

Employment Insurance
1999 Monitoring and Assessment Report

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By:

The Canada Employment Insurance Commission

Prepared by:

Human Resources Development Canada
Strategic Policy
Labour Market Policy Directorate

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Enquiries Centre
Human Resources Development Canada
140 Promenade du Portage
Portage IV, Level 0
Hull, QC K1A 0J9
Fax: (819) 953-7260

Available on Internet at: <http://www.hrdc-drhc.gc.ca>

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Executive Summary

In this third of five annual EI monitoring and assessment reports, we examine how individuals, communities, and the economy are continuing to adjust to the reforms introduced under the *Employment Insurance Act*, in July 1996 and January 1997. The focus of the analysis in this report is on the second full fiscal year that the Employment Insurance (EI) system was in place, the period from April 1, 1998 to March 31, 1999. Trends identified in the 1998 Employment Insurance Monitoring and Assessment Report are also discussed in light of our findings.

We begin in Chapter 1 by providing an overview of the Canadian labour market for the period under review as well as an historical perspective on the (EI) reform. In chapters 2 through 6 we focus on results related to EI Income Benefits, which provide temporary income support to unemployed workers, and Employment Benefits and Support Measures, which provide active re-employment measures to help clients return to work. Our conclusions are presented in Chapter 7.

Finding Highlights

CANADIAN LABOUR MARKET

Canadian labour markets continued to perform well in 1998/99 when the economy generated more net job growth than any fiscal year since 1979/80¹. During this period, employment grew by 400,000 jobs (2.9%), 85% of them in full-time employment. Unemployment rates also declined significantly at the national level and in virtually all provinces. Wage gains for the period were modest.

¹ Unless otherwise noted, the period analyzed in this report is from April 1, 1998 to March 31, 1999.

Labour market results for women and youth were also notable. Youth had their strongest fiscal year of employment growth on record (+5.3%) while women's employment rose by 3.2%, the highest percentage increase this decade. Employment for men rose by 1.9%. Over the past four years, employment growth averaged 2% annually for women and 1.5% for men.

In addition, a number of underlying factors driving change in the labour market are noted.

- A different pattern of labour market participation for women, which has important implications for understanding their results under EI. For example, women are less likely than men to work in seasonal industries where EI use is more frequent. They are also more likely than men to work in part-time and temporary jobs, where access to EI is more limited. Finally, women are more likely than men to move in and out of the labour market.
- An increasing number of youth are entering the job market for the first time with no work experience.
- There are a growing number of people who are self-employed. This is a form of employment that is not generally covered by EI.
- There is an increasingly important link between education and labour market outcomes, with those who are highly educated and committed to life-long learning faring better than others.

The strong growth in the economy and these changing patterns in the labour market form the context within which we analyse the impact of the EI program for 1998/99.

INCOME BENEFITS

The total number of EI claims and overall benefits paid under the program remained essentially stable during the period, although there were important differences noted for certain demographic groups, geographic areas and specific benefit types. Results likely reflect the stronger economy and indicate that the major impacts of EI reform have already occurred and individuals and communities are adjusting to the new system.

In 1998/99, there were about 1.8 million **new claims** for EI benefits, about the same number as 1997/98 (+0.1%). The breakdown by type of benefit is as follows:

- regular claims dropped slightly by 0.6% to 1.5 million claims;
- fishing claims decreased by 3.2% to 26,100 claims; and
- special benefits claims increased by 4.8% to 389,280 claims.

Total income benefits paid amounted to \$10.2 billion in 1998/99, an increase of 1.5% from 1997/98. The breakdown by benefit type is as follows:

- regular benefits increased by 0.5% to \$7.8 billion;
- employment benefits increased by 5.4% to \$490 million;
- work sharing benefits increased by 141% to \$16 million;
- fishing benefits increased by 1.3% to \$218 million; and,
- special benefits increased by 4.5% to \$1.7 billion.

New claims for **regular benefits** made by women decreased by 3.8% in 1998/99 versus a 1.5% increase for men. The decline in new claims for women can likely be traced to an improving labour market and to the pattern of participation of women. Analysis at the industrial sector level shows substantial declines in new claims for

sectors where women are highly represented such as Finance and Insurance, Education, Health and Social Services and Government Services. The rise in new claims for men can be traced to changes in sectors where they are highly represented, particularly to the mining, oil and gas sector, logging and forestry and fishing and trapping.

New claims for **youth** increased by 3.2% during the period compared to a decline of 27.2% for the period between 1995/96 and 1997/98. These changes reflect the strong employment gains by youth over the past fiscal year, and the ability to work longer in a strong labour market. Since youth tend to rely on short tenure employment, increases in employment can result in increases in EI claims. It is also worth noting that the Community Adjustment chapter reported that some focus group participants felt that EI reforms were having a positive effect on the attitudes and work behaviour of youth and that this year's consultations found that there appeared to be sufficient resources for youth in the majority of communities, an improvement over the 1998 findings.

With respect to **special benefits**, total payments increased by 4.5% and the number of claims established increased by 4.8%. There were also increases in average weekly benefits for all types of special benefit claims, possibly linked to increases in wages and top-ups under the Family Supplement. A significant increase (+8.5%) in sickness claims was also noted. Since this follows a two-year period in which sickness claims declined by 1.8%, further investigation is needed to determine the significance of the recent increase.

Overall our analysis also indicates that some **elements of the reform** appear to be having the intended effect. The divisor rule is encouraging individuals to increase their work effort and entitlement under the hours-based system is improving access to the system. In addition:

- the top-up provided by the Family Supplement is providing higher levels of benefits to a smaller but better targeted group of claimants, mostly women. Total Family Supplement payments in 1998/99 increased to \$146.6 million. This was 39.9% higher than the figure we reported last year;
- the intensity rule affected a higher number of claims in 1998/99. Regular and fishing benefits were reduced by about \$86.3 million or about \$8.55 a week per affected claimant;
- premium refund policies for workers earning less than \$2,000 and for employers under the New Hires Program are working as expected;
- the number of people who repaid benefits has also increased slightly as a result of the benefit repayment provisions (clawback) in EI; and
- results from the **small weeks adjustment projects** have also been quite positive, enabling a significant number of workers to collect higher benefits and maintain a greater attachment to the workforce.

The impact of program changes on **frequent claimants** though is more difficult to evaluate. Despite the application of the intensity rule and a 5.7% decline in new frequent claims, this group received 42.9% of all regular and fishing benefits paid or \$3.4 billion, virtually unchanged from the 1997/98 level.

Results for **fishers** are also difficult to evaluate. It was expected that the reform would help contribute to adjustment in the fishery and reduce the extent of reliance on EI fishing benefits. However, our analysis indicates that there has been very little change in terms of number of new claims and total benefits paid since the EI changes were implemented.

Results also indicate that the provisions in the *EI Act* that allow beneficiaries to **work while on claim** and earn up to \$50 a week

or 25% of weekly benefits (whichever is higher) do not seem to be having a discernible impact. This indicates that other factors may have outweighed the impact of the \$50 floor. Focus group results from the community adjustment chapter suggest that one of these factors may be the lack of awareness.

Many components of EI reform are designed to produce **savings** from regular benefits. The reduction in the Maximum Insurable Earnings, the new way of calculating weekly benefit levels, the minimum divisor, and the reduced benefit rate under the intensity rule for repeat claimants, all played a role. In last year's report, we estimated that these reform elements resulted in ongoing savings to regular benefits of 5% to 10%. This year, the analysis focuses on the incremental savings to regular benefits from further phasing in of the Family Supplement, intensity rule, benefit repayment provisions and Maximum Insurable Earnings.

The results indicate that the maturing of these reform elements reduced costs by \$95 million or 0.94%. In addition, Investigation and Control staff across the country identified \$702.7 million in total savings from overpayments, penalties and fines.

EI reform is also about improving the **quality of services** to employees and employers. In general, our analysis of focus group results in the chapter on community adjustment found that knowledge and understanding of EI continued to improve, and participants had acquired a better understanding of the calculation of EI benefits. However, a lack of understanding about the benefits of working while on claim noted earlier highlights the need for better communication.

In the chapter on program administration, we also describe a series of specific initiatives aimed at improving the quality of

service to employers and employees. Specific initiatives include: a survey of employers that determined the new approach to Records of Employment was less complex and less costly; a change to the administrative rule for claimants who make honest errors in reporting their earnings; and an amendment to the definition of “period of employment” that will result in fewer overpayments for claimants.

Finally, in keeping with our ongoing commitment to study the coverage of EI, we report using an improved measure of EI Program effectiveness, which was introduced in our last report. Results for this report indicate that 80% of those potentially eligible were able to meet the entrance requirements of the program. This is about the same figure as we reported in last year’s report.

EMPLOYMENT BENEFITS AND SUPPORT MEASURES

The new EI system placed a greater emphasis on getting people back to work through provisions called Employment Benefits and Support Measures (EBSMs). EBSMs emphasize effectiveness, results, accountability, and local decision-making. Through partnerships – called Labour Market Development Agreements (LMDAs) – with the provinces and territories, EBSMs can be adjusted to meet the needs of local labour markets. The Government of Canada has concluded LMDAs with all provinces and territories except for Ontario and Nunavut: negotiations are underway with a view to concluding agreements with these governments.

Our analysis shows that further progress has been made in concluding and implementing the **Labour Market Development Agreements**. As shown in the evaluations, the flexibility to tailor programs and services to local needs appears to be one of the major successes of the LMDAs. Early evaluations suggest that growing partnerships between

governments have resulted in successful harmonization of federal and provincial programs. Training Purchases have been phased out and the Skills Development employment benefit has been successfully implemented.

Client results indicate that they are participating in a larger number of EBSMs and more clients are being served. Long-term interventions are continuing to decline, while short-term interventions increased significantly. The use of Targeted Wage Subsidies also rose dramatically in 1998/99. An increase in expenditures on short-term interventions under Employment Assistance Services has resulted in lower average costs per intervention.

For 1998/99, 267,108 EI clients returned to work, a 46% increase over last year. Unpaid benefits totalled \$917.55 million, a 36% increase over last year. Results from Group Sessions also increased sharply over the previous year.

We also report on efforts being made to encourage participation by **members of designated groups** who traditionally have been underrepresented. Results have been mixed: the participation rate of women has increased, the rate for Aboriginal people remains constant, and the rate for persons with disabilities has declined slightly, in part because of past reporting practices and rates of voluntary self-identification.

Summing Up

The Employment Insurance program and the implementation of the reforms introduced in 1996 and 1997 cannot be looked at in isolation from what is occurring in the Canadian economy and labour market. EI is part of a larger economic context responding to varying labour market and employment conditions across the country, across industries and across different demographic groups. In 1998/99, the strong economy and changing labour

market are reflected in the results for EI Income Benefits and Employment Benefits and Support Measures.

Overall, we can say that there are indications that some elements of the reform are working relatively well. In general, the EI program is continuing to meet its primary objectives of providing income support to people who temporarily lose their jobs and helping them return to work. The EI program is, in several respects, better targeted than its predecessor to those who need it most.

There is also evidence that some individuals are working longer before collecting benefits and that dependence on benefits is being discouraged. Active re-employment measures under the Employment Benefits and Support Measures program are helping unemployed workers upgrade their skills so that they can return to work more quickly. Finally, the new partnerships with the provinces also appear to be working effectively with more clients being served at a lower cost per intervention.

Other aspects of the reform are more difficult to evaluate at this point in time. Consequently, further analysis of the results in some areas is warranted.

We will continue to monitor and assess carefully the impacts of the EI reforms as the new system matures, and may periodically test program adjustments as necessary, as has been done through the small weeks adjustment projects and other initiatives.

Introduction

The Employment Insurance system introduced in July 1996 and January 1997 was the most fundamental restructuring of the Unemployment Insurance program in 25 years. That is why the Government of Canada made a legislative commitment to monitor and assess the impacts of the reform for five years.

Specifically, subsection 3(1) of the *Employment Insurance Act* states that:

“The Commission shall monitor and assess

- (a) how individuals, communities and the economy are adjusting to the changes made by this Act to the insurance and employment assistance programs under the *Unemployment Insurance Act*;
- (b) whether the savings expected as a result of the changes made by this Act are being realized; and
- (c) the effectiveness of the benefits and other assistance provided under this Act, including:
 - (i) how the benefits and assistance are utilized by employees and employers; and
 - (ii) the effect of the benefits and assistance on the obligation of claimants to be available for and to seek employment and on the efforts of employers to maintain a stable workforce.”

This is the third in a series of five annual reports by the Canada Employment Insurance Commission to be tabled in Parliament for the years 1997 to 2001 by the Minister of Human Resources Development Canada. The Commission could only conduct a preliminary analysis for the first report, since the new system had just been introduced. The second report focused on the period April 1, 1997 to March 31, 1998 - the first full fiscal year the

Employment Insurance system was in place. It compared data for this period with 1995/96, the last full fiscal year preceding Employment Insurance reforms. This third report focuses on the period April 1, 1998 to March 31, 1999 – the second full fiscal year the Employment Insurance system was in place. The report presents a detailed analysis of what is known so far about the impact of EI reform on income benefits, including a discussion of key reform elements such as the hours-based system and the Family Supplement. Data for 1998/99 are compared to data for 1997/98. Trends for the period between 1995/96 and 1997/98, identified in the 1998 Monitoring and Assessment Report are also discussed. This is also the first year that data is presented for the Northwest Territories and Yukon separately. Generally, we do not report on 1996/97, as this was a year of transition between the old system and the new one.

While we have much more detailed data for this year's report than last year's, our findings are not complete. We can only have a complete picture of a claimant's benefits some time after the claim is complete. It takes several months following the end of a claim before administrative information is available for analysis. In addition, information on measures such as the benefit repayment provisions comes via the tax system. This information is only available after a time lag of two years (i.e. only 1997 data covering the first year of the changes is available for the 1999 Monitoring and Assessment Report).

Some elements of the reform, such as the intensity rule and the new benefit repayment measures, only gradually take effect as individuals establish a history of benefits collected since July 1996. As well, the full impact of the new Family Supplement is not yet apparent, as the maximum benefit rate

for recipients of this top-up, which started at 65% in 1997, will reach 80% by 2000.

The Monitoring and Assessment Report makes use of many sources of information in analyzing the effects of the changes introduced to the Employment Insurance system in 1996. In addition to HRDC administrative data, Canada Out-of-Employment Panel (COEP) studies and information from Statistics Canada, we also use provincial data and evaluation studies that are funded by HRDC.

As undertaken in the 1997 Monitoring and Assessment Report, this report includes references to evaluation studies that touch on both Part I and Part II benefits of the *Employment Insurance Act*.

Chapter 1 — Context

I. THE LABOUR MARKET

Canadian labour markets performed well in 1998/99 when the economy generated more net job growth than any fiscal year since 1979/80¹. During this period, employment grew by just over 400,000 (2.9%), from 14.04 million in 1997/98 to 14.44 million in 1998/99. About 85% of employment growth was in full-time jobs. Employment growth also extended across most of the country, lowering unemployment significantly. Wage gains between 1997/98 and 1998/1999 were modest; weekly wages of salaried employees increased by 1.5% and those of hourly paid employees increased by 1.8%.

The strong labour market did not apply evenly across gender and age groups. Young workers in the 15 to 24 age bracket and women benefited more from the employment growth in 1998/99 than did adult men. Youth had their strongest fiscal year of employment growth on record (5.3%). Adult women's employment also rose by 3.2%, the highest percentage increase this decade. Employment for men rose by 1.9%. Over the past four years, employment growth averaged 2% annually for women and 1.5% for men.

