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Report on the Main Results of the Employment Insurance Coverage Survey, 1998



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Statistics Canada
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Report on the Main Results of the Employment Insurance Coverage Survey, 1998

By Stephan Roller

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Note of appreciation

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The Jobless and EI Benefits

The declining number of people receiving Employment Insurance (EI) benefits is piquing public interest — and raising questions about the program. How many unemployed are covered by the EI program? What segment of the jobless population does the program serve? Which groups of people do not have access to EI benefits? What are the alternative sources of income of the unemployed when they do not claim or receive EI benefits?

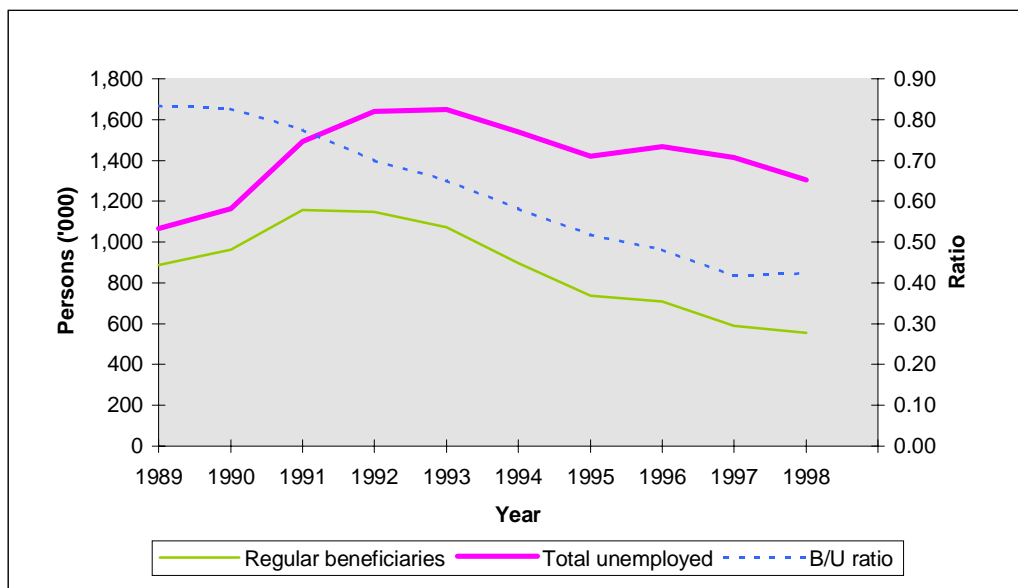
The Employment Insurance Coverage Survey, conducted quarterly through 1997 and 1998 by Statistics Canada and funded by Human Resources Development Canada (HRDC), provides information about who is eligible to receive EI benefits. The results of this survey permit a systematic assessment of the categories of workers served by the program.

The beneficiary/unemployed (B/U) ratio

Labour market analysts have traditionally used the ratio of two statistics as an indicator of performance of the Employment Insurance program. The first statistic in the ratio is the number of people receiving regular EI benefits (see box for definitions) for a given reference week (see box). The second statistic in the ratio is an estimate from the monthly Labour Force Survey, for that same week, of the total number of individuals who are not working and who are classified as 'unemployed' (see box).

The beneficiary/unemployed (B/U) ratio is calculated for a given week by dividing the number of regular EI beneficiaries by the total number of unemployed people. Figure 1 shows this ratio and its components, plotted as annual averages from 1989 to 1998.

FIGURE 1
TRENDS IN UNEMPLOYED, EI BENEFICIARIES AND B/U RATIOS (ANNUAL AVERAGES), 1989-1998



The number of regular beneficiaries peaked in 1991; the number of unemployed topped out in 1993. The two trends began to diverge in 1991, with the number of beneficiaries dropping faster than the number of unemployed.

