided payments (such as payments to supplement EI). Mothers with a university degree returned to work more quickly than

those with lower educational attainment, all other factors being equal. Moreover, the youngest mothers in the sample (aged 19 to 24) returned to work more slowly than other mothers. Finally, recent employment prior to childbirth and receipt of top-ups were strongly correlated with the likelihood of returning to work after childbirth.

Reliability: The estimated impacts on the duration of time at home after childbirth of the key determinants are statistically reliable. The hazard ratios calculated by the model were significantly different from one, at between the 90% and 99% level.

Availability: This study is currently in draft form and has not yet been peer reviewed.

Determinants of Mothers' Time at Home after Childbirth: Evidence from Canada

Author: *Adrienne ten Cate, McMaster University*

Objective: This paper examines the determinants of mothers' time at home after childbirth, including the impact of receipt of EI maternity and/or parental benefits.

Methodology: This paper uses the EICS (2000/03) to investigate the determinants of the duration of mothers' time at home after childbirth, with a particular focus on maternity and parental leave policy. First, a theoretical framework for women's labour force behaviour surrounding childbirth is presented. Then, in the context of survival analysis, the impact of the extension of parental benefits is evaluated by comparing similar women both before and after the policy change. Furthermore, the effect of benefit receipt on the hazard is allowed to vary over time since birth, in order to capture the observed rise in the risk of re-entry into

paid employment around the time of benefit expiration.

Key Findings: The impact of the policy was found to vary over time since childbirth in a particular way: mothers who received benefits were most likely to return to work close to the month of exhaustion of those benefits. Mothers who gave birth after the extension of benefits returned to work more slowly than those who gave birth prior to the extension. Few other characteristics influenced the amount of time women spent at home. Those with higher wages and in managerial occupations returned to work more rapidly. In addition, mothers who lived in the eastern part of Canada (the Atlantic and Quebec) returned to work more rapidly than mothers in other parts of the country.

The results demonstrate the importance of accounting for the time-varying effect of receipt of benefits while individuals are on parental leave. In aggregate, those who receive benefits return to work more quickly than those who do not receive benefits. However, once the time-varying effect of months of benefits remaining is accounted for, it becomes evident that the higher rates of return to work are concentrated in the months surrounding the expiration of benefits. The results also provide support for the theory that parental leave benefits and job-protected leave reduce the opportunity costs associated with staying at home.

Reliability: The estimated impacts on the duration of time at home after childbirth of the key determinants are statistically reliable. The hazard ratios calculated by the model were significantly different from one, at between the 90% and 99% level.

Availability: This study is currently in draft form and has not yet been peer reviewed.

Repeat Use and the Persistence of EI Receipt in Canada

Authors: *Rick Audas, David M. Gray and Ted McDonald*

Objective: This study updates previous studies on repeat use of the EI system. The principal objective of the study is to discern the general trends in repeat use of EI at aggregated levels. There is a focus on determining the extent to which repeat use is a product of individuals learning to better use the EI system with each claim and the degree to which this varies by economic region.

Methodology: The primary data set involves 100,000 individuals who experienced at least one claim over the 1985 to 2003 period. All other EI claims filed by these individuals between 1980 and 2003 were entered as observations, generating a total of 426,082 claims. The records for the claim contained in the Status Vector file were then linked to the corresponding records in the Record of Employment file containing the employment histories with the qualifying information for the selected claims. The estimating sample was restricted to those aged between 18 and 65. The final database consisted of 96,413 individuals with a total of 330,995 claims.

Key Findings: The absolute level of frequent claimants rose from 1984 until the late 1980s, declined slightly in 1990, spiked in 1996 and has moved downward since then. There appears to be a marked decline in the incidence of repeat use among younger workers, which is strongly associated with seasonal employment patterns and indirectly with the trend toward rising educational attainment. Finally, evidence indicates that, as EI recipients gain experience with the EI program, they are better able to modify

their behaviour in accordance with the various rules.

Reliability: This study has undergone an informal review by the academic advisor for the EI summative evaluation, Alice Nakamura. Upon completion, the study will undergo a formal peer review.