During 1998/99, employment growth was also strong in most provinces, with Newfoundland, New Brunswick, Ontario and Alberta all experiencing employment growth in excess of 3%. Employment

growth was weakest in Saskatchewan, Prince Edward Island and Manitoba. For the most part, employment growth was strong in comparison with the three-year average between 1995/96 and 1997/98. All provinces except Manitoba and Saskatchewan reported higher rates of employment growth during 1998/99 than the average for the previous three-year period.

As a result of the improving labour market, the average unemployment rate in 1998/99 dropped to 8.1%. This represents a decline of about 1 percentage point over the previous three-year period. The reduction

| | Employment Growth | | Unemployment Rate | |
|----------------------|-------------------|-------|-------------------|-------|
| | 95/96 - 97/98 | 98/99 | 95/96 - 97/98 | 98/99 |
| Newfoundland | -0.4% | 3.9% | 18.5% | 17.8% |
| Prince Edward Island | 0.8% | 1.0% | 14.5% | 14.3% |
| Nova Scotia | 1.3% | 2.2% | 11.8% | 10.6% |
| New Brunswick | 0.6% | 3.4% | 11.9% | 11.7% |
| Quebec | 0.8% | 2.3% | 11.1% | 10.1% |
| Ontario | 2.1% | 3.5% | 8.2% | 6.9% |
| Manitoba | 1.7% | 1.7% | 6.7% | 5.7% |
| Saskatchewan | 2.1% | -0.1% | 6.3% | 6.2% |
| Alberta | 3.3% | 3.6% | 6.5% | 5.8% |
| British Columbia | 1.9% | 2.6% | 8.8% | 8.5% |
| Canada | 1.8% | 2.9% | 9.1% | 8.1% |

in unemployment for the beginning and end of the reporting period is also important to note. In April 1998, the unemployment rate stood at 8.4% (1.31 million people were unemployed) and by March 1999, it had declined to 7.8%. During this period, the unemployment rate for youth also declined from 15.4% to 14.3%. The unemployment rate for women fell slightly more than that of men over the same period. Every province had a lower unemployment rate for 1998/99

¹ Unless otherwise noted, the period analyzed in this report is from April 1, 1998 to March 31, 1999.

than during the past three-year period. The largest year-over-year improvements during 1998/99 were in Ontario, Nova Scotia, Quebec and Manitoba.

The improving job market resulted not just in the creation of new jobs but also in relatively low turnover rates. As in earlier years, nearly nine out of ten (86.3 %) workers had been in their jobs for more than six months over the 1998/99 period.

In addition to continuing cyclical changes in employment and unemployment, structural changes have also affected the labour market. These include differences in labour market patterns for youth, employer lay-off practices, and emerging employment arrangements.

Throughout the 1990s, an increasing number of young people decided to stay in school, rather than enter the labour market. When the improving labour market attracted more of them into the labour market during 1998/99, many had little in the way of previous employment. As a result, many of these young people would have been considered "new entrants" to the labour market and subject to higher eligibility requirements making it more difficult to qualify for EI.

In 1998/99, laid-off workers accounted for 39.1% of all unemployed. This was a slight increase over the last reporting year when the share of unemployed people who were laid-off was 37.7%.² The increase is important to note since EI was designed to replace the incomes of these kinds of workers.

Another trend that affects the potential use of EI is the strong growth in self-employment. Growth in self-employment has been evident for both women and men. From 1995/96 to 1998/99, the share of self-employed workers in the labour force rose

from 16% to 18%. Since self-employed workers (with the exception of fishers) are not covered by EI, growth in this form of employment would tend to lower the rate of EI coverage among employed workers.

Given the strong employment growth for women, it is also worth noting some significant differences between women and men's labour market patterns that affect EI program use. For example, women are less likely than men to work in seasonal industries and sectors where EI use is frequent. Women are also more likely than men to work in "non-standard" forms of employment such as part-time and temporary jobs and self-employment without paid help, where access to EI is more limited. Moreover, women are more likely than men to move in and out of the labour market and more likely to have not worked in the past year. Therefore, they are more likely than men to be subject to the higher eligibility requirements under EI for new entrants or re-entrants.

Finally, the link between education and unemployment is also becoming increasingly important. Over the last few decades, the Canadian economy has shifted towards more efficient production practices. Those who can adapt to this environment benefit most from new job opportunities and higher wages. As old occupations disappear, new ones emerge. However, research indicates that these new occupations require people with strong educational backgrounds and a commitment to life-long learning. Analysis also indicates that employment growth has been strongest for many years now among people with more than a high school diploma. The share of employed workers with a high school diploma has risen from 49% in 1995/96 to 52% in 1998/99. At the same time, unemployment rates for the least educated have also risen. It is important to note that women's average educational attainment has risen more rapidly than men's in the 1990s and there are

² This is based on revised Labour Force Survey figures from Statistics Canada.

proportionally fewer women than men at the lowest educational levels.

II. HISTORICAL PROGRAM PERSPECTIVE

The 1940 *Unemployment Insurance Act* reflected strong insurance principles. The Act clearly defined the risks to be insured as well as the conditions under which benefits would be paid. In the early years, the Act covered 42% of Canadian workers – those who faced an unpredictable risk of job loss. People who faced little risk of unemployment (e.g. public servants) and those for whom job loss was almost certain (e.g. seasonal workers) were not covered. However, social objectives were present in that claimants with dependants received higher benefits.

In the succeeding period of steady economic growth and improved fiscal conditions, the Unemployment Insurance (UI) program gradually developed more along social insurance lines. Benefit rates were increased and coverage was extended to seasonal workers and self-employed fishers. The tendency to expand coverage culminated in the *Unemployment Insurance Act* of 1971, which reflected the healthy state of federal finances and perceived shifts in the Canadian labour market. The Act covered about 90% of the employed workforce, reduced eligibility requirements, increased benefits, and introduced maternity and sickness benefits. It also introduced extended benefits for regions with high unemployment, a measure that was reinforced later in the decade by lowering eligibility requirements for high unemployment areas.

In the 1980s, the state of public finances changed as Canada faced year after year of budget deficits. This, as well as growing concerns that the program was undermining the incentive to work, led to three packages of reforms in 1990, 1993, and 1994. The first of these three reforms foreshadowed

Employment Insurance by allocating an additional \$1.3 billion towards special benefits and active measures designed to help people get back to work. The new initiatives were financed by reducing total benefit payments by: raising entrance requirements up to six weeks in low-unemployment regions; reducing benefit entitlement by up to 15 weeks; and increasing the disqualification period for workers who voluntarily quit their jobs without just cause. Three years later, the benefit rate was reduced from 60% to 57% and voluntary quitters without just cause were completely disqualified.

The 1994 reforms further reduced entitlement, increased the minimum entrance requirement in high-unemployment regions, and established a two-level benefit rate: 60% for claimants with low earnings and dependants and 55% for all other claimants. Evaluations, however, found that the 60% rate was ill targeted and not successful in helping those most in need. Other elements of the 1994 reforms proved more effective. As intended, the reform achieved most of the \$2.4 billion in savings by reducing the average period of entitlement to benefits. However, it did not have much of an impact on workers in high unemployment regions. These workers were generally able to get extra work to meet the increased entrance requirements, despite a major reduction in the availability of seasonal work.

In summary, changes in UI in the early 1990s cut costs by tightening entrance requirements, reducing the duration of benefits, and lowering the benefit rate. This period also saw the beginning of structural reform which placed more emphasis on active measures to help people get back to work.

III. EMPLOYMENT INSURANCE REFORM

1. Part I - Income Benefits

Employment Insurance (EI) maintained the role of income support, but moved the program further towards insurance principles by establishing a new benefit structure and new rules for frequent claimants. Other changes included:

- a Family Supplement for claimants in low-income families with children;
- tighter eligibility requirements for new entrants and re-entrants to the labour market; and
- a reduction in the maximum number of weeks of entitlement (lowered from 50 to 45 weeks).

At the same time, the program was adjusted to better reflect the changing nature of work in the last decade. An hours-based eligibility system was established, resulting in more part-time work being insured, and a new premium structure was instituted so that people paid premiums on all earnings up to an annual maximum. There are now no more weekly minimums or maximums for determining insurable earnings.

Under the hours-based system, every hour of work is insurable. This makes it easier for some people to become eligible for EI, such as those who hold multiple part-time jobs or work long hours over shorter periods. Benefit levels, however, are based on average earnings over a fixed period. As a result, "small weeks" (weeks with earnings of less than \$150) that were not insurable under the old system could lower some people's benefits and act as a disincentive for some individuals to accept small weeks of work.

To examine this issue, the Government of Canada introduced small weeks adjustment pilot projects in May and August 1997 in 29 high-unemployment regions. These

projects allowed claimants to either bundle (in Quebec and Atlantic Canada) or exclude (in Ontario and the Western provinces) small weeks in the calculation of weekly benefits. These projects expired on November 14, 1998, and a new pilot project was put in place. The new pilot project uses only the method of excluding small weeks and is in effect in the 29 regions that participated in the original projects, as well as in two additional regions, namely Hull, Quebec and Sudbury, Ontario. Further details are provided in Chapter 2.

An overview of the EI Part I changes and their rationale is provided in Annex 1.1. Chapter 2 provides an analysis of the impacts of these changes on Income Benefits.

2. Part II - Employment Benefits and Support Measures

The *Employment Insurance Act* also committed the Government of Canada to work in co-operation with provinces and territories to put a series of programs in place that would be more effective in helping unemployed Canadians participate more fully in the labour market. Indeed, EI continued the shift away from "passive" income support towards "active" measures designed to get people back to work. These new active programs are called Employment Benefits and Support Measures (EBSMs). Eligibility for EBSMs extends to people who have received regular benefits in the past three years or maternity or parental benefits in the past five years, as well as to those currently eligible for Part I benefits.

The five new employment benefits and three support measures are based on successful elements in previous programs and are to be delivered in a manner responsive to the local labour market. In addition to addressing structural unemployment, the new EBSMs also emphasize effectiveness, results, accountability, and local decision-making.

Significantly, EI also called for new partnerships with the provinces and territories to ensure that re-employment approaches could be adjusted to meet the needs of local labour markets. In addition, a new accountability framework was instituted that shifts the focus to results rather than process. The aim is to shine the spotlight on the degree to which Part II benefits and measures are helping people return to work rather than focusing solely on the number of interventions and expenditures.

The five new employment benefits and three support measures are described more fully in Annex 1.2. An analysis of the impact of EBSMs and an update on the partnerships with the provinces and territories are provided in Chapter 3.

IV. BENEFICIARY TO UNEMPLOYED RATIO

In the first Monitoring and Assessment Report, HRDC made a commitment to study the beneficiary to unemployed (B/U) ratio. This is the number of regular EI beneficiaries divided by the total number of unemployed workers. To better understand recent changes to the B/U ratio, an Employment Insurance Coverage Survey (EICS) was completed and the results were published separately. The initial EICS study concluded that the B/U ratio is too broad a measure to provide a good indicator of EI program effectiveness. This is because the B/U ratio does not distinguish between unemployed people who formerly worked in insured employment and those who did not (such as the self-employed). Furthermore, even among those in insured employment, the B/U ratio does not distinguish between those who had quit their job with just cause and those who had not. These results were noted in last year's Monitoring and Assessment Report.

Since last year's report, an additional analysis of the EICS has been published.³ The study confirms the earlier findings on the low efficacy of the B/U ratio as a measure of EI program effectiveness. The analysis indicates that about one-half (52%) of the unemployed in 1998 had been laid off or had quit their job with just cause. Since this is target population for EI, they are considered "potentially eligible" for benefits. Of those potentially eligible, 80% were actually eligible to receive EI benefits.

V. CONCLUSION

EI changes continue to be implemented in a relatively strong labour market in 1998/99. Continued growth in employment resulted in a decline in the unemployment rate and in the demand for Employment Insurance. Youth had their strongest year on record and women's employment growth was the highest in a decade. However, not all individuals were able to participate in the growing economy to the same extent. People with low education or skills continued to have higher unemployment rates.

The 1996 *EI Act* involved a shift toward re-employment measures and temporary income support during periods of unemployment. EI also created a legislative framework within which new partnerships with the provinces and territories could be established to put effective programs in place for helping Canadians participate more fully in the labour market.

Changes in the Canadian economy and labour market mean that Canadians need to acquire new skills and adapt to new forms of employment. The redesigned income benefits and active measures in EI are designed to respond to these challenges. However, with each succeeding year, it

³ Report on the Main Results of The Employment Insurance Coverage Survey, 1998, *Special Surveys, Employment Insurance Coverage Survey 1998*, Statistics Canada, Cat. No. 73F0008XPE.

becomes more difficult to isolate the independent impact of EI reforms. It is also worth noting that, some elements of the reform such as the hours-based system have been implemented fully while others such as the intensity rule are still maturing. Through the monitoring process, we need to analyze EI reform as an extension of previous reforms and assess impacts within the context of ongoing changes in the Canadian economy and society.

Chapter 2 — Income Benefits

This chapter looks at the changes in the number of new claims and the amount paid out in benefits. Data for 1998/99, the second full fiscal year after the reform, are compared to data for 1997/98.⁴ Trends for the period between 1995/96 and 1997/98, identified in the 1998 Monitoring and Assessment Report are also discussed. Generally, we do not report on 1996/97, as this was a year of transition between the old system and the new one.

We discuss the extent to which the impacts observed are due to program versus labour market changes. After looking at total income benefits, we report on regular and fishing benefits, including a discussion of frequent claimants for these two benefit types. This is followed by the changes observed for special benefits (maternity, parental, and sickness). For each type of benefit we examine eligibility requirements (the amount of work required to qualify for benefits), length of entitlement (how long claimants can receive benefits), and weekly benefits (how much they receive).

We then look at some of the key elements of the *EI Act* relating to income benefits and assess the degree to which they are meeting their stated objectives. Specifically, we examine:

- the hours-based system;
- the Family Supplement;
- working while on claim;
- the benefit repayment provisions; and
- the intensity rule.

Finally, the chapter describes the results of the small weeks adjustment

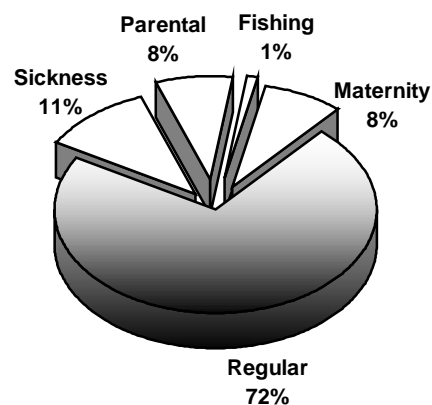
⁴ Unless otherwise stated, analysis in this chapter is based on employment insurance administrative data for the period between April 1, 1998 and March 31, 1999. There were 53 working weeks during this period.

projects introduced to encourage people to accept small amounts of work. Throughout this chapter, we refer to annexes provided at the end of the report. Annex 2.1 provides unemployment rates by EI region, and the remainder of Chapter 2 annexes provide data tables for regular, fishing, and special benefits and key elements of the reform.