The ratio of regular beneficiaries to unemployed showed an overall decrease, from 0.83 in 1989 to 0.42 in 1997 and 1998.¹

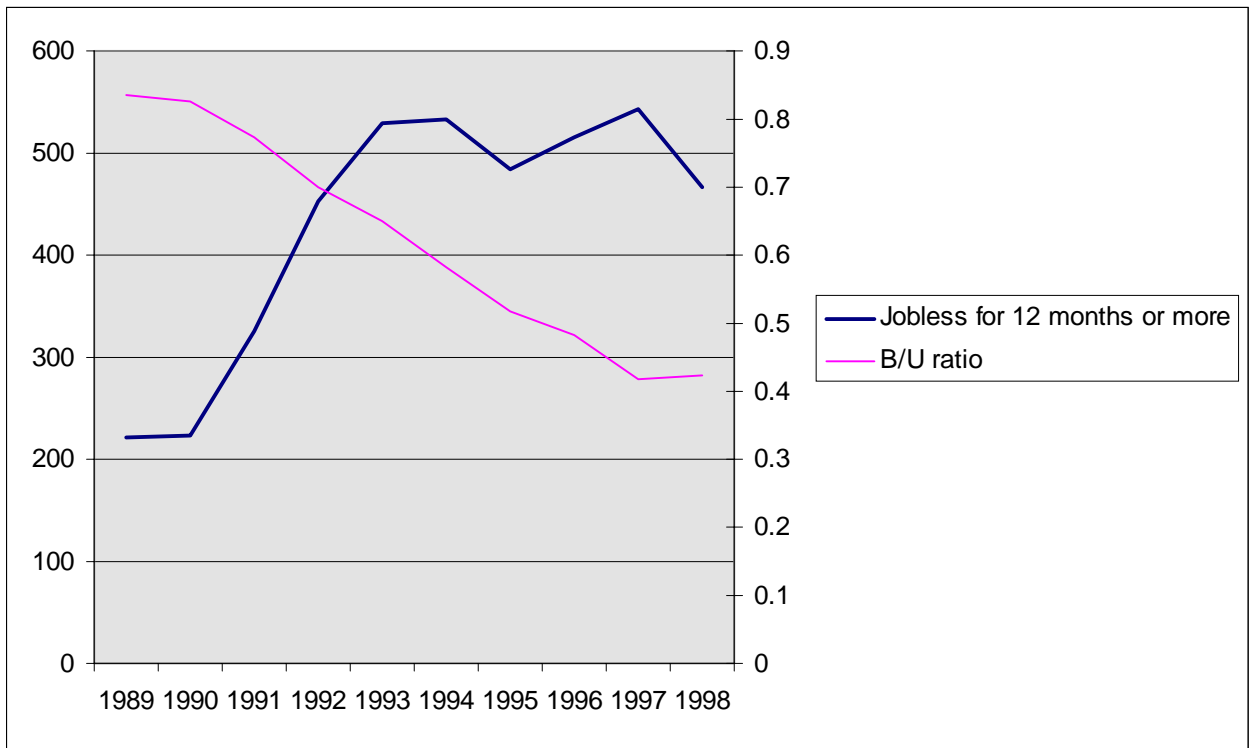
Historical analyses have demonstrated that there is a strong correlation between the number of beneficiaries and some components of the unemployed population.^{2, 3} One important group is the unemployed who have been jobless for more than 12 consecutive months. Figure 2 shows the trends in this group and in the B/U ratio.

1. More recently, ratios quoted were calculated as the number of regular beneficiaries without earnings divided by the total number of unemployed. "Regular beneficiaries without earnings" excludes people who received EI benefits for a week while earning a small amount of wages permitted by the program. If the ratios were calculated in this manner, their values would be 0.74 in 1989, 0.37 in 1997 and 0.38 in 1998.

2. Lévesque, Jean-Marc. 1989. "Unemployment: a tale of two series." *Perspectives on Labour and Income*, Winter.

3. Bédard, Marcel. 1995 "A method of projection of the beneficiary-unemployed ratio." HRDC, Applied Research Branch Paper W-95-2.

FIGURE 2
TRENDS IN UNEMPLOYED JOBLESS FOR 12 MONTHS AND B/U RATIO, 1989-1998



At the time of the 1991-1992 recession, there was a significant increase in the number of unemployed who had been jobless for 12 months or more. While this group accounted for 19% of the total number of unemployed in 1990, by 1997 its share had doubled to 38%; in 1998, it had dropped slightly to 36%. At the same time, the B/U ratio decreased dramatically.

The above suggests that not all unemployed people may be covered by the EI program. It also suggests that the B/U ratio in itself does not provide the complete picture of who is receiving benefits from the EI program relative to who is targeted for coverage by the program.