Availability: This paper is a technical report to be used in the summative evaluation of EI. It will be released once the analysis is final.

The Dynamics of Reliance on EI Benefits: Evidence from the SLID

Authors: *Shawn de Raaf, Anne Motte and Carole Vincent, Social Research and Demonstration Corporation (SRDC)*

Objective: This study investigates long-term EI dependency.

Methodology: The study relies on data from the Survey of Labour and Income Dynamics (SLID) to examine the work and (EI) reliance patterns of a cross-section of Canadian workers who had at least one work interruption in the 1993 to 1995 period or the 1996 to 1998 period. The study analyzes the factors that contribute to a worker being an intense relier in the first period (1993 to 1995), defined as receiving regular benefits in at least two of the three years, and then examines the factors that contribute to a worker being an intense relier again in the following period (1996 to 1998).

Key Findings: The findings indicate that only a minority (one-third) of claimants who made repeated claims in 1993 to 1995 did so again in 1996 to 1998. The other two-thirds claimed EI only once or not at all in the second period. The examination of determinants of making repeated claims in two consecutive periods reveals that the employment opportunities of the region in which the worker lives, the lack of a high

school diploma, and the type of job held by the worker are all significant contributors to long-term EI dependency. The study also reveals that the factors commonly identified as key contributors to frequent EI reliance, namely gender and province of residence, do not contribute to a worker being reliant on EI in the long term once the worker's past reliance is accounted for.

Reliability: This study was peer reviewed by an external academic.

Availability: This study has been published by the SRDC and can be accessed at <http://www.srdc.org>.

Understanding Employment Insurance Claim Patterns: Final Report of the Earnings Supplement Project

Authors: *Shawn de Raaf, Anne Motte and Carole Vincent, SRDC*

Objective: This report provides the main findings from a series of six working papers analyzing EI claim patterns and the circumstances and barriers faced by workers who make repeated claims.

Methodology: The Earnings Supplement Project (ESP) began as a demonstration project to test the effectiveness of financial incentives in encouraging re-employment among unemployed workers. Between March 1995 and June 1996, ESP enrolled more than 11,000 claimants from nine local offices across Canada in a randomized trial.

In 1998, a second phase of ESP research was undertaken. Statistics Canada was commissioned to conduct the Survey on the Repeat Use of Employment Insurance (SRUEI). The SRUEI surveyed a nationally representative sample of 1996 claimants to obtain information on the characteristics of

frequent claimants and to better understand their needs and motivations.

As a third and final phase of ESP, a number of studies were sponsored by the SRDC to examine EI reliance based on the best data available, a range of methodological approaches and a variety of data sources that include, most notably, the Survey of Labour and Income Dynamics (SLID).

Key Findings: The report highlights recent research that explores the factors that contribute to workers' reliance on EI. It contains a series of lessons learned from research on work and EI reliance. The lessons are the following:

- those who claim EI the most also know how to benefit the most from its rules;
- employers may play a role in their employees' EI claim patterns;
- EI claim patterns should be examined in the context of household decisions;
- EI does not appear to be a consistent influence on individuals' decisions to move between or within provinces;
- seasonal workers are not by definition frequent claimants of EI; and,
- a minority of frequent claimants remain frequent claimants over time.

Reliability: This study was peer reviewed by an external academic.

Availability: This study has been published by the SRDC and can be accessed at <http://www.srdc.org>.

Employment Benefit and Support Measures Summative Evaluations

Objective: Summative evaluations have been completed in British Columbia, Quebec, and Newfoundland and Labrador and final results are now available. In addition, three evaluations are underway in Nunavut, Alberta and Ontario. Fuller reporting of summative evaluation results will be available in subsequent issues of the *Monitoring and Assessment Report*.

Summative evaluations of Employment Benefit and Support Measures (EBSMs) are aimed at providing information on the impact of EBSMs in helping participants prepare for, find and keep jobs. In addition to employment impacts, these evaluations examine a range of outcomes related to EBSM participation including skills gains, job quality and increased self-sufficiency in relation to government income support assistance.

