

Annex 7

Elements of Reform

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Elements of EI Reform – Bill C-12 (1996 and 1997)

Element	Rationale
<p>Reduction in Maximum Insurable Earnings (MIE)</p> <ul style="list-style-type: none"> The MIE was reduced to \$750 (the equivalent of \$39,000 per year) in 1996 and frozen at this level until 2000. This reduced the maximum weekly benefit to \$413 (55% of \$750) from \$448 in 1995 and \$465 for the first six months of 1996. 	<ul style="list-style-type: none"> The MIE had been based on a formula that took into account average wage increases over eight years. Because the high inflation and wage increases of the 1980s continued to be considered in setting the MIE, it escalated faster than wages, making EI benefits competitive with wages in some parts of the country and in some industries.
<p>Reduced Maximum Benefit Duration</p> <ul style="list-style-type: none"> Effective July 1996, the maximum length of a claim was reduced from 50 to 45 weeks. 	<ul style="list-style-type: none"> The majority of claimants find work within the first 40 weeks of receiving benefits. Only affects longer attachment workers in higher unemployment regions.
<p>New Entrants and Re-entrants</p> <ul style="list-style-type: none"> Effective July 1996, new entrants and re-entrants to the labour force needed 26 rather than 20 weeks of work to qualify for EI. In January 1997, the 26 weeks were converted to 910 hours. Applies only to those who have had minimal or no labour market attachment over the past two years. Workers who have at least 490 hours of work in the first year of employment need only 420 to 700 hours the next year. Time on EI, Workers' Compensation, disability benefits, and sick leave count as time worked. 	<ul style="list-style-type: none"> Discourages a cycle of reliance: <ul style="list-style-type: none"> Ensures that workers, especially young people, develop a significant attachment to the labour force before collecting EI benefits. Returns insurance principles to the system: <ul style="list-style-type: none"> Must make a reasonable contribution to the system before collecting benefits. Strengthens the relationship between work effort and entitlement to benefits.
<p>Benefit Calculation</p> <ul style="list-style-type: none"> Weekly benefits are calculated as follows: <ul style="list-style-type: none"> Total earnings over the 26-week period preceding the establishment of the claim, divided by the greater of the number of weeks of work in this period or the minimum divisor of 14 to 22 (depending on the regional rate of unemployment) whichever is higher. The result is multiplied by 55% to determine the weekly benefit. 	<ul style="list-style-type: none"> Creates a strong incentive to work more than the minimum amount of time to qualify for benefits (i.e., at least two more weeks than the old entrance requirement). Provides an incentive to work in the "shoulder" season. Ensures a better relationship between flow of benefits and normal earnings.
<p>Hours-based System</p> <ul style="list-style-type: none"> Effective January 1997, EI eligibility is based on hours rather than weeks worked. For regular benefits, claimants need 420 to 700 hours instead of 12 to 20 insured weeks. For special benefits, claimants need 700 hours instead of 20 insured weeks. 	<ul style="list-style-type: none"> Better measure of time worked. Removes inequities and anomalies of weeks system: <ul style="list-style-type: none"> recognizes intense work patterns of some employees; under UI, 15 hours or 50 hours counted as one week; and eliminates the 14-hour job trap—under UI, those working fewer than 15 hours (either all the time or some of the time) with a single employer were not insured or not fully insured. Fairer and more equitable (i.e., all hours count).

Elements of EI Reform – Bill C-12 (1996 and 1997)

Element	Rationale
<p>Family Supplement</p> <ul style="list-style-type: none"> • Claimants with children and annual net family incomes of up to \$25,921 receive a top-up of their basic insurance benefits. • The Supplement increased the maximum benefit rate to 65% in 1997, to 70% in 1998, to 75% in 1999, and to 80% in 2000. 	<ul style="list-style-type: none"> • Better targets assistance to those most in need: <ul style="list-style-type: none"> – the 60% rate under UI was very poorly targeted—about 45% of low-income families did not qualify; and – about 30% of those who did receive the 60% rate had family incomes over \$45,000.
<p>Allowable Earnings While on Claim</p> <ul style="list-style-type: none"> • Effective January 1997, claimants can earn \$50 or 25% of their weekly benefit, whichever is higher. 	<ul style="list-style-type: none"> • Helps low-income claimants. • Encourages claimants to maintain labour force attachment and increase their earnings from work.
<p>Benefit Repayment (Clawback)</p> <ul style="list-style-type: none"> • Benefits are repaid at the rate of \$0.30 for every \$1 of net income above the threshold. • For those who have collected 20 or fewer weeks of benefits in the last 5 years, the threshold is \$48,750 of net income (the former level was \$63,750). The maximum repayment remains at 30% of benefits received. • For those with more than 20 weeks of benefits in the last 5 years, the threshold is \$39,000 of net income. The maximum repayment varies from 50% and 100% of benefits received. 	<ul style="list-style-type: none"> • Fairer and more accurately reflects insurance principles. • Discourages repeat use of EI by those with high levels of annual income.
<p>Intensity Rule</p> <ul style="list-style-type: none"> • The intensity rule reduces the benefit rate by 1 percentage point for every 20 weeks of regular or fishing benefits collected in the past 5 years. • The maximum reduction is 5 percentage points. 	<ul style="list-style-type: none"> • Introduces an element of experience-rating to the program, i.e., heavy users of the system bear more of the costs. • Discourages use of EI as a regular income supplement rather than insurance for times of unpredictable job loss, while not excessively penalizing those who make long or frequent claims. • Creates a better balance between contributions made and benefits received.
<p>First Dollar Coverage</p> <ul style="list-style-type: none"> • Effective January 1997, all earnings, from the first dollar, are insurable, up to the annual MIE. There are no weekly minimums or maximums for determining earnings. 	<ul style="list-style-type: none"> • Creates a more equitable and balanced system—all work is insurable. • Substantially decreases paper burden for employers.
<p>Premium Refunds</p> <ul style="list-style-type: none"> • Beginning in 1997, workers earning \$2,000 or less per year have their premiums refunded. 	<ul style="list-style-type: none"> • Helps workers who must pay premiums, but will not have enough hours to qualify for benefits.
<p>Increased Sanctions for Fraud</p> <ul style="list-style-type: none"> • Effective July 1996, penalties for fraud by employers and claimants were increased. • Effective January 1997, claimants who committed fraud after June 1996 face higher entrance requirements. 	<ul style="list-style-type: none"> • Protects the integrity of the EI program.