Weaknesses of the ratio

Historically, Statistics Canada has not produced the B/U ratio on a regular basis. As an indicator of EI coverage, this ratio has a number of shortcomings:

- The denominator of the ratio, representing the total number of unemployed during the reference week, is faulty because it includes all unemployed rather than only those to whom the EI program is designed to provide benefits. For example, the program currently targets neither long-term jobless people with little work experience and no recent employment, nor people leaving jobs voluntarily, yet these two groups are counted in the ratio.
- Because the ratio focuses on benefit receipt in one reference week, it counts temporarily disqualified beneficiaries as not covered. Unemployed people may experience short-term suspensions from benefits for many reasons, including failure to provide evidence of job search, refusal of job offers, refusal to attend job interviews or to take training, and not sending in the biweekly claimant report.
- As an indicator, the ratio does not provide information about why some unemployed people may not be receiving benefits. This could be because they do not pay premiums, they do not have enough hours of work to qualify, or they just do not submit a claim.
- The first statistic of the ratio, representing people receiving regular EI benefits, includes jobless people who would not be considered unemployed by LFS definitions and therefore would not be included in the second statistic. For this reason, the ratio can reach values higher than 100% in some regions.

Recent trends in the ratio

After 1993, the number of unemployed who had been jobless for more than 12 months remained relatively stable while it continued to increase as a proportion of the total unemployed. This trend could no longer explain to the same extent the decreasing B/U ratio (Figure 2). What, then, would explain the further decline?

When HRDC researchers examined the growing gap between the number of unemployed and the number of people receiving regular EI benefits from 1989 to 1997,⁴ they estimated that more than half the increase was due to the

4. "An Analysis of Employment Insurance Benefit Coverage." October 1998 HRDC, Applied Research Branch Paper W-98-35E.

changing composition of the labour force. The rest of the increase could be attributed to regulation changes in the EI program.⁵

In April 1993, people who quit their job voluntarily or were deemed to have left it "without just cause" were prevented by legislation from receiving any benefits after separation. In July 1994, the minimum number of qualification weeks of work for EI was increased from 10 to 12 in regions where unemployment was high.

Further changes to the program with potentially similar effects were made in 1997. Eligibility was based on hours worked rather than weeks. While this increased the potentially eligible population because part-time workers with less than 15 hours of work per week were now included in the program, it required workers who worked fewer hours per week to work more weeks to qualify.

The EI Coverage Survey

Statistics Canada conducted in 1997 and 1998 the Employment Insurance Coverage Survey, sponsored by HRDC, to provide more specific information on these issues of coverage. The survey was designed to produce a series of precise measures of the unemployed population in order to identify groups with low probability of receiving benefits. Such groups include:

- the long-term jobless;
- labour market entrants and students;
- people becoming unemployed after uninsured employment;
- people who have left jobs voluntarily; and
- individuals who are eligible, given their employment history, but do not claim or otherwise receive benefits.

EI coverage of the unemployed

The survey data were used to classify individuals as either 'potentially eligible' by EI or 'not potentially eligible', based on information provided by respondents about their claiming and receiving of benefits, their perceived reasons for not receiving benefits or for not claiming, and their recent labour market history.

5. Zhengxi, Lin. 1998. "Employment Insurance in Canada: Recent Trends and Policy Changes." Statistics Canada, Analytical Studies Branch Research Paper 125.

The term 'potentially eligible for Employment Insurance' is used here to describe unemployed people who, during the reference week, received EI benefits or were in a position to receive them because of their recent insurable employment and subsequent job loss.

The term 'not potentially eligible' describes the situation of those who did not receive benefits and could not have received them even if they had claimed, as determined from the reported information. Table 2 identifies components of this group.

The following breakdown of the unemployed population is derived from survey data for 1997 and 1998, representing individuals who were unemployed in one reference week in each of four months: March, June, October and December.

TABLE 1
COVERAGE OF THE UNEMPLOYED POPULATION BY THE EI PROGRAM, 1997 AND 1998

	1997		1998	
	Persons '000	Proportion of Unemployed %	Persons '000	Proportion of Unemployed %
Total unemployed (4 month average)	1,362	100.0	1,262	100.0
Potentially eligible for EI	661	48.5	660	52.3
Not potentially eligible for EI	701	51.5	602	47.7

In 1998, according to the survey, only 52.3% of the unemployed were potentially eligible for Employment Insurance. The remainder were not covered and had no access to benefits from the program during their unemployment in the last 12 months.