Methodology: The core measurement of impacts on individuals over the medium to longer term relies on surveys of program clients versus similar individuals who did not participate. In addition, EBSM, EI and social assistance (SA) administrative data were used. While income tax data from the Canada Revenue Agency (formerly the Canada Customs and Revenue Agency) were not available for the evaluation work undertaken to date, these data will be available for subsequent evaluation activities.

To ensure analytic rigor in implementing the summative evaluations, an expert panel of private sector evaluators and academics was convened for the development of the methodological framework.³ Discussions on this subject were also held between the provinces and territories and HRSDC.

The framework was further reviewed by the Office of the Auditor General of Canada.

An important component of the methodology is the estimation of the incremental (net) impacts of the programs on participants. Incremental impacts refer to impacts on individuals over and above what would have occurred without the assistance of the program. This is accomplished by comparing the post-program labour market experiences of participants with those of the comparison group. The summative methodology provides a reliable approximation of incremental program impacts, and includes validation of findings through multiple lines of evidence and external peer review.

In most jurisdictions, a joint evaluation committee oversees the management of all EBSM evaluation activities. In Ontario, where EBSMs are managed and delivered federally, the evaluation is being overseen by federal officials alone. In Quebec, the province has sole responsibility for the design of the methodology and conducts the summative evaluation in discussion with HRSDC.

The results presented for British Columbia, Quebec, and Newfoundland and Labrador focus on a general assessment of net impacts on individuals' employment, earnings and reliance on government support. These indicators link back to core objectives of the EBSMs and represent the principal common indicators of results achievement from the summative evaluations.

Survey Completions: Under the British Columbia summative evaluation, completed client surveys numbered 2,094 for participants and 2,765 for the comparison group.⁴ In Quebec, the impacts on EI clients

³ *The Design of Summative Evaluations for the Employment Benefits and Support Measures (EBSM)*. Walter Nicholson. Evaluation and Data Development, Strategic Policy, HRDC. September 2001.

⁴ This includes both long and short surveys; the long surveys were used for analysis.

were based on completed surveys of 1,777 participants and 1,016 non-participants, and matching of survey data with the administrative files of HRSDC and Quebec's Ministère de l'Emploi, de la Solidarité sociale et de la Famille. In Newfoundland and Labrador, impacts on clients were estimated based on completed surveys of 2,201 participants and 2,414 comparison group respondents, in conjunction with administrative data.⁵

In Nunavut, a combined formative-summative approach was adopted. In recognition of the unique socio-economic and labour market conditions in Nunavut, the evaluation used a community case study approach including surveys of participants,⁶ focus groups, document review, and interviews with employers, community stakeholders and key informants.

Under the Alberta summative evaluation, 3,168 participants and 3,411 comparison group clients completed the survey. Preliminary impact estimates are being finalized based on the client survey data for those who agreed to have their data linked, together with administrative records.

Under the summative evaluation of EBSMs in Ontario, analysis of the participant and comparison group survey responses and administrative records is currently underway.

Due to differences in local socio-economic and programming contexts, caution is needed when comparing the results across jurisdictions.

Reliability: Reliability of the methodology and findings is enhanced through external advice of experts in the field of evaluation of active labour market programs.

Availability: The Quebec evaluation results are available (in French) at the following address: <http://emploiquebec.net/francais/imt/publications/autres.htm>.

What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies

Authors: *John P. Martin and David Grubb*

Objective: This document reviews the experience of OECD countries with active labour market policies (ALMP) through an examination of evaluation results. It highlights what works and what does not, for whom among the unemployed. It seeks to identify some key features in the design of the programs themselves or the characteristics of the target group that appeared to be particularly relevant to the success or failure of the program in question.