I. TOTAL INCOME BENEFITS

In 1998/99, there were about 1.8 million new claims for EI benefits. This was about the same number as last year (+0.1%). Total benefit payments amounted to \$10.2 billion in 1998/99, about 1.5% higher than in 1997/98. The average weekly benefit for claimants increased by 1.9% to \$283 (see Annex 2.2). There were also important changes to benefit payments within certain industrial sectors. As shown in Annex 2.3, benefit payments increased substantially in most of the seasonal industries and was highest in Fishing and Trapping (+70%) followed by Mining, Oil and Gas (+52%). Meanwhile, benefit payments fell in Finance and Insurance (-16%), Health and Social

Total New Claims 1998/99



Services (-.4%), Education (-9.5%) and Government Services (-7.4%).

The number of claims that received benefits and the changes between 1997/98 and 1998/99 by benefit type are as follows:

- regular claims dropped slightly by 0.6% to 1.5 million claims;
- fishing claims decreased by 3.2% to 26,100 claims; and
- special benefits claims increased by 4.8% to 389,280 claims.

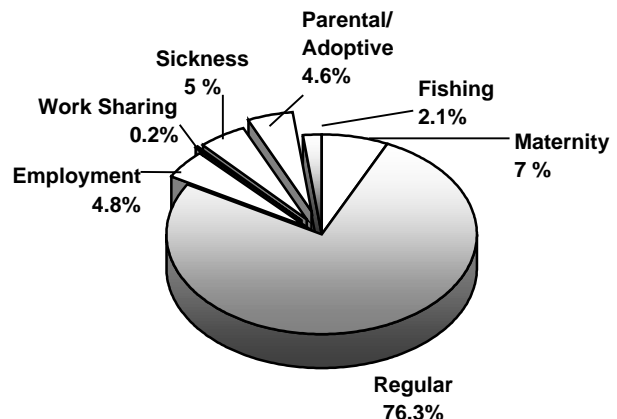
Benefit payments by type and the changes over the past year are as follows:

- regular benefits increased by 0.5% to \$7.8 billion;
- employment benefits paid to claimants participating in EBSMs increased by 5.4% to \$490 million;⁵
- work sharing benefits increased by 141% to \$16 million;
- fishing benefits increased by 1.3% to \$218.0 million; and,
- special benefits increased by 4.5% to \$1.7 billion.

As shown in the total income benefits chart, about 5% of total income benefits were paid to claimants participating in Employment Benefit and Support Measures (EBSMs). Special benefits (maternity, parental, and sickness) accounted for 17% of all benefits paid to EI claimants in 1998/99. This is about the same proportion as in 1997/98. Special benefit payments amounted to \$1.7 billion, 4.5% higher than in 1997/98. Benefits paid to self-employed fishers totalled \$218.0 million, up slightly from the last reporting year, when fishers received \$215.1 million. This is also very close to the \$218.9 million paid to fishers in 1995/96.

Regular benefits, which provide temporary income support to workers who become involuntarily unemployed, or quit with just

Total Income Benefits 1998/99



cause, account for the most significant portion of benefits paid – amounting to 76% of total income benefits paid in 1998/99. This was the same proportion as in 1997/98. Many components of EI reform were designed to reduce regular benefits. The reduction in the Maximum Insurable Earnings, the new way of calculating the weekly benefit levels, the minimum divisor, and the reduced benefit rate under the intensity rule for repeat claimants, all played a role. In last year's report, we estimated that these reform elements resulted in ongoing savings to regular benefits of 5% to 10%. This year, the analysis of savings in Chapter 6 focuses on the incremental savings to regular benefits from further phasing in of the Family Supplement, intensity rule, benefit repayment provisions (clawback) and Maximum Insurable Earnings.

It is also worth noting that frequent claimants received 42.9% of all regular and fishing benefits paid in 1998/99, up slightly from the year before. Total benefit payments to these claimants were \$3.4 billion, virtually unchanged from the 1997/98 level.

A major source of information on how individuals are adjusting to EI reform is the Canada Out-Of-Employment Panel (COEP) Survey. Based on large quarterly samples

⁵ See Chapter 3 and Annex 3 for more details.

of individuals who have job separations (Records of Employment), the present COEP survey is specifically designed to provide an additional source of information for understanding EI impacts. The survey is conducted on behalf of HRDC by Statistics Canada and provides detailed information on individuals' employment history, job search activities and outcomes, training, receipt of UI/EI benefits, and household incomes, financial assets, and debts.

From HRDC studies using COEP data, we can draw two preliminary conclusions about the effects of EI reform. First, a small proportion (around 12%) of those separated from their jobs experienced a drop in household consumer spending one year later. For this group, the drop averaged about 24% of monthly household income. With the exception of single parents, EI reform has not affected these results. In the case of single parents, their probability of experiencing a drop in consumption has gone down. While the reasons behind this result are unclear, it could partly reflect the positive impact of the Family Supplement. In addition, focus group results reported in Chapter 4 indicate that the majority of participants said that they relied on a variety of alternatives to cope financially while they were unemployed including savings, credit cards, bank loans, spouse's income, and RRSPs. For some, the alternatives included living at home with parents for a longer period. A second conclusion from analysis of COEP survey data is that the take-up rates for social assistance decreased for both EI claimants and others after EI reform. This may reflect the improving economy over the period.

II. REGULAR BENEFITS

To understand the effects of the EI reform on regular claimants, four aspects of the EI program - eligibility requirements, length of entitlement, duration of claim and weekly benefits, are examined below.

1. Eligibility

Since July 1996, people who entered the labour force for the first time (new entrants) and those who had minimal work experience in the last two years (re-entrants) needed 26 weeks of work to qualify for EI benefits instead of the 20 weeks needed prior to the reform. With the change to the hours-based system in January 1997, the 26 weeks were converted to 910 hours.

All other regular claimants require between 420 and 700 hours (the equivalent in hours of the previous 12 to 20-week entrance requirement). In making the transition from a weeks-based system to an hours-based system, a week of work was defined as consisting of 35 hours – the actual average weekly hours for all workers since 1976, according to Statistics Canada's Labour Force Survey.

We did not expect the hours-based system to reduce the number of claims established. Once the transition to the hours-based system was completed, it was anticipated that an increase in claims from those who were not insured under UI would be roughly offset by a decrease in the number of new entrants and re-entrants who could qualify. An evaluation study by David Green and Craig Riddell indicates that the switch from UI to EI led to a small net increase in eligibility. (Please refer to Annex 2.18.)

In 1998/99, the number of regular claims established dropped by 0.6% to 1.49 million. The decline varied across provinces and territories reflecting different labour market conditions, with Ontario and Quebec showing significant drops (-3.4% and -5.4% respectively). The largest increases in the number of regular claims were in Alberta, Northwest Territories and Saskatchewan (25.6%, 19.4%, and 15.8% respectively).

To help explain the changes in claims, we examined changes in the duration of insured employment (see Annexes 2.5

and 2.6). Between 1997/98 and 1998/99, the proportion of claims with short employment spells increased (+1.6%), while those with over six months declined (-2.2%). A decline in the proportion of claims with long periods of insured employment can reflect an improving economy in which people with stronger attachment to the labour market are able to work longer and avoid collecting EI benefits. A rise in the proportion of claims with short periods of insured employment can also reflect an improving labour market allowing people with weaker labour market attachment to gain temporary employment with sufficient hours to qualify for benefits.

Across the provinces and territories, there were wide variations in the year to year changes. Saskatchewan had above average increases in those making claims with over six months of insured employment (+15.0%) and for those making claims barely meeting the minimum entrance requirement (+79.0%). This reflects the lack of employment growth noted in Chapter 1. Above average increases in both these categories were also evident in Alberta (+27.7% for those making claims with over six months of insured employment and +13.2% for those making claims barely meeting the minimum entrance requirement). While the overall employment growth figures for Alberta were strong for this period, these results probably reflect cyclical changes in mining, oil and gas.

New claims for regular benefits made by women decreased by 3.8% in 1998/99 versus a 1.5% increase for men. During the period, men established 906,000 claims and women established 582,000 claims or 39% of all new claims filed. Women's share of new claims was about 1% lower than in 1997/98. The 3.8% decline in new claims for women can be traced to a substantial (7.7%) drop in claims with longer employment spells. The different labour market pattern of women noted in Chapter 1 may help explain part of this change. Analysis at the industrial sector level

indicates substantial declines in new claims for sectors where women are highly represented such as Finance and Insurance, Education, Health and Social Services and Government Services. The rise in new claims for men can be traced to changes in sectors where they are highly represented, particularly to the mining, oil and gas sector, logging and forestry, and fishing and trapping.

As noted in Chapter 1, women are more likely (than men) to be affected by the higher eligibility requirements for new entrants and re-entrants because they move in and out of the labour force more often than men. However, an evaluation study by Kapsalis and another by Phipps and Macphail indicate that the overall impact for women may have been low because the switch to an hours-based system increased access and to some extent off-set the more stringent entrance requirements. (Please refer to Annex 2.18.)

New claims by people under age 25 increased by 3.2% during the period compared to a decline of 27.2% for the period between 1995/96 and 1997/98. Claims by youth with short employment spells declined by 10.5%, while claims supported by longer job spells increased by 3.2%. These changes reflect the strong employment gains by youth over the past fiscal year, and the ability to work longer in a strong labour market. Since youth tend to rely on short tenure employment, increases in employment can result in increases in EI claims.

2. Length of Entitlement

EI reform reduced the maximum period of time which a person may receive benefits from 50 to 45 weeks. This change only affects claimants in higher unemployment regions with long periods of employment who were entitled to more than 45 weeks of benefits under UI.

In addition, the hours-based system was expected to increase entitlement duration for claimants who work more than 35 hours a week because the additional hours were not previously counted. The more hours worked, the longer the benefit entitlement.

As with eligibility, different features of the reform could increase the entitlement period while others could reduce it. When the EI program was introduced, the effects of the hours-based system outweighed the reduction in maximum entitlement. We found that, over the first two-year period, average entitlement for regular claims increased from 33 to 34 weeks and that this was due in part to the hours-based system. The figure for 1998/99 remains about the same. HRDC studies using Canada Out of Employment Panel (COEP) data, also found that the average entitlement period remained largely unchanged before and after reform. However, the impact on entitlement periods was varied. For example, men tended to receive longer entitlement periods because they worked more hours in a week. Similarly, length of the entitlement period rose in Atlantic Canada because the hours worked per week was higher due to the availability of seasonal work and smaller proportion of the labour force employed in part-time work.

3. Duration of Benefits

To understand the extent to which reliance on EI has changed, we also looked at the weeks of benefits actually received by those with regular claims and the circumstances under which the claims were terminated. Due to the time required for claimants to complete their benefit spells, the most recent year for this analysis is for claims established in 1997/98. The analysis shows that regular claimants who established claims in 1997/98 received benefits for about 22 weeks on average, lower than the 34 weeks to which they were entitled, and slightly lower than the 23 weeks collected in 1995/96. The average weeks spent on

benefits was 21 weeks for adult men and youth and 23 weeks for women.

Claimants in Newfoundland received benefits for about 28 weeks, reflecting the longer entitlement duration of 38 weeks due to the higher unemployment rates. Average time spent on benefits was lowest in Manitoba, Saskatchewan and Alberta at 19 weeks.

The analysis also indicates that only about one in five claimants stay on claim for their entire entitlement period, thereby “exhausting” their benefits. This figure has gone down slightly since EI reform, reflecting an improved labour market and confirming that the reduction of the benefit entitlement period under EI has not led to an increase in exhaustion of benefits. It is also worth noting that women and youth were less likely than men to exhaust their benefits.

4. Weekly Benefits

One of the main EI changes affecting weekly payments is the minimum divisor rule. Weekly benefits are calculated by dividing all insured earnings in the last 26 weeks by the minimum divisor (ranging from 14 to 22) in the particular region, or the actual number of weeks worked in this period, whichever is higher, and multiplying the result by 55% or the applicable benefit rate. Claimants receive lower benefits if the minimum divisor is higher than the number of weeks they worked. This encourages people to find at least enough work to meet the minimum divisor in their region.

Another EI change affecting weekly benefits is the reduction in the Maximum Insurable Earnings (MIE), which reduced the maximum weekly EI benefit from \$465 to \$413. Despite the program changes, the average weekly benefit continued to increase slightly. In 1998/99, the average weekly benefit increased by 1.9% over 1997/98. This increase is in line with the changes in wages and salaries noted in

Chapter 1 and indicates that EI benefits respond to increased wages in the labour market. However, despite the slight increase observed, it should be noted that the \$413 cap on weekly benefits continues to keep the average weekly benefits lower than they would have been.

We conclude that these two program changes (the minimum divisor rule and the reduced MIE) caused weekly benefits to decline in 1996/97, as expected, while increases in wages and salaries helped to offset the decline in 1997/98 and in 1998/99.

5. Summary

Between 1997/98 and 1998/99, total payments to regular beneficiaries (see Annex 2.4) increased by 0.5% while the number of regular claims established dropped by 0.6%. Weekly payments increased slightly despite the effects of the divisor rule and the reduced MIE. Over the period under review, new claims by women dropped by 3.8% versus a 1.5% increase for men. The analysis suggests that strong employment growth and different labour market patterns contributed to the decline in new claims for women. There was also a 3.2% increase in new claims for youth. Finally, new analysis of the duration of benefits confirmed that reduction of the benefit entitlement period under EI has not led to an increase in exhaustion of benefits. On balance, the results for regular benefits reflect a strong labour market and less reliance on the EI program.

III. FISHING BENEFITS

Most of the reform elements affecting regular claimants also apply to self-employed fishers. These include:

- the minimum divisor;
- the reduction in the maximum weekly benefit;
- the benefit repayment provisions;
- the intensity rule; and

- the Family Supplement.

One of the most fundamental changes regarding fishing benefits introduced by the EI program came into effect in January 1997. This change is a shift in the eligibility requirements from weeks of work to insured earnings over the fishing seasons.

The adoption of an earnings-based system for fishers was recommended in the November 1993 Report of the Task Force on Incomes and Adjustment in the Atlantic Fishery. Since fishers are considered to be self-employed, it is difficult to verify their weeks or hours of work. However, the payments (earnings) they receive from the buyers of their catch can be readily verified.

1. Eligibility

Under the *EI Act*, the eligibility requirements for fishers were made more flexible by expanding the fixed seasonal qualifying and benefit periods. The qualifying periods for both summer and winter fishing seasons increased from 27 to 31 weeks. Moreover, the period over which benefits may be collected was increased by 8 weeks – 4 weeks each at the beginning and end of the period. This allows someone who fished in the winter season (from September 1 to March 31) to start a benefit period earlier, fish again late in the extended summer fishing season (which falls between March 1 and November 1), and qualify again for benefits in two consecutive seasons.

Under the UI system, to qualify for benefits, fishers needed between 12 and 20 weeks of insured employment, depending on the regional rate of unemployment. With the implementation of the dollars-based program in January 1997, fishers could qualify for benefits with a minimum of between \$2,500 and \$4,199 in insured earnings from fishing. For new entrants and re-entrants to the labour force the minimum is \$5,500. Insured earnings can be accumulated over a few days or over the entire fishing season.

In 1998/99, the number of new fishing claims was 26,100. This represents a decline of 3.2% since 1997/98. The decline in claims during 1998/99 follows a 7.8% increase between 1995/96 and 1997/98 (see Annex 2.7). The number of new claims increased by 12.8% in Newfoundland and 6.1% in New Brunswick. New fishing claims decreased by 8.8% in British Columbia and 27.3% in Nova Scotia.