TABLE 2
UNEMPLOYED INDIVIDUALS NOT POTENTIALLY ELIGIBLE for EI, 1997 AND 1998

	1997		1998	
	Persons '000	Proportion of unemployed %	Persons '000	Proportion of unemployed %
Total not potentially eligible	701	100.0	602	100.0
Never worked	137	19.6	119	19.8
Did not work in last 12 months	334	47.6	281	46.7
Self-employed individuals or no insured employment	82	11.7	71	11.7
Left last job to return to school	59	8.4	57	9.5
Quit last job	89	12.7	74	12.3

Those who had never worked and those who had not worked in the 12 months preceding the reference week together represented two-thirds of the population of unemployed people who were not potentially eligible for EI benefits.

Very few people without recent employment can receive benefits because only in exceptional cases are benefit periods extended beyond 52 weeks — for example, when people are receiving severance payments or spending time in a detention centre.

In 1998, 46.7% of the unemployed who were not potentially eligible for EI had worked at some time in the past, but not during the previous 12 months. Of this group, half had been unemployed continuously since their last job more than 12 months before, one-third had entered the labour force from staying at home, and one-sixth were students before they started looking for work.

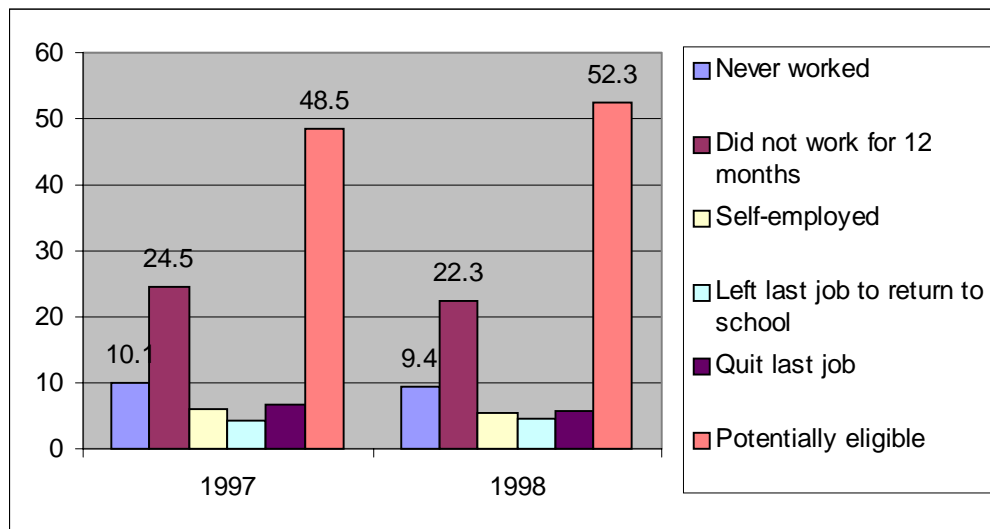
Only 11.7% of the unemployed who were not potentially eligible were excluded from coverage because they had only self-employment or uninsured employment during the previous 12 months.

An additional 9.5% of those not covered by EI were people who voluntarily left their last job to go to school. A similar proportion (12.3%) were excluded from coverage because they had quit their jobs, even though most (84%) had paid EI premiums at their last jobs.

Trend in coverage

Figure 3 shows the total unemployed populations in 1997 and 1998. The segment not potentially eligible for EI coverage is broken down into five components, representing reasons for non-coverage.

FIGURE 3
EMPLOYMENT INSURANCE COVERAGE OF THE UNEMPLOYED POPULATION, 1997 AND 1998 (PER CENT OF THE UNEMPLOYED)



Between 1997 and 1998, the proportion of the unemployed population potentially eligible for EI increased from 48.5% to 52.3%. In the absence of regulatory changes, one would attribute this small increase to changes in the composition of the unemployed.

The rate of job growth in 1998 was 3.2%, and the number of unemployed fell by 7.7% from 1997 (annual average basis). These factors, along with a relative decrease in the unemployed who had been jobless for 12 months and in those who had never worked before, account for over two-thirds of the relative increase in coverage by the Employment Insurance program in 1998.