Methodology: All studies used either an experimental or quasi-experimental design and examined net impacts of program participation. However, the reliability and generality of the conclusions that can be drawn need to be interpreted in light of the following methodological limitations. First, much of the literature relates to the United States and Canada. Some European countries and Australia have only recently begun to conduct rigorous evaluations. In other countries, the most common method of evaluation consists of simply monitoring the labour market status and earnings of participants for a brief period after the program. Second, there is almost never a stable set of active programs to evaluate. Countries are continuously chopping and changing the mix of programs. Third, there is

⁵ Survey data were collected at the following time points: British Columbia, September 7 to November 16, 2002; Quebec, May 29 to November 26, 2002; Newfoundland and Labrador, November 2002 to February 2003; Nunavut, November 2003 to January 2004; Alberta, February 6 to May 15, 2004; Ontario, June 2004.

⁶ The client survey yielded 59 completions among 156 participants in five case study communities.

very little evidence on the long-run effects of active programs. The evaluations only cover one to two years after the person has participated in the program. Fourth, there is little evidence available on potential social benefits of programs. Fifth, many programs tend to be small-scale. Their cost effectiveness is not certain if they were to be greatly extended in terms of scale of participation or geographic coverage. Sixth, evaluations undertaken by public sector agencies could raise the issue of the independence of findings. External validation of the evaluation results is necessary. Seventh, the evaluation literature does not show why certain programs work for some groups and not for others and in what circumstances. Eighth, the evaluation literature makes only a partial assessment of the effectiveness of ALMPs as a whole. It does not include all programs, the motivational impact on participants is not typically captured, and it is not clear how to generalize the results of micro-economic evidence on the aggregate effects of programs.

Key Findings: The review shows that outcomes for participation in public training programs, job search assistance and subsidies for private sector employment, including self-employment and employment subsidies, are generally positive or mixed⁷ and do work for some target groups, even if the impacts are not large.

Public Training Programs – The results for participation in public training programs were positive for adult women but mixed for adult men. No program seemed effective for youth. The authors point out that to enhance effectiveness there is a need for tight targeting on participants, programs should be kept relatively small, courses should lead to a

qualification that is recognized and valued by the market, and there should be a strong on-the-job component in the program.

Job Search Assistance – Program evaluations showed positive outcomes in the United States, the United Kingdom, Canada and Sweden, but no significant impact in the Netherlands. However, the optimal combination of job placement and monitoring/enforcement of work search was not determined, although the authors concluded that it is likely that both are necessary to produce benefits.

Subsidies for Private Sector Employment – Controlled experiments in the United States suggest that subsidies to help the unemployed start their own businesses were successful for men between the ages of 30 and 40 who had relatively high levels of education. Subsidies paid to private employers appear to yield small net employment gains, particularly in the short term. Findings also suggest that combined dead-weight and substitution effects were large and amount to around 90%, implying that for every 100 jobs subsidized only 10 were net gains in employment.

Reliability: Reviews by Friedlander et al (1997), Stanley et al (1998) and Heckman et al (1999) support Martin and Grubb's findings about public training programs and job search assistance. They also endorse the impacts on disadvantaged youth.

Availability: Working Paper 2001:14. Office of Labour Market Policy Evaluation. Published in *Swedish Economic Policy Review* 2001, volume 8, issue 2, pages 9–56. It can be accessed at <http://www.ekradet.konj.se/sepr/Martin.pdf> and http://papers.ssrn.com/sol3/papers.cfm?abstract_id=348621

⁷ Though not of direct interest in the context of EI Part II funding, it may be worth mentioning that youth employment programs, with the notable exception of Job Corps (U.S.), have not been successful. Job Corps was found to have yielded statistically significant earnings gains for disadvantaged youth.

Evaluation of the Work Sharing Program

Author: *Audit and Evaluation, HRSDC*

Objective: HRSDC's Work Sharing program provides pro-rated EI benefits to workers who voluntarily reduce their work week to avoid the layoff of a portion of the work unit. The program has been in existence since 1977 and was previously evaluated in 1984 and 1993. This evaluation assesses the program in terms of its rationale, objectives and achievements, program impacts and effects, potential alternatives and selected program delivery issues.