In 1998/99, the number of multiple claims made by fishers increased by 31% to 2,866 claims. This accounts for 11% of all fishing claims during the period and follows a substantial increase between 1995/96 and 1997/98. In about 49% of the cases this reporting year, the second claim was established within 9 weeks of the end of the previous claim. Another 35% established the second claim within 10 to 16 weeks of the end of the previous claim. This finding suggests that within 2 to 4 months after the first claim ended, these individuals were able to obtain the required earnings to establish a second claim. The establishment of multiple claims is most prevalent in provinces where seasonal conditions allow for fishing in both summer and winter fishery. The majority of the multiple fishing claims originated from Nova Scotia, New Brunswick and British Columbia, accounting for 42%, 32% and 8% respectively.

Earlier analysis has shown that the divisor rule caused fishers to increase the number of weeks over which they fished considerably. Claims with two added weeks of insured employment increased by about 40% between 1995/96 and 1996/97. The increase was higher in the October-December quarter when most fishing claims are established (58%). However, with the change to the earnings-based system, fishers can accumulate their earnings at any time over the 31-week qualifying period. As well, all earnings over this qualifying period are divided by the divisor to obtain the weekly benefit level. As a result, fishers have the flexibility of avoiding the negative impact of the divisor to the extent that they

are able to increase their fishing effort and revenues over this period. The added flexibility in the entitlement and benefit periods may have contributed to the continuing increase in fishing claims in consecutive seasons.

In 1997/98, with eligibility based on dollars of insured earnings, only about 5% of claims qualified with the minimum earnings required to establish a claim – \$2,500 to \$4,199. The majority (85%) qualified in the top insured earnings range of \$6,650 or over. The result for 1998/99 is very similar to 1997/98. About 93% of fishers qualified for benefits with over \$5,000 insured earnings, and about 68% qualified with over \$10,000 in earnings. In contrast, in 1995/1996, 83% of fishing claims qualified with the minimum number of insured weeks (between 12 and 20).

This suggests that the conversion to a minimum entrance requirement which was earnings-based requires further analysis. The relatively low dollar amount of earnings required to enter the program, combined with the greater flexibility in the qualifying and benefit periods, contributed to the increase in multiple claims since the reform. Despite the overall decline in fishing benefits, this change may also be contributing to the increase in new entrants to the fishery as evidenced by the substantial increase in first time claimants and those who occasionally rely on EI fishing benefits.

2. Length of Entitlement

The maximum benefit entitlement per fishing claim is now fixed at 26 weeks. Prior to the *EI Act*, the entitlement period ranged from 14 to 27 weeks, depending on the regional unemployment rate and the number of insured weeks in the qualifying period.

Despite the increase in multiple claims, we found that the number of weeks over which fishers receive benefits increased only

slightly from about 21.6 weeks in 1995/96 to 22.6 weeks in 1997/98 and to 23 weeks in 1998/99. This suggests that many fishers receive benefits over most of the 26 week entitlement period.

3. *Weekly Benefits*

Average weekly benefits paid to fishers were \$353 in 1998/99. This represents a slight decline (-0.8%) from 1997/98. The weekly benefits paid to fishers are affected by a number of reform measures: the reduction in the MIE, the divisor, the intensity rule and the Family Supplement. With the exception of the latter, all of the reform measures could result in lower weekly benefits.

The slight drop in average weekly benefits between 1997/98 and 1998/99 is notable given that fishing revenues increased slightly during this period. The reduction could reflect the impact of the intensity rule. About 77% of all fishing claims established in 1998/99 had their weekly benefits reduced under the intensity rule, compared to 52% in 1997/98. Of the affected claims, about 25% had their weekly benefits reduced by one percentage point and about 68% had a reduction of two percentage points.

While most evident in the immediate period following the introduction of EI, the lower MIE also continues to impact on the weekly benefits of fishers, because most qualify for maximum benefits.

About 12% of fishing claimants with low family income and dependent children benefited from higher benefit rates allowed through the Family Supplement. This represents an increase over 1997/98 when 9% of fishing claimants received it. Before EI, only 4% of fishers received higher rates under the dependency provision. About 70% of fishers who received the Family Supplement in 1998/99 were classified as frequent users of EI – indicating that they

avoided lower benefit rates under the intensity provision.

4. *Summary*

It was expected that the reform would help contribute to adjustment in the fishery and reduce the extent of reliance on EI fishing benefits. However, our analysis has shown that there has been very little change in terms of number of new claims and total benefits paid since the EI changes were implemented. The analysis also indicates that a number of factors have contributed to maintaining fishing benefits at a relatively high level. Among these are the increase in multiple claims, the slightly longer duration spent on benefits and the relatively high levels of fishing revenues, since the reform. However, the most significant aspect of the reform affecting benefit levels is the lowering of the eligibility requirement under the dollar-based system. The lower eligibility requirement seems to be encouraging new entrants into the fishery as indicated by the increase in first time and occasional claimants.

While the application of the intensity rule contributed to the lower weekly benefits, the analysis indicates that total benefits paid to fishers are slightly higher in 1998/99. This is due to a slight increase in the average amount of time people spent on benefit and the larger weekly benefits that some fishers received through the Family Supplement.

IV. FREQUENT CLAIMANTS

In this section of the chapter we consider individuals who had three or more claims within the previous five years to be frequent claimants. People who started previous claims at about the same time of the year as their current one are considered seasonal claimants. Using this definition, we conclude that a great majority of frequent claimants (80%) have a “seasonal” pattern of claiming benefits under EI. This is up from 75% in 1995/96. Therefore, the results observed for seasonal and frequent

claimants are very similar. It should also be noted that the results in this section are derived for individuals who had regular and/or fishing benefits. People who had special benefits are not considered to be frequent claimants.

1. Eligibility

In 1998/99, frequent claimants established about 604,000 regular and fishing claims. This represents a decline of about 5.7% from 1997/98 (see Annex 2.8). This decline is partly due to the general decline in regular and fishing claims (-0.6% and -3.2% respectively) noted earlier in this chapter. In comparison to earlier years, the percentage change suggests that the initial impact of EI reform has been absorbed, and changes now can be traced to the labour market environment itself.

Most of the decline in frequent claims can be attributed to those in the 25–44 age category. In other age groups the number of frequent claimants increased. This suggests that prime working age claimants were able to access job opportunities in an improved job market. Older claimants who are less mobile, many of whom work in seasonal job markets, did not fare as well, continuing and even increasing their reliance on EI between the 1997/98 and 1998/99.

Men filed a total of 409,000 and women filed 195,000 frequent claims for 1998/99. The figures for men are 3.4% lower than in 1997/98, while those for women are 10.3% lower. The larger decline for women is consistent with the decrease in new regular claims by women and also reflects the lower likelihood of women to work in seasonal jobs. Analysis of regular benefits earlier in this chapter concluded that there were declines in new claims from sectors where women are highly represented and increases in new claims from those such as mining, oil and gas where men are highly represented.

As in past years, changes in the number of new claims by frequent claimants varied across the provinces and territories. In order to understand the variations across provinces we examined the reasons why people became unemployed during the period. It is worth noting that employed individuals can become unemployed through permanent lay-off, temporary lay-off or through voluntary separations. Analyses in previous years have suggested that there is a strong link between temporary lay-offs and new claims established by frequent claimants. The provincial results for 1998/99 reflect this linkage. For example, Alberta, Saskatchewan, and Newfoundland experienced increases in the number of frequent claims (7.9%, 5.4% and 3.5% respectively). Each of these provinces also had an increase in temporary lay-offs. In other provinces where the number of frequent claims declined such as British Columbia, Quebec and Ontario (-8.6%, -7.9% and -7.7% respectively), the number of workers permanently and temporarily laid-off also declined.

As noted in last year's report, frequent and seasonal claimants fared better with the switch to the hours-based system when it was first introduced than did claimants in general. These claimants tend to have fewer insured hours during the year than other claimants. However, when they are employed they tend to accumulate more hours per week than other workers because of the nature of seasonal work. In 1998/99, frequent claimants reported an average of 1205 hours of work versus 1316 for all regular and fishing claims. This represents a gain over the previous reporting year of 16 hours. This is in contrast with the gain of only four hours observed for regular and fishing claims in general.

2. Length of Entitlement

Frequent and seasonal claimants had an average entitlement period of 32.8 weeks in 1998/99. This is down from 33.4 weeks in the previous reporting year. However, it

remains 3 weeks higher than in 1995/96. This reflects the positive impact of the switch to the hours-based system.

3. *Weekly Benefits*

Frequent claimants experienced an increase in their weekly benefit entitlements from \$303 to \$305 on average in 1998/99. This is in contrast to the drop in average weekly benefits for this group between 1995/96 and 1997/98. Average weekly benefit levels increased slightly in all provinces and territories, except Prince Edward Island where levels declined and British Columbia where they remained the same.

The intensity rule, which lowers the benefit rate for claimants who have collected more than 20 weeks of benefits in previous claims (starting in July 1996), tended to reduce benefits of frequent claimants. Frequent claimants were twice as likely to have been subject to the intensity rule than other claimants. Two-thirds of new frequent claims (as opposed to 35% of all regular and fishing claims) were affected by the intensity rule in 1998/99. If the intensity rule had not been introduced, average benefit levels of affected frequent claimants would have been \$9.50 higher. However, even with the application of the intensity rule, the average weekly benefit rate of frequent claimants exceeded the average for all claimants of regular benefits by \$23 or 8.2%.

4. *Summary*

Despite a 5.7% decline in claims by frequent claimants, this group continued to receive 42.9% of all regular and fishing benefits paid in 1998/99. Total benefit payments to frequent claimants were \$3.4 billion, virtually unchanged from the 1997/98 level. An increase in the number of claims by frequent claimants who are older workers (many of whom lack mobility and are limited by seasonal labour markets) has also been noted for 1998/99. The

continuing decline in the number of frequent claims is due to the impact of 25-44 age group.

When the EI program was first introduced, frequent claimants tended to benefit from some of its provisions, particularly the hours-based system which allowed them to meet the entrance requirements relatively quickly by working long hours. The rate of decline in the number of frequent claims has slowed as the initial impact of the new entrance provisions has been absorbed, and in some of the provinces the numbers have increased during 1998/99. These findings are consistent with the analysis of the total benefits paid by industry, mentioned earlier in this chapter where significant increases were noted for mining, oil and gas, and some seasonal industries.

V. SPECIAL BENEFITS

EI provides three types of special benefits:

- maternity benefits, payable to biological mothers for work missed because of pregnancy and childbirth;
- parental benefits, payable to both biological and adoptive mothers and fathers for the purpose of caring for a new-born or adopted child; and
- sickness benefits, payable to claimants too ill to work.

The hours-based system and the Family Supplement are two elements of the EI program that affect special benefits. The hours-based system was expected to make benefits more accessible to part-time and multiple-job holders. As a result, we expected a larger proportion of people to qualify for benefits by barely meeting the new minimum entrance requirement of 700 hours.

In addition, claimants of special benefits in low-income families with children are eligible for the Family Supplement. The Family Supplement provides a "top-up" to

the EI benefit rate which is 55% of insurable earnings. In 1998, recipients of the Family Supplement could receive up to 70% of their average weekly insurable earnings. In 1999, this rate increased to 75%. As for all other claim types, the maximum benefit level cannot exceed \$413 per week.

Other elements of EI reform, such as the intensity rule and the higher entrance requirements for new entrants and re-entrants, do not apply to special benefits. The minimum divisor was not expected to have much impact on the calculation of special benefits, given that the benefit rate under the UI system was calculated using a minimum of 20 weeks.

1. Eligibility

Effective January 5, 1997, claimants need 700 hours of insurable employment to qualify for special benefits. Under the old system, claimants could, in principle, qualify with as few as 300 hours of work (20 weeks of 15 hours each). In reality, however, in 1995/96, two-thirds of claimants for special benefits actually had more than 46 weeks of work, giving them almost 700 hours even if every week had been only 15 hours. Over 98% of those who applied for maternity benefits had more than the minimum 20 weeks of insurable employment in 1995/96 or 700 hours under today's system.

In 1998/99, the total number of claims for which any special benefits were paid was 389,280. This represents an increase of 4.8% over 1997/98. Claims with maternity benefits remained relatively stable (increasing only 0.4%). Claims for parental benefits (biological and adoptive) increased by 2.0%. The number of claims for which both maternity and parental benefits were paid consecutively increased by 6.5%.

The number of claims with sickness benefits increased by 8.5% in 1998/99. The reasons for this increase are unclear and more research is needed. However, as reported in Chapter 4, it should be noted that there

are perceptions that an increased number of people appear to be quitting their jobs for reasons of stress or illness and were in receipt of sickness benefits.

It is also important to note that the majority of claimants collecting parental benefits are women. In 1998/99, 95% of those collecting parental benefits to care for a newborn child were biological mothers and 88% of those caring for an adoptive child were adoptive mothers.

2. Length of Entitlement

EI provides 15 weeks of maternity benefits to biological mothers and 10 weeks of parental benefits to either biological or adoptive parents; an additional 5 weeks of parental benefits for special care may be paid if the child suffers from a physical, psychological or emotional condition. EI also provides 15 weeks of sickness benefits. A total of 30 weeks of special benefits can be paid to a claimant in a single benefit period.

The average number of weeks for which maternity benefits were paid remained stable through 1998/99, averaging 14.5 weeks in 1998/99 compared to 14.4 weeks in 1997/98. Similarly, the duration of parental benefits paid to biological parents remained stable at 9.1 weeks. Parental benefits paid to adoptive parents decreased from 11.4 to 11.1 weeks and the average duration of sickness benefits remained at 8.9 weeks.

In general, the results indicate that individuals are continuing to maximize their benefit period with respect to maternity and parental claims. A recent Statistics Canada study⁶ also indicates that the average length of benefits paid for combined maternity and parental claims increased from 21.9 weeks in 1991 to 24.5 weeks in 1998. In a separate study, Statistics Canada concludes that receipt of maternity benefits

⁶ Statistics Canada, Daily, October 25, 1999.

had a significant influence on when a women returns to work.⁷

3. *Weekly Benefits*

Although claimants for special benefits are not affected by the intensity rule, they may qualify for the Family Supplement. About 22% of maternity and parental benefit claimants and 12% of sickness benefit claimants received the Family Supplement in 1998/99. The average weekly top-up for these claimants increased from \$27 in 1997/98 to about \$34 in 1998/99.

The average weekly benefit level for all maternity claims was \$277 in 1998/99. This represents an increase of 0.9% over 1997/98. For maternity claimants under the age of 25 the average weekly benefit level increased by 4.5% over last year. With respect to biological parents, the average weekly benefit level also increased 0.9% from \$284 in 1997/98 to \$286 in 1998/99. For adoptive parents in receipt of the parental benefit, the average weekly benefit level increased by 2.6% from \$333 in 1997/98 to \$342 in 1998/99. Similarly, the average weekly benefit level for sickness benefits increased 2.3% from \$253 in 1997/98 to \$258 in 1998/99.

4. *Summary*

In 1998/99 total payments to claimants receiving special benefits increased by 4.5% to \$1.7 billion and the number of claims established increased by 4.8% to 389,280. There were also increases in average weekly benefits for all types of special benefit claims, possibly linked to increases in wages and top-ups under the Family Supplement. A significant increase (+8.5%) in sickness claims was also noted for 1998/99. Since this follows a two-year period in which sickness claims declined by 1.8%, further investigation is needed to

determine the significance of the recent increase.

VI. KEY ELEMENTS

1. *Hours-Based System*

Effective January 1997, eligibility for benefits and length of entitlement are based on hours of work instead of weeks. This system better reflects changing labour market realities and ensures more equitable treatment of claimants with different work patterns. This section provides a brief overview of the impact of this change.