Enhanced Parental Benefits – Bill C-32 (2000)

Element	Rationale
<p>Parental Benefits</p> <ul style="list-style-type: none"> Effective December 31, 2000, the duration of parental benefits is increased from 10 to 35 weeks. 	<ul style="list-style-type: none"> Helps parents spending time with their child during the critical first year of their life. Helps working parents to better balance their work and family responsibilities.
<p>Entrance Requirement</p> <ul style="list-style-type: none"> Effective December 31, 2000, the number of hours of insurable employment required to qualify for maternity, parental or sickness benefits is reduced from 700 to 600 hours. 	<ul style="list-style-type: none"> Improves access to special benefits.
<p>Waiting Period</p> <ul style="list-style-type: none"> Effective December 31, 2000, a second parent sharing parental leave is no longer required to serve a second two-week waiting period. 	<ul style="list-style-type: none"> Improves flexibility by allowing parents who share benefits to serve only one waiting period.
<p>Allowable Earnings While on Claim</p> <ul style="list-style-type: none"> Effective December 31, 2000, claimants can earn \$50 or 25% of their weekly parental benefit, whichever is higher. 	<ul style="list-style-type: none"> Helps low-income claimants. Improves flexibility by allowing parents to work while receiving parental benefits.

A More Responsive Employment Insurance Program – Bill C-2 (2001)

Element	Rationale
<p>Intensity Rule</p> <ul style="list-style-type: none"> • Effective October 1, 2000, the intensity rule was eliminated. 	<ul style="list-style-type: none"> • This rule was proven to be ineffective and had the unintended effect of being punitive.
<p>Benefit Repayment (Clawback)</p> <ul style="list-style-type: none"> • Effective retroactive to 2000 taxation year: <ul style="list-style-type: none"> – First-time claimants of regular or fishing benefits are now exempt from the benefit repayment. – All claimants who receive special benefits (maternity, parental and sickness benefits) no longer have to repay those benefits. – The benefit repayment threshold is at one level, \$48,750 of net income with a repayment rate of 30%. The maximum repayment is limited to 30% for a person with a net income in excess of \$48,750. 	<ul style="list-style-type: none"> • Analysis indicated that the benefit repayment provision was having a disproportional impact on middle-income claimants. • The provision was modified to focus on repeat claimants with high incomes and to simplify the provision.
<p>Re-entrants Parents</p> <ul style="list-style-type: none"> • Effective retroactive to October 1, 2000, the rules governing re-entrant parents were adjusted so they now require the same number of hours as other workers to qualify for regular benefits. 	<ul style="list-style-type: none"> • Ensures that parents returning to the work force following an extended absence to raise young children are not penalized.
<p>Maximum Insurable Earnings (MIE)</p> <ul style="list-style-type: none"> • The MIE will remain at \$39,000 until the average earnings exceeds this level, at which time the MIE will be based on average earnings. 	<ul style="list-style-type: none"> • The MIE was higher than the average industrial wage.

Access to Special Benefits – Bill C-49 (2002)

Element	Rationale
<p>Period to Claim Parental Benefits</p> <ul style="list-style-type: none"> Effective April 21, 2002, parents of a newborn or newly adopted child who is hospitalized for an extended period now have a window of up to two years, instead of one year, to claim parental benefits. 	<ul style="list-style-type: none"> Provides flexibility for parents who choose to wait until their child arrives home before collecting parental benefits.
<p>Period to Claim Special Benefits</p> <ul style="list-style-type: none"> Effective March 3, 2002, the maximum number of combined weeks of special benefits was increased from 50 to 65 weeks. 	<ul style="list-style-type: none"> Ensures full access to special benefits for biological mothers who claim sickness benefits prior to or following maternity or parental benefits.