Methodology: The evaluation used expert consultants to provide multiple lines of evidence including analysis of administrative data, review of agreements files and documents, case studies, key informant interviews and focus groups. Analysis performed in-house by evaluation officers included a literature review, a monitoring report on the basic use of the program, a survey of project officers who deliver the program and an analysis of the "incrementality" of the program. Each of these studies forms a technical report, all of which were synthesized in the final report document.

Key Findings: Overall, the rationale for the program continues to be relevant, and the program does achieve its primary goal of averting layoffs.

- In an average year, there are 36,219 Work Sharing participants, although this number varies widely with the business cycle. Of these, an average of 10,302 workers would have been laid off, without the program. However, within six months of the end of the program, on average 5,218 participants are laid off, and thus their layoffs were only delayed rather than averted by the program.

- Both companies and workers were highly supportive of the program. In particular, it was noted that the application process is delivered in an efficient manner.
- While the cost of the Work Sharing program is slightly higher than the cost of layoffs, this cost is offset by non-monetary benefits accruing to participants and companies. In particular, these non-monetary benefits include decreased stress for participants and increased morale of employees.
- There were, however, areas where improvement could be made to the program.
 - There could be improved monitoring of employment outcomes for participants after the end of the Work Sharing agreement.
 - There is evidence that some business recovery plans have insufficient detail to make an informed assessment of the likelihood of the firm's recovery before the end of the Work Sharing agreement.
 - Work Sharing participants would appreciate advice surrounding the income tax implications of Work Sharing benefits.

Reliability: Each technical report, as well as the final report, was peer reviewed by an independent academic expert.

Availability: This report has been approved by the Audit and Evaluation Committee and will be available soon on the HRSDC Web site.

Evaluation of Work Sharing While Learning and Increased Referrals to Training – Phase I

Author: *Audit and Evaluation, HRSDC*

Objective: The Work Sharing While Learning (WSWL) program added a training component to the traditional Work Sharing program and targeted firms facing a structural downturn. Firms were to provide training to their employees during their day off due to Work Sharing, in order to aid in the firm's restructuring. The Increased Referrals to Training (IRT) measure was intended to test and evaluate the effects of referring more individuals to training when they are facing job loss. Workers who were facing job loss in high unemployment regions were to be referred to training programs after completing a Return to Work Action Plan. This evaluation examines the reasons for the low levels of take-up of these two initiatives.

Methodology: In order to provide an explanation of the low take-up of the two initiatives, the evaluation used several lines of evidence: a note on the level of participation, a literature review, a report on the need for the new initiatives in the softwood lumber industry and a report of a panel of experts in labour market programs. These technical reports were synthesized into the final evaluation report.

Key Findings:

WSWL – As of March 2004, there were no signed WSWL agreements. The evaluation identified some of the possible reasons for the lack of participation.

- Companies may be unable to pay for training of a large portion of their work force when they are going through a

period of reduced output associated with the potential for layoff.

- Companies may often find it impossible to make use of structured training courses.
 - A large portion of the training that is typically done by Canadian companies is "on-the-job." Thus, companies may not have a need for the type of formal training envisioned by WSWL.

IRT – As of March 2004, the EI database identified only 36 claimants who had been targeted by the two variants of IRT.

- The first variant allows workers to quit their job to take a training course without loss of EI benefits. Only 14 workers had been authorized to quit.
- The second variant includes workers who are encouraged to take training under this initiative, but who are not authorized to quit. Only 22 workers participated in this variant.
- The evaluation identified several potential reasons for low IRT participation.
 - Workers may not be willing to quit their current job
 - i. if post-training employment prospects are not good;
 - ii. if they might miss out on a negotiated severance package; or
 - iii. if staying at the current job allows them to maximize their subsequent EI entitlement.

- o Workers may be less interested in training
 - i. if they live in high unemployment regions where post-training employment prospects are not good; or
 - ii. if they live in rural regions where training opportunities are more difficult to make use of.

Reliability: Each technical report, as well as the final report, was peer reviewed by an independent academic expert.

Availability: This evaluation will be released upon approval of the Audit and Evaluation Committee.