Under UI, individuals had to work at least 15 hours or have earnings over a stated minimum in any particular week to be covered in that week. Those individuals whose jobs consistently provided low weekly hours and earnings were not covered under the program. EI extended coverage to all individuals with at least one dollar of insurable earnings. These changes have made the system more flexible, providing coverage to a broader group of workers. An evaluation study by Arthur Sweetman provides a descriptive analysis of the switch to an hours-based system from a weeks-based system. (Please refer to Annex 2.18.)

Among those not previously covered were multiple-job holders whose jobs did not meet the minimum weekly earnings or hours of work criteria. Regardless of their total weekly hours in all jobs (e.g. 3 jobs of 13 hours each or 39 hours in total), these workers had no insurable earnings and thus were not eligible for benefits if they lost any or all of their jobs. Under EI, multiple job-holders can add all hours of work from their employment to meet the eligibility requirements and to determine benefit entitlement.

Under UI, a week of 15 hours had the same value as a week of 35 hours or 50 hours. Each was considered one week of insurable

⁷ Katherine Marshall, "Employment after Childbirth", Statistics Canada, Cat. No. 75-001-XPE.

work. In making the transition from a weeks-based system to an hours-based system, the conversion factor of 35 was used because this was the average workweek in Canada. Variations from this average affect how long individuals have to work to accumulate the hours needed to establish a claim and the number of weeks of benefits that they may be entitled to. Those who work more than 35 hours a week can accumulate the minimum number of hours required to establish a claim in a shorter period than under the previous program. The opposite is true for those who work fewer than 35 hours.

The changes under the hours-based system as well as changes in labour market conditions are reflected in the pattern of claims. To understand the changes in claim pattern, we divided the claims into three broad groups: those with employment around the minimum work required to qualify for benefits, those with between the minimum and 6 months and those with long employment spells of over 6 months. As shown in Annex 2.6, just over 79,850 claims fell in the first group, another 253,030 fell in the second group and a much larger group of about 1.2 million had employment spells of 6 months or longer.

Claims with short employment spells, those just meeting the minimum entrance requirement increased by 1.6% over the past year, while those with between the minimum and 6 months of employment increased 6.3%. These increases were offset by a 2.2% decline in claims with over 6 months of insured employment which resulted in regular claims declining 0.6% overall. As pointed out in the section on regular benefits, the decline in the proportion of claims with long periods of insured employment reflects an improving economy in which people with stronger attachment to the labour market are able to work longer and avoid the need to collect EI benefits. A rise in the proportion of claims with short periods of insured employment can also reflect an improving

labour market allowing people with weaker labour market attachment to gain temporary employment with sufficient hours to qualify for benefits.

The overall reduction in claimants just meeting the entrance requirement since the EI reform suggests that the divisor rule and entitlement under the hours-based system are encouraging individuals to increase their work effort, as intended by the legislation. An HRDC study using COEP survey data supports this proposition and suggests that individuals with short-term employment increased the hours worked per week since the reform. With respect to the divisor, a separate study using COEP survey data showed that effects of the divisor are broadly dispersed among various groups, although the increase in workforce attachment is more concentrated in the Atlantic provinces.

2. Family Supplement

The Family Supplement replaces the UI dependency provision and better targets claimants in need – those in low-income families with dependent children. Under UI, any claimant with low weekly wages could qualify for a 60% benefit rate instead of the standard 55% if they had dependants as defined under the *Income Tax Act*. Eligibility was based on the income of the claimant (regardless of total family income or earnings of the spouse) with low-income defined as average weekly earnings of less than \$408 in 1996. Both spouses in a family meeting the criteria were eligible for the 60% benefit rate and both could receive this rate simultaneously.

In contrast, qualification for the EI Family Supplement, which replaces the dependency provision, is based on family income. To qualify, claimants must receive the Canada Child Tax Benefit (CCTB), which indicates that they have at least one dependent child, and have net family income of \$25,921 or less. Only one spouse in a family can receive the Family

Supplement at a given time. The maximum benefit rate for recipients of the Family Supplement increased to 65% of their average insurable earnings in 1997, 70% in 1998, 75% in 1999 and is set to level off at 80% in 2000. However, the maximum weekly benefit these claimants may receive is \$413, the same maximum as for all other claimants.

A total of 208,340 low-income families received higher weekly benefits through the Family Supplement in 1998/99, 3.6% more than in 1997/98. As in 1997/98, this represents about 11% of all claims that received EI benefits (see Annex 2.14). With the exception of Nova Scotia, the proportion of claims with the Family Supplement in the Atlantic provinces is relatively high (between 14% and 15%) reflecting higher incidences of low incomes in these provinces. Manitoba also had a relatively high proportion of claims with the supplement.

The number of claims receiving the Family Supplement in 1998/99 is lower than that under the dependency provision in 1995/96 (about 42% lower). This reflects the re-focusing of benefits to claimants in low-income families with dependent children rather than to individuals with low weekly earnings. The result is that claimants who are most in need receive a more substantial increment to their weekly EI benefits while those with low weekly wages but high family incomes no longer receive the supplement.

Total Family Supplement benefits paid in 1998/99 increased to \$146.6 million in 1998/99. This was 39.9% higher than the \$104.8 million paid in 1997/98. While part of this change can be attributed to an increase in claims (3.6%), the main source was from the increase in the benefit rate noted earlier. The top-up amounts increased from an average of \$29 in 1997/98 to \$38 in 1998/99 (+30%). This is much higher than the average of \$14 extra paid under the dependency provision in 1995/96. An evaluation by Phipps, MacDonald and

MacPhail found that the Family Supplement was more effectively targeted to low-income households than the dependency provision under UI. (Please refer to Annex 2.18.)

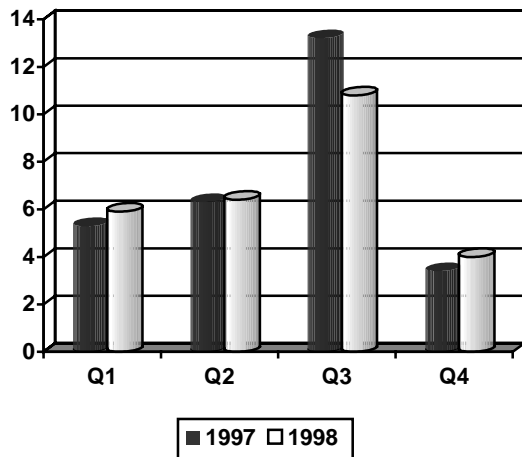
Average weekly benefits to claimants receiving the supplement was \$249 in 1998/99. This was up 4.4% over 1997/98. Average weekly benefits are now 35% higher than 1995/96. The increase in weekly benefits also reflects the change in the target population. Because benefits are based on family income rather than individual income, claimants with high weekly earnings but low family income (e.g. seasonal workers) are able to qualify for the Family Supplement. A large proportion of the newly qualified claimants are men who tend to earn higher wages than women, contributing to the increase in weekly benefits. This is reflected in the higher average weekly benefit level for men at \$296 in 1998/99 compared to \$221 for women. An evaluation study by Cheal and Kampen explores the impact of the Family Supplement on women. (Please refer to Annex 2.18.)

Fishers are one group of seasonal workers who receive higher weekly benefits through the Family Supplement. The change in the eligibility criteria has made it easier for fishers, who generally receive higher than average weekly benefits to qualify for the top-up. About 12% of all fishing claims received higher weekly benefits under the Family Supplement in 1998/99 compared to 9% in 1997/98 and less than 4% in 1995/96.

There has been very little change in the demographic distribution of Family Supplement claimants over the past year. As would be expected, the vast majority of claimants with the Family Supplement (about 80%) are between the ages of 25 and 44. Similar to the findings for 1997/98, about two-thirds of those receiving the top-up were women. Overall, 16.0% of all women with EI claims received the top-up in 1998/99 compared to 7.6% of men, almost unchanged from 1997/98. As well,

about 22% of both maternity and parental claimants received the top-up in 1998/99, compared to 20% for both claim types in 1997/98. The proportion of sickness claimants with the Family Supplement remains at 12% in 1998/99, unchanged from 1997/98.

Share of Family Supplement Recipients with Fewer than 10 Weeks in Claims (%)



There are some concerns that the higher benefits under the Family Supplement could reduce the incentive to find a new job quickly. If this were true, we would expect to see a decline in the share of Family Supplement recipients who had a claim lasting fewer than 10 weeks.

The figure in this section shows that on a national basis, the percentage of Family Supplement recipients with a claim lasting fewer than 10 weeks was actually higher in every quarter of 1998, with the exception of the third quarter. A comparison between 1996 and 1997 published in last year's report yielded similar results. Thus, we still find no evidence of a disincentive to work.

3. Working While on Claim

Under EI, regular beneficiaries are allowed to earn up to \$50 a week or 25% of weekly benefits, whichever is higher, while collecting EI benefits. Any earnings beyond this are deducted dollar-for-dollar from benefits. The new \$50 per week floor only applies to claimants with a benefit level under \$200 per week. The aim is to encourage low-income claimants to maintain their labour force attachment and to increase their earnings from work. We expected this aspect of the reform to increase the proportion of claimants reporting work while on claim.

Annex 2.15 provides figures on claims with full/part-time work reported and EI benefits received. The most recent period with complete claim information available is 1997/98.

In 1997/98, the proportion of regular claimants reporting earnings while on claim was 36.4% or 545,320 claims. This represents a decline of 3.9% from 1996/97. Among regular claimants with a benefit rate of \$200 or less, 40.9% reported earnings while receiving EI benefits - a drop from 43.6% in 1996/97.

The figures above only include people who worked while on claim and still received some benefits for those weeks. In this report we have also taken into consideration those who worked while on claim and had earnings sufficiently high to reduce EI benefits to zero for some weeks. This additional information should provide a more comprehensive picture of those working while on claim.

An additional 297,640 claims were accounted for when those claimants who received earnings high enough to reduce their benefits to zero for some weeks were taken into consideration. This means that a total of 842,960 or 56.3% of claimants reported work while on claim in 1997/98.

Nevertheless, a comparison with 1996/97 data does not show an increase in working while on claim. This indicates that other factors may have outweighed the impact of the \$50 floor. One of these factors may be a lack of awareness. In Chapter 4 of the report, we note that some workers who participated in focus groups had little knowledge of the positive effect that working while on claim could have when they establish a new claim.

4. Benefit Repayments

New repayment or “clawback” provisions were introduced to discourage individuals with high annual incomes from continuously collecting EI benefits. In January 1996, a first change was introduced to lower the net income threshold for benefit repayment from \$63,570 to \$48,750. This threshold applies to occasional claimants – those with zero to 20 weeks of benefits in their claim history over the last five years – and to all special benefit claimants. For people affected by the benefit repayment measure, the recording of claim histories started on June 30, 1996. Occasional claimants are required to pay back \$0.30 for every \$1.00 of income above the threshold, up to a maximum of 30% of their benefits.

People with more than 20 weeks of regular benefits in the last five years are now treated differently. Although they also pay back \$0.30 for every \$1.00 of income above the threshold, they start making repayments at a net income of \$39,000 (the MIE), and they pay back up to a maximum of 50% to 100% of their benefits, depending on the number of weeks of benefits that they have collected in the past five years.

This measure is administered through the tax system so results are reported on a tax year (i.e. calendar year) rather than a fiscal year basis. The most recent data available is for 1997. As the recording of claim histories only started in July 1996, the benefit repayment data only includes benefit

weeks in the last half of 1996 and for the 1997 tax year.

In 1997, the number of people who repaid some of their benefits was 79,736. This represents a small increase (0.7%) in comparison to 1996. Total benefit repayments remained unchanged at \$70.3 million in 1997. As in last year's report, men represented 85% of those having to repay benefits. The slight increase for 1997 is understandable because the results mainly reflect claimants who would have made only one claim during the period. In subsequent tax years, we expect the total amount repaid under this provision to increase with repeat use.

In 1997, people on claim in five provinces and the Northwest Territories, exhibited a decrease in benefit repayments: Newfoundland (-22.8%), Nova Scotia (-3.0%), New Brunswick (-22.5%), Quebec (-0.4%), British Columbia (-5.0%) and the Northwest Territories (-2.4%). The remainder experienced moderate increases except for Prince Edward Island (32.1%) and Ontario (11.2%), which showed larger increases.

It is important to note that the new repayment provisions were introduced to improve the fairness of the system by reducing the amount of benefits paid to individuals with high annual incomes who make frequent use of the program. During the first two years under EI, the benefit repayment provisions led to a substantial increase in repayments by higher income claimants. In addition, an HRDC study using COEP survey data has also shown that the repayment provisions improved job search, as high income claimants were found to be unemployed for shorter spells.

5. Intensity Rule

The intensity rule reduces the benefit rate by one percentage point for every 20 weeks of regular or fishing benefits collected in the past five years. The maximum reduction is

five percentage points. For example, for someone who has drawn between 21 and 40 weeks of benefits within the last five years, the benefit rate will drop from 55% to 54%. As the claim history started in July 1996, the intensity rule did not effectively start to apply until early 1997.

The objective of this rule is to discourage the use of EI as a regular income supplement but not to penalize excessively those who make long or frequent claims. Claimants who are receiving the Family Supplement are exempt from the intensity rule. It also does not apply to special benefits (maternity, parental, and sickness). As well, working while on claim can provide an opportunity to earn more money to offset the intensity rule.

The intensity rule affected 532,570 claims or 35.2% of all regular and fishing claims in 1998/99. This is an increase of two-thirds over 1997/98. Regular and fishing benefits were reduced by about \$86.3 million or about \$8.55 a week per affected claimant. This is up from 1997/98, when benefits were reduced about \$5.70 a week. About 20,000 fishing claims were affected by the intensity rule. This represents 77% of all fishing claims. This is up significantly from 1997/98 when just over one-half of fishing claims were affected. The percentage of fishing claims affected by the intensity rule is more than double that of regular claims.

The changes over the past year are consistent with the maturing of the provisions within the EI program. In 1997/98 nearly all affected claims had a one-percent benefit reduction. However, in 1998/99, 56% had their benefit reduced by one-percent point and 34% experienced a two-percent reduction. An evaluation study by Pierre Fortin and Marc Van Audenrode indicates the relatively small benefit reduction as a result of application of the intensity rule, may not be discouraging frequent use of the program, particularly in areas where there are few job opportunities. (Please refer to Annex 2.18.)

Since frequent program usage is associated with seasonal jobs, the impact of the intensity rule is higher in the eastern provinces than in the western provinces and Ontario. Thus, in Prince Edward Island, Newfoundland and New Brunswick, the percentages of regular and fishing claims affected by the intensity rule are 66.5%, 60.2%, and 58.7% respectively. The impact is much lower than in Quebec, where 41.4% of claims were affected. Alberta was least affected by the intensity rule.

About 71% of affected claimants were men, suggesting that men were more likely to make frequent EI claims. About 8% of these claimants were under age 25 and more than 55% were between 25 and 44 years old. These figures are consistent with the observation that, as we move towards older age categories, the percentage of claimants affected by the intensity rule increases. This phenomenon may be due to a combination of two factors. One is that young claimants have limited labour force experience and they have had less opportunity to use the program than people between 25 and 44 years old. The other factor possibly implied by the results is that job stability declines with age.

In summary, the changes over the past year are consistent with the maturing of the intensity provision within the EI program. These provisions which were designed to discourage frequent use affected a substantial number of all regular and fishing claims and reduced regular and fishing benefits by about \$86.3 million. This amounts to about \$8.55 a week per affected claimant.