Eligibility and claims by those covered

Unemployed workers potentially eligible for EI become eligible to receive benefits if they cumulate the required number of hours of paid work during their qualification period, normally the 52 weeks prior to the start of a claim. The minimum number of hours of work required varies with the regional unemployment rate. Table 3 shows the population covered by EI and the ability of unemployed people to meet this requirement and to receive benefits.

TABLE 3
UNEMPLOYED INDIVIDUALS POTENTIALLY ELIGIBLE FOR EI, 1997 AND 1998

	1997		1998	
	Persons	Proportion of covered	Persons	Proportion of covered
	'000	%	'000	%
Total unemployed potentially eligible for EI	661	100.0	660	100.0
Did not have enough hours of insurable employment	123	18.6	132	20.0
Eligible for EI during jobless spell	538	81.4	528	80.0
Will receive EI benefits after reference week	83	12.6	87	13.2
Received EI during reference week	363	55.0	363	55.0
Exhausted benefits	49	7.4	39	6.0
Did not claim for EI	32	4.8 *	30	4.5
Claimed but did not receive benefits for unknown reasons	10	1.6 *	9	1.3

*Sampling variability is high for these estimates.

In 1998, 80.0% of the unemployed who were potentially eligible were in fact eligible to receive benefits: had they claimed, they would have qualified for benefits. This proportion had decreased slightly from 81.4% in 1997.

Only 55.0% of those potentially eligible actually received benefits during any one week of unemployment, although three-quarters — most of the eligible people — received some benefits during their unemployment spell.

For example, 19.2% of potentially eligible individuals did not receive benefits for the reference week but would subsequently receive or had already received benefits during their unemployment. These individuals were serving a waiting period during the reference week, had temporarily stopped collecting benefits or had exhausted their entitlements.

A further 4.5% of potentially eligible unemployed people were eligible for EI benefits but did not claim. Most of these did not claim because they expected to be back at work soon. Others reported that they did not want or need EI benefits.

A smaller group (1.2% of covered people) claimed but, for unspecified reasons, did not receive benefits.

The proportion of potentially eligible unemployed people receiving and not receiving benefits for the reference week (55% and 45%, respectively) remained unchanged from 1997 to 1998.

Coverage and eligibility by age and sex

Table 4 compares EI coverage and eligibility for adult men, adult women and youth (15- to 24-year-olds) in 1998.

Two-thirds of adult men but only half of adult women were potentially eligible. This difference is due to the higher proportion of unemployed women who had no recent employment on which to base a claim. During the previous 12 months, 36% of unemployed women compared with 24% of unemployed men had no employment. Two-thirds of these women without recent employment became unemployed after returning to the labour market, while the corresponding men were very likely (73%) to have been unemployed for the full 12 months or longer since their last job.

Only about 32% of unemployed youth were potentially eligible for Employment Insurance. More than one-third of the jobless youth who were not potentially eligible had never worked before their spell of unemployment, and another third had quit their last job or left for school and were therefore not covered by the program. The remainder had only had uninsured employment recently or had last worked more than 12 months before.

TABLE 4
EI COVERAGE AND ELIGIBILITY OF UNEMPLOYED MEN, WOMEN AND YOUTH, 1998

	All unemployed	Adult men	Adult women	Youth
	%	%	%	%
Not potentially eligible	48	34	47	68
Potentially eligible	52	66	53	32
Eligible for EI as a proportion of those potentially eligible	80	85	83	56
Received EI benefits during reference week as a proportion of potentially eligible	55	61	56	33

Unemployed youth also had more difficulty establishing entrance requirements — only 56% of those potentially eligible could accumulate sufficient hours of work to become eligible. As a result, only 33% of covered youth actually received benefits during reference week.

The survey also indicated that 18% of eligible youth did not claim EI benefits and that a significant number of unemployed 15- to 19-year-olds did not know about the program.

Coping with unemployment

An important related issue is the way in which unemployed workers cope in the absence of earnings. On what sources of income do unemployed individuals rely if they are not eligible for Employment Insurance benefits?

Information on the main sources of household income or funds was collected in the survey (Table 5). In addition, a question on the adequacy of income to meet regular household expenditures gave an indication of the measure of hardship. Respondents were asked to rate their income as sufficient to meet all, most, some or very little of their regular household expenses.