VII. SMALL WEEKS ADJUSTMENT PROJECTS

In May and August of 1997, small weeks adjustment projects were introduced in 29 high-unemployment EI regions. The pilot projects addressed EI claimants' disincentive to accept small weeks of work. It allowed claimants to either "bundle" or

“exclude” any weeks of work deemed to be “small” (weeks with earnings under \$150) in the calculation of weekly benefits for the purposes of EI benefits. When the projects expired on November 14, 1998, a new pilot project was introduced for a period of up to three years because more data and time were required to assess disincentives to accept small weeks of work. The new project is now in effect in the 29 regions that participated in the initial pilot projects, as well as in two other EI regions, namely Hull (Quebec) and Sudbury (Ontario). The new project only allows claimants to “exclude” small weeks in the calculation of the weekly benefit. Experience suggests that this method is easier to explain and understand, less costly to administer, and produces exactly the same benefits as the “bundling” method.

The analysis in this year’s report focuses on final data from the initial pilot projects and preliminary data from the new project. In regions that qualify for small weeks adjustment projects, a significant proportion of established claims included small weeks. Data from the initial projects indicate that between May 1997 and November 1998, 11.7% of all claims established in qualifying regions included small weeks. Preliminary data from the new project (from November 1998 to March 1999) indicate that proportionately about the same number of people made claims with small weeks.

Data from the initial projects also show that the majority of claims with small weeks (88%) came from Quebec and the Atlantic region. This outcome was expected, because projects are directed towards high unemployment regions. Quebec alone accounted for half of the claims with small weeks. This is because highly populated regions such as Montreal and Quebec City participated in the projects.

In the new pilot project, claims with small weeks constituted a relatively high percentage of all claims filed in the following areas: Yarmouth (19.1%); Eastern

Nova Scotia (19.0%); Trois-Rivières (18.1%); Prince Edward Island (17.4%); and Labrador (16.5%). Preliminary data from the new project indicates substantial increases in a number of regions. The largest increases were in Sherbrooke (Quebec) up 4.0 percentage points to 19.0%, Quebec up 2.2 percentage points to 17.2%, Southern Coastal B.C. up 2.7 percentage points to 8.1%; and St. John’s (Newfoundland), up 1.8 percentage points to 13.3%. The two new regions, Hull (Quebec) and Sudbury (Ontario), had take up rates of 6.0% and 7.1% respectively.

At the low end of the spectrum, claims with small weeks in the initial pilot projects constituted only 3.5% of all claims in Eastern Ontario, 3.0% in Yukon-Northwest Territories, and 1.5% in Northern Manitoba. In the extended projects, only Eastern Ontario exhibited a substantially higher percentage of claims with small weeks growing 1.4 percentage points to 4.9%.

Women filed 61% of all claims with small weeks during the initial pilot projects. They were almost twice as likely as men to file claims with small weeks. Claims with small weeks accounted for 17% of all EI claims made by women and about 8% for men. Data from the new project indicates that the gap between men and women has increased. In the new project such claims accounted for about 19% of all EI claims made by women and about 8% for men. The higher participation rate of women in the projects could reflect their greater likelihood of working in non-standard employment, as noted in Chapter 1.

Individuals in the 15 to 34 age group accounted for almost half the claims with small weeks (45%) in the initial pilot projects. In the new project, these individuals represent 46% of all small weeks claimants.

The average benefit level of participants in the initial pilot projects was \$209. This constitutes \$16 or 8% more than they would have received without the projects. In addition, 15% of participants qualified for the Family Supplement, and almost 72% of them were women. Data from the new project shows little change in these figures. An HRDC evaluation supports these findings and also indicates that there was a significant increase in the number of small weeks worked in response to the initial projects.⁸

In the initial projects, about 49% (82,732) of participants were subject to the intensity rule, because they had a history of frequent claims. However, only 42% (71,130) of the participants actually had their benefit rate reduced; the others were not affected because they qualified for the Family Supplement, and were exempt from the intensity rule. In the new project, about 53% (28,358) of small weeks claimants were subject to the intensity rule, but only 46% (24,768) actually had their benefits reduced.

In summary, the small weeks adjustment projects have enabled a significant number of workers to collect higher benefits and maintain a greater attachment to the labour market. Further analysis will be provided on the new project as additional data becomes available.

VIII. CONCLUSION

Total payments to EI beneficiaries increased by 1.5% to \$10.2 billion in 1998/99. Changes in total benefit payments reflect the number of individuals making claims, the number of weeks over which they collect benefits, and the weekly amount of benefits that they receive. In analyzing these factors, we found that the slight increase in total benefit payments is due mainly to the 1.9% increase in the average

weekly benefit level for all claims. The total number of claims remained virtually unchanged from the previous reporting year and the duration of benefit entitlement increased only very slightly.

With respect to regular benefits, we found slight declines in new claims (0.6%) and benefits paid increased (0.5%). These changes reflect overall improvements in the labour market over the past year and significant adjustments in some industrial sectors, particularly mining, gas and oil and certain seasonal industries.

With respect to special benefits, total payments increased by 4.5% and the number of claims established increased by 4.8%. There were also increases in average weekly benefits for all types of special benefit claims, possibly linked to increases in wages and top-ups under the Family Supplement. A significant increase (8.5%) in sickness claims was also noted. Since this follows a two-year period in which sickness claims declined by 1.8%, further investigation is needed to determine the significance of the recent increase.

Some elements of the reform appear to be having the intended effect. Results suggest that the divisor rule and entitlement under the hours-based system are encouraging individuals to increase their work effort and improving access to the system. In addition, the top-up provided by the Family Supplement is providing higher levels of benefits to a smaller but better targeted group of claimants. While the 1997 data does not yet display the full impact of the benefit repayment provisions in EI, the number of people who repaid benefits increased slightly (0.7%) in 1997 in comparison to 1996.

The final results from the small weeks adjustment projects have been quite positive. We found that the projects have enabled a significant number of workers to collect higher benefits and maintain a greater attachment to the workforce.

⁸ "An Evaluation of the Impact of the 1997-1998 Small Weeks Projects", HRDC, forthcoming.

Preliminary indications from the new project show that similar results can be expected as we move forward.

The impact of program changes on frequent users though is more difficult to evaluate. The intensity provisions, which were designed to discourage frequent use, affected 532,570 claims or 35.2% of all regular and fishing claims and reduced regular and fishing benefits by about \$86.3 million. This amounts to about \$8.55 a week per affected claimant. Despite the application of the intensity rule and a 5.7% decline in new frequent claims, this group received 42.9% of all regular and fishing benefits paid in 1998/99. Total benefit payments to frequent claimants was \$3.4 billion, virtually unchanged from the 1997/98 level.

Results for fishers are also difficult to evaluate. It was expected that the reform would help contribute to adjustment in the fishery and reduce the extent of reliance on EI fishing benefits. However, analysis indicates that there has been very little change in terms of number of new claims and total benefits paid since the EI changes were implemented. The analysis also indicates that a number of factors have contributed to maintaining fishing benefits at a relatively high level. Among these are the increase in multiple claims, the slightly longer duration spent on benefits and the relatively high levels of fishing revenues, since the reform. However, the most significant aspect of the reform affecting benefit levels is the apparent lowering of the eligibility requirement under the dollar-based system. The lower eligibility requirement seems to be encouraging new entrants into the fishery as evidenced by the increase in first time and occasional claimants.

Results also indicate that the provisions in the *EI Act* that allow beneficiaries to work while on claim or earn up to \$50 a week or 25% of weekly benefits (whichever is higher) do not seem to be having a

discernible impact. This indicates that other factors may have outweighed the impact of the \$50 floor. One of these factors may be the lack of awareness.

Chapter 3 — Employment Benefits and Support Measures

In this chapter we provide an update on the new partnerships with the provinces and territories under the Labour Market Development Agreements. We report on Part II Employment Benefits and Support Measures during their third year of operation. While this chapter examines the results of Employment Benefits and Support Measures from 1997/98 to 1998/99, we also compare this year's results with trends identified from last year's report.⁹

In what follows, we will look at:

- the progress made towards implementing the Labour Market Development Agreements;
- the phase-out of direct Training Purchases and implementation of Skills Development;
- the number of interventions, associated costs and clients served;
- the implementation of the results-based accountability framework; and
- findings of the first of the evaluations designed to report on implementation issues associated with delivery of the Employment Benefits and Support Measures.

We conclude with a discussion of the Transitional Jobs Fund and an introduction to the Canada Jobs Fund, introduced on April 1, 1999 to assist employers in creating sustainable jobs in high unemployment areas.

Much of the information presented in this chapter is national in scope. Regional variations are noted where appropriate. Such variations are to be expected given

different labour market circumstances across the country.

I. PARTNERSHIPS WITH PROVINCES AND TERRITORIES

The *Employment Insurance Act* commits the Government of Canada to work in co-operation with provinces and territories to put in place active labour market measures that would better help unemployed Canadians integrate into the labour market. These active measures are known as Employment Benefits and Support Measures (EBSMs). The Act also established a framework to ensure that key guidelines are respected in their administration. Guidelines include:

- a focus on results;
- evaluation of outcomes;
- promotion of co-operation and labour market partnership;
- local decision making;
- elimination of unnecessary overlap and duplication;
- encouraging personal responsibility for getting back to work; and
- ensuring service to the public in both official languages where there is significant demand.

While reference is made throughout this chapter to "EBSMs", the term also refers to provincial/territorial programs and services that, for reporting purposes, are categorized according to similar HRDC employment benefits and measures. These active labour market measures delivered by provinces and territories are part of a program framework that is supported under Part II of the *Employment Insurance Act*. Provincial and territorial active measures generally have different names and are subject to provincial flexibility in design and delivery. (Please refer to Annex 1.2. for a

⁹ Some comparisons are made to 1995/96 figures, however, it is important to note that there is a different program and eligibility framework in place today than existed in 1995/96 under the former *Unemployment Insurance Act*.

description of the specific Employment Benefits and Support Measures.)

1. The Agreements

In May 1996, the Government of Canada made an offer to all provinces and territories to develop federal-provincial-territorial partnerships to respond to the specific needs of unemployed Canadians in each province/territory and to the conditions of individual labour markets.

Following this offer, eleven Labour Market Development Agreements (LMDAs) have been concluded between the Government of Canada and the provinces and territories. In accordance with the 1996 proposal, Alberta, New Brunswick, Manitoba, Quebec, Saskatchewan and the Northwest Territories assumed responsibility for the design and delivery of active employment measures funded through the EI program. These transfer agreements also included functions of the National Employment Service that may differ from one agreement to the next.

The LMDAs were signed and implemented at different times, and implementation of the transfer agreements was gradual to allow the province/territory to adjust to the responsibilities assumed under the agreement. The agreements with Quebec, Saskatchewan and the Northwest Territories were implemented during the 1998/99 reporting period.

Newfoundland, Nova Scotia, British Columbia, Prince Edward Island, and the Yukon opted for a co-management approach. This means that the Government of Canada and each provincial/territorial government jointly assumed responsibility for the planning, design, and evaluation of active employment measures, while HRDC continues to deliver programs and services through its service delivery network. In Nova Scotia, the agreement is known as a framework for strategic partnership.

Since the co-management agreements were implemented upon signature, all were in place over the reporting period 1998/99. Joint federal-provincial-territorial management structures have been established and co-operation for the full range of labour market delivery strategies has been developed.

Discussions are underway regarding possible agreements with Ontario and the new territory of Nunavut. An amendment to the Northwest Territories agreement is also expected as the population of Nunavut is currently being served under the Northwest Territories agreement. British Columbia is in the process of negotiating a transfer agreement for the design and delivery of active employment measures. (Please refer to Annex 3.1 for an overview of the Labour Market Development Agreements.)

2. Evaluations of Labour Market Development Agreements

A joint federal-provincial process has been established in each province and territory¹⁰ to evaluate the programs and services delivered under the LMDAs. Most agreements require that designated officials establish a joint evaluation committee to support and oversee the EBSM evaluations. The joint committee involves representatives from the provinces/territories and HRDC (regions and NHQ). This year's report presents findings from the evaluations completed to date, as well as preliminary findings from those underway.¹¹

¹⁰ Under the terms of the Canada-Quebec Labour Market Implementation Agreement, Quebec is responsible for conducting its own evaluations of the EBSMs. Expert federal and provincial representatives provide input on target setting, the conduct of the evaluations, and the reporting of results.

¹¹ The timing of the evaluations has been highly dependent on the timing of the agreements. Evaluations are complete for provinces and territories with which agreements were reached by late 1996 or early 1997. In instances where agreements were not signed until 1998, evaluations are still in progress or have not yet

Evaluation data from seven jurisdictions is included: Alberta, British Columbia, New Brunswick, Newfoundland/Labrador, Nova Scotia, Ontario¹², and Quebec¹³.

Core evaluation studies were based on the EI guidelines established in the Act (not all issues are reported in this chapter). These early evaluations focus on design, delivery and implementation issues. Further evaluations will be conducted after the agreements have been in place for three years and will provide extensive information on impacts.

We discuss key evaluation issues in this chapter under the following broad themes: accountability and information; harmonization of programs and services; local flexibility; co-operation and partnerships; official language issues; and access to programs and services.

Accountability and Information

The information provided in the annexes reflects delivery of programs and services under both co-managed and full transfer agreements. We note that information has improved over last year; however, data integrity and data capture systems continue to present a challenge given the complexities and incompatibilities when exchanging data between provinces/territories and HRDC. These issues were

begun, but they are generally required at the end of the first year of implementation of the provincial programs and services supported under the agreement. In addition, although all of the LMDAs have evaluation as a term of agreement, the exact focus of each evaluation has been determined in consultation with provincial and territorial partners.

¹² A labour market development agreement between the Government of Ontario and the Government of Canada has not yet been concluded. As the *EI Act* calls for the monitoring and assessment of the EBSMs, an evaluation of the Ontario Region EBSMs has been conducted and is reported here.

¹³ Results for Quebec are based on qualitative data from Phase I of their evaluation.

raised in the evaluations and in the context of on-going federal/provincial/ territorial discussions.

Evaluation studies reported that, in general, day-to-day reporting of management information was problematic (for example, producing client and intervention activity reports). In some cases, local software was incapable of producing daily reports, and reports on results produced by National Headquarters were not sufficiently timely. The evaluations suggested that there is a need to clarify definitions and the use of results measures to obtain more detailed data, to enhance the connectivity between systems, and to improve the timeliness and accuracy of data entry and reporting. HRDC and provinces/ territories are working together to manage and resolve these issues.

Notwithstanding these challenges, the data outlined in the Annexes provide a reasonable picture of how employment programs and services are faring across the country. Caution is advised, however, if making comparisons across provinces/ territories due to variances in reporting, definitions, and completeness of data capture.

Harmonization of Programs and Services

Evaluation findings identified that there was little overlap between programs offered by the two orders of government. Most jurisdictions reported greater efficiencies and the creation of economies in the delivery of program and services. One co-managed jurisdiction noted that although federal and provincial governments continued to offer employment-related programs, there was no apparent overlap as the programs targeted either different clients or the same clients at different stages in the process of returning to work. On the other hand, some jurisdictions reported minor overlap, such as that among third-party service deliverers when too many providers served a common geographic area. Many

interviewees believed that these service delivery issues were temporary and would be resolved, as delivery agents became familiar with their new roles.

Local Flexibility

We note that the flexibility to tailor programs and services to local needs appears to be one of the main successes of the labour Market Development Agreements (LMDAs). Qualitative evidence from the evaluations consistently indicated that Employment Benefits and Support Measures (EBSMs) were sufficiently flexible to be adapted to local needs. EBSMs were viewed as broad in scope and flexible in interpretation, thereby allowing decisions to be tailored to the circumstances of the community. Some service delivery managers indicated that increased flexibility had translated into higher quality service and greater program relevance.

It was suggested, however, that a high level of local autonomy also presented drawbacks. For example, in some instances, local staff in several service delivery areas developed similar procedures. This led to some inefficiency that interviewees believed might have been reduced by more co-ordination and planning. Another price of flexibility appeared to have been a loss of consistency. Provincial governments working with more than one service delivery office needed to accommodate different priorities and ways of doing business.

Some interviewees suggested that greater co-ordination and exchange between local service delivery offices in terms of policy, procedures and “best practices” would facilitate decision making, promote consistency and bolster confidence among front line staff.

Co-operation and Partnerships

The evaluation data suggested that the LMDAs contributed to growing partnerships

between and within governments (departments/ministries), but that the process has demanded a large investment of time and energy. Strengths included a strong willingness to work together, and a common commitment to maintaining client service throughout the implementation process. In some cases, co-operation was judged to have facilitated the project review process, uncovered opportunities for efficiencies and economies, and enabled a broader client reach. Challenges arose primarily from confusion as to roles and responsibilities of the various players, poor communication, insufficient staffing levels, and a sense that too little time was allotted to planning and training. One evaluation concluded that co-ordination might have been greatly enhanced had there been a dedicated project manager at the provincial or regional level to oversee the LMDA implementation, trouble shoot, and promote communication.

Whereas the LMDA process may have provided an opportunity to strengthen inter-government partnerships, the evaluations indicated that links to the community and employers require strengthening. For the most part, community involvement in planning has been limited to third-party service providers. Partnerships with local employers also have been rare, and employers seldom have been brought into the consultation and decision-making loop. Again, this shortcoming has been attributed to insufficient time and attention to planning, “marketing” and communication. In the first year of implementation, staff have focussed on service to clients and co-ordination issues.

It should be noted, however, that there have been some examples of successful community capacity building. The local flexibility built in to EBSM delivery means that some local service delivery offices have been more successful than others in fostering community/employer partnerships. For example, where local offices strategically positioned community

partnerships in their planning process and actively pursued them, community groups responded enthusiastically. Partnerships also were reported to work well in smaller and rural communities where there was already a solid co-operative spirit, and where there was a commonality of interest among community members. Other key success factors included commitment of adequate financial resources, a history of community partnerships, strong relationships with regional development authorities, and clear objectives and realistic expectations on the part of partners.

II. PHASE-OUT OF DIRECT TRAINING PURCHASES

1. *The Phase-Out*

1999-2000 is the final year for the phase-out of the Training Purchases employment benefit. In keeping with the federal withdrawal from labour market training announced by the Prime Minister in November 1995, and reiterated in the Throne Speech of February 1996, the *Employment Insurance Act* required that direct Training Purchases be phased out by June 30, 1999. To manage the Phase-Out of Training Purchases activity over the phase-out period, agreements were signed with provincial/territorial governments. The new approach is to provide assistance for individuals to access training opportunities through the Skills Development employment benefit.

2. *Skills Development*

The Skills Development (SD) employment benefit, the new name for Skills Loans and Grants, directly helps insured participants to make their own arrangements for training, thereby obtaining skills for employment. Clients receive financial assistance towards their tuition and other costs.

Because tuition only represents a portion of the cost of training at public institutions, provinces/territories expressed concern that

the shortfall in comparison with the full costs that were paid for EI clients under Training Purchases would seriously reduce the capacity of public training institutions to serve clients. Accordingly, HRDC and provinces/territories worked together to modify Skills Development to ensure the ongoing capacity of public training institutions within the client-centred approach upon which SD is based. As a result, the design of SD was modified so that the province or territory would be reimbursed for the financial support that they provide to public training institutions, the difference between tuition collected and full course costs with respect to EI clients.

III. INTERVENTIONS

The Employment Benefits and Support Measures themselves can be divided into three main groups (long-term, short-term and other EBSMs) with significantly different characteristics. The Employment Benefits, which are long-term interventions, include Skills Development (formerly Skills, Loans and Grants and Enhanced Feepayer), Self-Employment, Targeted Wage Subsidies, and Job Creation Partnerships. The short-term interventions include Employment Assistance Services (EAS), Counselling, and Group Services.¹⁴ The other EBSM activities, such as Research and Innovations and Labour Market Partnerships, are not geared towards direct services to individual participants. These measures are aimed at testing new ways of helping people become productive participants in the labour force, and building national, provincial and local level capacity to deal with human resource requirements and labour force adjustments. EBSMs are also delivered under pan-Canadian activity but are reported separately in this chapter. To be eligible for these interventions, individuals must have a current EI claim or one that ended in the preceding three years or have had a maternity or parental claim

¹⁴ Counselling and Group Services may also be delivered under EAS through a third-party.

that began in the preceding five years (after which they left the labour market to care for children).

1. Long-Term Interventions

Long-term interventions are normally more than a few weeks in duration and involve financial assistance either to employers, third parties, or individuals to prepare clients for employment. Clients participating in long-term interventions generally face more severe labour market barriers. For example, in high unemployment areas, clients are more likely to require specific skills or new skills to compete for available jobs. Hence, there may be a greater reliance on training, a long-term intervention.

The optimum use of long-term interventions is dependent on labour market circumstances. For example, urban areas with relatively buoyant economies may be able to make more effective use of Targeted Wage Subsidies or the Self-Employment benefit. In rural areas with high unemployment, Job Creation Partnerships may be the most appropriate type of intervention for some clients.

The trend toward a declining percentage of long-term interventions is evident. These interventions accounted for only 41.5% of the total interventions in 1998/99 compared to 45.4% in 1995/96 (Please refer to Table 1 on page 35). Among the long-term interventions, Training Purchases remain the most frequently used employment benefit at 34% (89,802). However, as a percentage of long-term interventions, Training Purchases show a continued decline since 1995/96 when Training Purchases stood at 51%. Enhanced Feepayer¹⁵ was the next highest long-term interventions at 28% (74,606). Targeted

Wage Subsidies accounted for 12% (30,629) of long-term interventions, more than double the figure in the previous year. We attribute this rise to an increased emphasis on data capture methods required to record results specifically for this type of intervention.

2. Short-Term Interventions

Short-term interventions are generally limited in duration from a half day to a few weeks and provide counselling and information to help individuals get back to work. In contrast to clients accessing long-term interventions, those clients accessing short-term interventions, are for the most part, labour market ready given the types of jobs available.

A program delivery strategy involving short-term interventions such as Employment Assistance Services (EAS) and Group Services may be more appropriate in areas with relatively low unemployment where jobs are more readily available. Counselling, on the other hand, often precedes entry into training and therefore may be more commonly used in high unemployment areas, as noted under the section on long-term interventions.

Our analysis shows that short-term interventions accounted for 57.5% of the total interventions. Although up only slightly in terms of percentage points from the previous year, this represents a 54% increase since 1995/96. In 1998/99, EAS was used most frequently among short-term interventions, accounting for 53% (194,314) while Group Services accounted for 35% (128,613). EAS accounted for the increase in short-term interventions, more than doubling over last year's figures. However, Group Services and Counselling may also be delivered under EAS, therefore, the overall increase may have been distributed more evenly among the three types of interventions. The increase in short-term interventions also suggests program delivery strategies that are reflective of local

¹⁵ Enhanced Feepayer is considered an early form of the Skills Development employment benefit and refers to clients in receipt of Part I EI benefits and Part II.

labour market conditions as well as client needs and characteristics.

Most jurisdictions showed a clear preference for one type of short-term intervention over another. For example, in Ontario, Group Services accounted for 72% of short-term interventions while individual Counselling accounted for over 70% of short-term interventions in Newfoundland, New Brunswick and Saskatchewan.

3. Other Employment Benefits and Support Measures and Pan-Canadian Activities

Other EBSM and pan-Canadian activities make up the remaining interventions. These include interventions delivered under Regional Bilateral Agreements as well as interventions delivered under the Fisheries Restructuring and Adjustment program or its predecessor The Atlantic Groundfish Strategy (TAGS).

4. All Interventions

In total, during 1998/99, there were 640,788 EBSM interventions provided to individuals. This figure represents an increase of 33% in interventions compared to 1997/98, and 45% compared to 1995/96. Overall, the largest number of interventions was in Ontario with 208,036 interventions followed by Quebec at 125,869.

As expected, the mix between long- and short-term interventions across jurisdictions varies due to different client characteristics and local labour market conditions. Ontario, Alberta, Manitoba and British Columbia used short-term interventions most frequently, while

Newfoundland and New Brunswick used long-term interventions most frequently. Other jurisdictions also tended to use long-term interventions more frequently except in Nova Scotia where the two types were about equal.

| Interventions | UIDU 1995/96 # and % | EBSM 1997/98 # and % | EBSM 1998/99 # and % |
|--------------------------------|----------------------------|----------------------------|----------------------------|
| Total Long-Term Interventions | 200,613 (45.4%) | 217,759 (45.2%) | 266,090 (41.5%) |
| Total Short-Term Interventions | 238,923 (54.0%) | 257,732 (53.4%) | 368,304 (57.5%) |
| Other EBSM ¹⁷ | 2,567 (0.6%) | 6,568 (1.4%) | 6,394 (1.0%) |
| Total | 442,103 (100%) | 482,059 (100%) | 640,788 (100%) |

Source: Client Data Set
(For further details, see Annex 3.2.).

IV. TOTAL BUDGET AND EXPENDITURES

For 1998/99, \$2.5 billion was budgeted for the EBSMs. Of this amount, \$2.25 billion was for active measures under transferred and co-managed agreements and for Ontario. This included \$500 million in Part I income support for EI claimants participating in employment benefits. The remaining \$ 250 million is dedicated to pan-Canadian¹⁸ labour market activities administered by the Government of Canada that includes some activities administered through the Regional Bilateral Agreements¹⁹

¹⁶ Unemployment Insurance Developmental Uses.

¹⁷ Other EBSM includes Research & Innovations, Labour Market Boards, Labour Market Partnerships, LMDA Admin, EI adjustments and Pan-Canadian expenditures.

¹⁸ Pan-Canadian activities are described as those that are national or at least multi-jurisdictional in scope or purpose, or activities that respond to special labour market situations that extended to, or affected, the country as a whole, or a significant area of the country and that could be described as one of national importance.

¹⁹ Regional Bilateral Agreements involve signed agreements with Aboriginal organizations to assist their clients to prepare for, obtain and maintain employment. Under this arrangement,

for Aboriginal peoples and activities in support of youth employment.

During 1998/99, \$2.5 billion was spent on EBSMs as compared to 1997/98 and 1995/96 when \$2.1 billion and \$1.8 billion were spent, respectively. The \$2.5 billion total expenditures for 1998/99 included \$490 million in Part I income support benefits for EI claimants participating in the EBSMs, while Part II expenditures amounted to roughly \$2.0 billion.

About 67% of the total EBSM expenditures was spent on long-term interventions. We note that as a percentage of total expenditures, expenditures on long-term interventions show a continued decline since 1995/96 – corresponding to the same decline in the

percentage of long-term interventions mentioned above. On the other hand, in 1998/99, expenditures on short-term interventions accounted for approximately 12% of total expenditures - a 30% increase over the previous year and more than triple the expenditures since 1995/96. (Please refer to Table 2.) The continued rise in short-term intervention expenditures can be attributed directly to the increase in expenditures under EAS.

The remaining 21% of total expenditures under “Other”, went to Labour Market Agreement (LMA) administration costs or other EBSMs that included Research &

Innovations, Labour Market Boards, Labour Market Partnerships, and pan-Canadian expenditures. The increase over previous years is mostly attributed to the LMA administration expenditures and an increase of \$76.1 million in pan-Canadian expenditures since 1997/98.

Under Part II expenditures about \$163 million was spent regionally on Local Labour Market Partnerships. Another \$114 million in Part II was spent on administration costs for the transfer of LMDAs (Please refer to Annex 3.4). In addition, the pan-Canadian allocation delivered regionally accounted for \$167.2 million. Also, \$63.4, million was spent on Research and Innovations and Labour Market Partnerships at the national level (Please refer to Annex 3.5).

| Interventions | UIDU 1995/96 | EBSM 1997/98 | EBSM 1998/99 |
|--|---------------------------------|-----------------------|-----------------------|
| | Income Support/UI Chargeback | Part I and Part II | Part I and Part II |
| Total Long-Term Interventions | 1,704,574 (92.5%) | 1,564,805 (78.2%) | 1,679,255 (67.0%) |
| Total Short-Term Interventions | 80,669 (4.4%) | 237,932 (11.9%) | 310,528 (12.4%) |
| Other | 57,460 (3.1%) | 197,573* (9.9%) | 516,362 (20.6%) |
| Total | 1,842,703 (100.0%) | 2,000,310 (100.0%) | 2,506,145 (100.0%) |
| Source: Client Data Set and Corporate Management System (For further details, see Annexes 3.3, 3.4 & 3.5). * Does not include \$20.2 million LMDA capacity costs nor \$52.6 million National pan-Canadian costs. | | | |

Among the long-term interventions (Part I and II expenditures), approximately \$594 million (24%) was spent on Training Purchases followed by \$517 million (21%) on Enhanced Feepayer. Among the short-term interventions, no expenditures were recorded against either Group Services or Counselling since these are largely salary items recorded under departmental operating budgets. This has the effect of

Aboriginal organizations can design and deliver their own labour market programs.

under-estimating the costs for short-term interventions as a whole. We noted earlier that Counselling and Group Services are often delivered under Employment and Assistance Services (EAS) where the cost of administration is built into the EAS contract. It should also be noted that EAS often provides a platform for universal services made available to all the unemployed.

The shift towards short-term less costly interventions in 1997/98 has continued in 1998/99, which in turn has led to more clients being served. The shift is due to a number of factors, one of which, is the increase in the use of program funds to support employment services through the Employment Assistance Services. A second factor may be the removal of one-size-fits-all program design, allowing, for example, variable length for Self-Employment and individually negotiated assistance for income support to individuals who participated in interventions.

Expenditures for Job Creation Partnerships, Local Labour Market Partnerships, Training Purchase and Skills Loans and Grants reported in the Departmental Performance Report (DPR) are different than the expenditures reported in this section. The DPR is based on the best information available at the end of August and does not necessarily reflect year-end figures. In addition, expenditures in the DPR refer to Part II costs only.

V. COST PER INTERVENTION

Average costs for interventions are calculated in terms of both Part I and Part II expenditures. The average cost for long-term interventions was about \$6,300 in 1998/99 compared to \$7,200 in 1997/98 (Please refer to Annex 3.6). The continued decline in cost from 1995/96 may be attributed, in part, to local and provincial tailoring of programs to suit client and labour market needs. Average costs for short-term interventions are not discussed

in this section. Similarly, other non-client based programs such as Labour Market Partnerships are excluded from average cost calculations.

Among the long-term interventions, the highest average cost intervention was Self-Employment at \$11,775, due to the longer duration of the benefit. Targeted Wage Subsidies showed the lowest average cost at \$4,352. This could be due to a number of factors including the absence of Part I costs associated with Targeted Wage Subsidies, the shorter duration of the intervention or the amount of subsidy paid to the employer.