**TABLE 5
MAIN SOURCES OF INCOME OF UNEMPLOYED PEOPLE WHO ARE NOT ELIGIBLE FOR EI,
1998**

Main source of income or funds in reference month	Unemployed persons not eligible for EI		Sufficiency of income to meet regular household expenses	
	'000-s	%	Met only some	Met all or most
			%	%
All persons	734	100.0	40.4	59.6
Persons living at home and relying on parents	246	33.6	n.a.	n.a.
Social assistance	171	23.3	47.2	52.8
Wages or earnings of spouse or common law partner	139	18.9	26.4	73.6
Savings and investments	51	6.9	50.0	50.0
Loans and financial assistance from friends or relatives	35	4.8	45.6	54.4
Other government sources e.g. EI of household member	22	2.9 *
Pensions or CPP/QPP of self or spouse	19	2.6 *
Own wages or salary	15	2.0 *
Other sources or no sources	36	4.9

*Sampling variability is high for these estimates.

One-third of all ineligible unemployed people lived with parents and relied on them to meet day-to-day financial needs.

Another 23.3% lived in households where the main source of income was social assistance; a further 18.9% of ineligible unemployed had as their main source of income the wages of a spouse or common-law partner.

When asked whether household income met regular household expenses during the month of the reference week, respondents indicated that household income was sufficient in three-quarters of the cases when the main source was the wages or earnings of a family member. Income was sufficient in only half the cases when the main source of income was social assistance or savings and investments.

Conclusion

The EI Coverage Survey provides an insight into the composition of the unemployed, particularly those not receiving Employment Insurance benefits during the period of a reference week. It provides a more meaningful picture of who does or does not have access to EI benefits than do B/U ratio indicators.

In 1998, 52% of the unemployed were potentially eligible for Employment Insurance. Of those who were potentially eligible, 80% could meet the entrance requirements of the program and were very likely to receive benefits during their unemployment spell, if they claimed. The remaining 20% did not have enough hours of work to qualify for benefits.

In fact, almost three-quarters of the unemployed who were potentially eligible collected some benefits during their spell of unemployment. In any given week of unemployment, 55% received a benefit cheque.

Definitions

Unemployed persons are those who, during a reference week, did not have a job but were available for work and were either on temporary layoff, or had looked for work during the past four weeks, or had a job to start within the next four weeks.

Regular benefits are paid to workers during a temporary interruption of earnings because of a job loss.

Special benefits are paid to individuals who can't work because they are sick, pregnant or caring for a newborn or adopted child. These benefits are also paid during labour market-related activities such as training programs.

Reference week is a week selected to represent each month in the Labour Force Survey for which labour force activity and status is determined.

Reference month is the month containing the reference week. The EI Coverage survey was repeated for several reference months.

Potentially eligible for EI benefits is used here to describe unemployed people who, during reference week, received EI benefits or were in a position to receive them because of their recent insurable employment and subsequent job loss. This includes all unemployed persons with some insurable employment in the last 12 months who did not quit their job without cause or in order to return to school.

EI Coverage Survey

This household telephone survey of individuals started in 1997. The sample is derived from individuals who have finished their series of six monthly Labour Force Survey (LFS) interviews. Four groups of people — the unemployed, those not in the labour force but employed within the last two years, part-time workers, and full-time workers with recent work interruption — are selected to complete the EI Coverage Survey each cycle, based on the labour force status of the people during the reference week. This status is derived from information reported during the LFS interview. This report is only concerned with one of these groups, the unemployed. Four cycles of the survey are conducted per year, with interviews in each cycle pertaining to reference weeks in the selected months — March, June, October and December of 1997 and 1998. A total of 8000 unemployed persons were surveyed during the two-year period.

Most questions pertain to the same reference week as the last LFS interview. Others refer to the month of the reference week, the period since the last job, or the 12-month period ending in the reference month. Respondents are asked about receipt of EI benefits during the reference week and reference month and since the last time they worked and whether they submitted claims. If respondents did not receive benefits during the reference week, they are asked about the reasons.

Questions also cover EI premiums, records of employment, and labour market behaviour, for use by analysts to determine the respondents' status relative to Employment Insurance. Finally, information is collected on factors related to staying unemployed, such as expectation of recall, job search intensity, reservation wages and job prospects.