Comparing average costs across jurisdictions presents a challenge in an asymmetrical service delivery environment. In addition, average costs for Training Purchases and Enhanced Feepayer are not available in some jurisdictions due to coding differences between expenditures and participants. Expenditures and clients for both these interventions were combined as an attempt to reflect a more realistic average cost (Please refer to Annex 3.6).

We note in Annex 3.6 some average costs for the Northwest Territories and the Yukon may be skewed due to the low number of participants. Also, in order to reflect a meaningful average cost for Quebec interventions, the additional \$93 million spent by the province to complement the Government of Canada's contribution to assisting EI claimants is factored into the calculation.

VI. CLIENT PROFILE

1. General

EI clients are eligible for employment benefits and support measures. These insured clients include active claimants and former claimants who had a claim within the last three years (five years for maternity and parental claims). In addition, non-insured clients are eligible for services under the National Employment Service, including

Counselling and Employment Assistance Services.

Of the 501,633 clients served in 1998/99, active claimants made up over 66% (335,470). Former claimants made up roughly 15% (74,336) of the total number. In addition, 91,827 clients (18%) were non-insured clients.

Of the 409,806 EI clients served (active and former claimants), active claimants made up 82%, while former claimants made up 18%. We note that the participation of both active and former claimants, as a percentage of EI clients, remained roughly the same as the previous year. (Please refer to Annex 3.13).

In 1998/99, the highest percentage of clients served was workers aged 30 to 44 (41.8%). Overall clients were more likely to be men (58%), reflecting higher labour force participation rates for men. (Please refer to Annex 3.7). The client to intervention ratio was 1.28 interventions per client. When discussing participation rates of various groups, all interventions are counted as opposed to the number of individual clients.

2. Designated Groups

HRDC provides information on the participation in employment programs and services of the four designated groups – women, persons with disabilities, Aboriginal peoples, and visible minorities. This practice will continue as part of the reporting on the LMDAs. However, as information on designated groups is dependent on self-identification, some under-reporting will exist. Contributing to this problem in 1998/99 is incomplete data capture on clients. Overall, this results in general under-representation across the country.

Women

Our analysis shows that the overall participation rate of women in EBSM was 43%, up slightly from 42% in the previous two years. New Brunswick, Prince Edward Island, Quebec, Ontario and Manitoba show higher participation rates for women than the national average in 1998/99. The participation rate for women increased by almost seven percentage points in Job Creation Partnerships, and by two percentage points in Targeted Wage Subsidies. Overall, there appears to be an increase in women's participation in long-term training type interventions over the previous year. However, there was a slight decrease in women's participation in Self-Employment. (Please refer to Annex 3.8.)

In 1998/99, 501,633 clients were served under EBSM with women representing 211,224 (42.1%). Of that number, 135,571 (64.2%) were active claimants, 32,706 (15.5%) were former claimants and 42,947 (20.3%) were non-insured clients who participated in Employment Assistance Services or Counselling services. The eligibility criteria related to claimants who had a maternity or parental claim that began in the preceding five years resulted in 2,775 women accessing EBSMs.

Persons with Disabilities

We found that the participation rate for persons with disabilities decreased to 1.6% in 1998/1999 from 3.6% in 1997/98 and 2.0% in 1995/96. The decrease was consistent across the country except for Newfoundland where it rose from 4.38% in 1997/98 to 5.2% in 1998/99. Part of this decrease can be attributed to problems with past reporting practices, while some may also be attributed to a lack of self-identification.

Participation of persons with disabilities in short-term interventions decreased across the country from 3.4% in 1997/98 to 1.7% in 1998/99. Long-term interventions showed a

similar decrease, from 3.7% to 1.5% in the same period. The participation rate decreased across all interventions except Employment Assistance Services (EAS), which increased from 2.9% in 1997/98 to 5.7% in 1998/99. This increase is attributed to the increased use of EAS to contract with organizations representing disabled persons. (Please refer to Annex 3.9.)

Aboriginal peoples

The participation rate for Aboriginal peoples includes those served under Regional Bilateral Agreements (RBAs) and those who self-identify when served under regular EBSMs. The associated costs of \$82 million are part of the pan-Canadian allocation for RBAs. (Please refer to Annex 3.5.)

Our analysis indicated that the participation rate for Aboriginal peoples in employment programs and services remained at approximately 4% in 1998/99. Similar to the fluctuation in overall interventions, Aboriginal peoples participating in short-term interventions increased by less than a percentage point from last year whereas participation in long-term interventions decreased by just over one percentage point. Within the long-term interventions, the participation rates for Targeted Wage Subsidies, Self-Employment, Job Creation Partnerships, Enhanced Feepayer and Training Purchases all decreased slightly from the participation rates in 1997/98. In keeping with the phase-out of direct training purchases, Aboriginal peoples participating in Project Based Training decreased to 4.1% in 1998/99 from 13% in 1995/96 and 1997/98. Among the short-term interventions, Aboriginal peoples participating in Employment Assistance Services rose to 4.8% while individual Counselling indicates a 3.8% participation rate.

Overall, across the country participation rates for Aboriginal peoples in 1998/99 showed a decrease, except for Manitoba

where the participation rate rose to 12.8%. As an improvement to the 1998/99 report, the Northwest Territories and Yukon are reported separately. This resulted in higher Aboriginal peoples participation rates, 14.5% and 60% in the Yukon and Northwest Territories respectively (Please refer to Annex 3.10). The 1997/98 report combined data for British Columbia and the Yukon, and for Alberta and the Northwest Territories.

Visible Minorities

We saw that the participation of visible minorities in employment programs and services decreased slightly from about 4% in both 1995/96 and 1997/98 to 3% in 1998/99. The decrease in the participation rate was mostly consistent across the country with an approximate decrease of 1 percentage point in each province. Figures for the province of Quebec are unavailable as the province's system did not capture data for the participation of visible minority clients in 1998/99. Visible minority participation in long-term interventions decreased slightly from 3.3% in 1997/98 to 2.8% in 1998/99. Short-term interventions showed a larger decrease from 7.1% in 1997/98 to 3.0% in 1998/99. (Please refer to Annex 3.11.)

VII. ACCESS TO PROGRAMS AND SERVICES

1. Official Languages

As in previous reports, the use of official languages was examined in 1998/99 as part of the evaluation of EBSMs to determine access to services and levels of satisfaction concerning official languages. The evaluations used client surveys, focus groups, and document review to examine the extent to which services and program delivery were available to clients in their language of choice. Under co-management agreements, labour market programs and services continue to be offered by HRDC in compliance with the *Official Languages Act*.

Transfer agreements contain commitments by the provinces and territories to ensure that programs and services will be delivered in both official languages where there is sufficient demand.

Evaluations to date suggest that the demand for service in either official language has been met, and that all clients have been able to receive service in their language of choice. In some jurisdictions, however, demand for service in French has been very low (estimated at less than 2%). In one such low-demand situation, service delivery offices were still able to cost-effectively deliver services in French²⁰ by having one contractor provide French language services for all of the offices.

2. Other Client Access Issues

An important objective of the evaluations was to determine whether the programs and services delivered under the LMDAs are relevant to the needs of the individual client. Key informant and focus group data suggest that EBSMs have been highly relevant to the needs of the EI client group, and that the majority of active EI clients are being reached. In two jurisdictions, these findings were substantiated by participant survey data which indicated that 80 to 90% of participants reported no difficulty at all in accessing EBSMs.

The high level of access observed among the EI client group, however, presents only a partial picture of the level of EBSM access among the full population of clients served by local offices. Although the Act defines the client group for EBSMs (namely EI clients), one of the most consistent findings of the evaluations was a low level of service to non-EI clients.

²⁰ The second phase of the evaluation that will be done in Quebec will provide information on access to English language services in Quebec. These results will be reported in the 2000 report.

There was also a concern regarding the level of access to EBSMs in terms of balance within the eligible client group defined in the Act. It was believed that an overemphasis on short-term employment and savings results encouraged targeting of active EI claimants and those with a greater chance of labour market success.

The short-term success indicators are meant to provide a direction in terms of how quickly clients are finding employment. While these short-term success indicators are important, HRDC and all jurisdictions continue to stress the importance of a balanced client portfolio. To that end, a special project is underway to develop a methodology to determine the impact of interventions over time, and to provide managers with information that will support the achievement of a balanced portfolio.

VIII. EMPLOYMENT BENEFITS AND SUPPORT MEASURES RESULTS

We note that in the third year of EBSM implementation, progress continued toward implementing a results-based accountability framework. Key operational indicators to inform regions, provinces/territories, and partners of results achieved were reported on a quarterly basis.

Three success indicators identified in the Labour Market Development Agreements (LMDAs) are:

EI clients returning to employment: the number of insured participants (including current and former Part I claimants) who are working in paid employment and have received support through active programs;

Unpaid Part I benefits to EI claimants: the amount of unpaid benefits, based on the difference between the maximum entitlement to regular income benefits and the actual payout in such benefits;

EI claimants served: the number of current Part I claimants accessing EBSMs. In some agreements, this indicator is a minimum number that must be served; in others, it is a minimum percentage (normally 65%) of all claimants served under the agreement. The first of these indicators, returns to employment, assesses the full Part II activity structure for clients receiving documented interventions, from the half-day information sessions to the longer-term training and self-employment benefits. The second indicator reveals potential unpaid benefits that result from Part I claimants getting back to work before the end of their benefit period.

As specified in the Labour Market Development Agreements (LMDAs), the estimates for the targets are based on the results achieved in the previous year and the amount of funding for the benefits and measures for the coming year. The target setting exercise has the flexibility to allow for changes in labour market conditions and program design and delivery. Target setting is part of an annual bilateral process between HRDC and the provinces and territories. (Please refer to Annex 3.12 for details of 1998/99 targets and results by province and territory.)

In 1998/99, our records show that 267,108 EI clients returned to work, which represents a 46% increase over last year. The results for Group Services clients are tracked separately. These results include clients who are active claimants only and who participated in a group session where the content was geared toward getting claimants back to work quickly. Of the total returns to work, Group Services accounted for 74,810 (28.0%) compared to 26,798 (15%) in 1997/98.

Apprentices are also tracked separately for results purposes. In 1998/99, returns to work for apprentices accounted for 21,487 (8.0%) of total returns, compared to 22,312 in 1997/98. As a result of Employment Benefits and Support Measures (EBSMs)

administered through RBAs, 2,680 Aboriginal clients returned to employment, an increase of 1,180 clients over 1997/98.

Unpaid benefits reported in 1998/99 totalled \$917.55 million, a 36% increase over the previous year. Unpaid benefits achieved as a result of a Group Services account for \$432.46 million or 47% of the total unpaid benefits, compared to \$176.32 million (26%) in 1997/98.

In 1998/99, \$165.95 million in unpaid benefits were attributed to clients in apprenticeship programs, compared to \$166.5 million in 1997/98. Unpaid benefits achieved through RBAs decreased from \$6.4 million in 1997/98 to approximately \$5.5 million in 1998/99.

Results in any one jurisdiction must be considered in terms of the mix of programs and services offered to clients, the needs of the client population, and the labour market characteristics. For some types of interventions, expenditures in one year do not produce results until the following year; therefore, current year results cannot be directly related to current year expenditures. On the other hand, some jurisdictions show very high results due to utilizing a planning strategy that increases initial service to clients through community partners, including the expanded use of Group Services. By definition, these short-term interventions have the ability to serve many clients and produce higher results in a given year.

The “EI claimants served” indicator is meant to indicate the degree of access for active EI claimants to active measures. Targets are set in the annual LMDA annexes for each fiscal year as mentioned above. The number of EI claimants who access provincial benefits and measures is expressed in the annexes as an actual number or as a percentage of EI claimants served under the agreement. Variations exist in the definition of this indicator from agreement to agreement. Overall, the

administrative data show that 81.9% of the 409,806 EI clients served were active claimants and 18.1% were former claimants. Although some under-reporting of former claimants may be involved, service to active claimants continues to be a priority. Please refer to Annex 3.13 for a report on EI claimants served by province/territory.

In general, the success indicators show that more clients are being reached and are participating in EBSMs. Corresponding to the increase in participation is a significant achievement of results over last year, particularly in clients returning to employment.

1. Labour Market Information Services – Results

HRDC has developed several information products that are made available to all Canadians, especially those in receipt of EI benefits. These products, and those developed by certain provinces, acting alone or in collaboration, offer information about specific jobs needing to be filled in local labour markets, general analysis of job trends, career information, job search techniques, etc.

The success indicator, Overall Usefulness, is based on a rating of usefulness in four result categories reported by clients who used the products. These result categories are: usefulness in searching for work, usefulness in finding work, usefulness for helping to make career related decisions, and help in making the decision to return to school or take further training. The measures are obtained through random sample client surveys including: clients on EI benefits, general Canadians who were looking for work but were not in receipt of EI benefits, and the population in receipt of Social Assistance. For 1998/99, 72% of respondents indicated that one or more of the information services was useful.

This is the first year where the index was used to measure the success of Labour Market Information Services (LMIS) from the perspective of worker clients. Past measurement focused exclusively on help in finding or searching for work. Further, this year the measurement approach was improved by instituting a five-point scale in the question response categories. These changes make it difficult to compare to previous year results.

IX. TRANSITIONAL JOBS FUND

The Transitional Jobs Fund (TJF) was implemented on July 1, 1996 as a temporary program to facilitate the adjustment to the new EI program in areas of the country that had a high unemployment rate. Many of these areas had large numbers of people with seasonal jobs who had come to rely on UI for income support. TJF fostered the creation of incremental and sustainable employment in these high unemployment areas. The program, which had a budget of \$300 million from the Consolidated Revenue Fund, ended on March 31, 1999.

We note that over the life of the program, approximately 1,080 projects were approved resulting in the creation of more than 30,000 new jobs across Canada. In addition, based on the Phase 1 Evaluation of the program, TJF was successful in its objective to partner with others including the private sector and regional economic development agencies. For every TJF dollar spent, over \$9 was contributed by the other community partners. The jobs created were in many sectors of the economy such as manufacturing (43%), forestry and agriculture (14%), sales, service and tourism (14%), and technology (7%).

A Phase II evaluation will be initiated later this year. It will address the following elements: the long-term impact of job creation on individuals, their families and their communities; the sustainability of the jobs and businesses; the community

development that has occurred as a result of the program; and the cost-benefit of the program.

X. CANADA JOBS FUND

Although the national unemployment level has been reduced since 1996, certain regions of the country still have not fully benefited from the economic recovery. The Canada Jobs Fund (CJF) was therefore introduced on April 1, 1999 as a permanent program. With an annual budget of \$110 million from the Consolidated Revenue Fund, CJF targets regions with an unemployment rate of 10% or greater and areas with systemic, prolonged and significantly high unemployment and works with various partners to assist communities to become self-reliant.

The Canada Jobs Fund represents an ongoing commitment by the Government of Canada to work in partnership with the provinces and territories, the private sector and community partners to create lasting jobs in areas of high unemployment. A formal Memorandum of Understanding with Industry Canada, the Department of Indian and Northern Development and regional economic development agencies has been signed to ensure effective co-ordination and assessment of CJF project proposals as well as strategic planning.

National operational guidelines and monitoring tools have been developed to assist program officials in the effective delivery of the Canada Jobs Fund. Also, an evaluation strategy has been put in place and the accountability framework is being strengthened. This information will be available in next year's report.

XI. CONCLUSION

We conclude that further progress has been made in concluding and implementing the Labour Market Development Agreements (LMDAs). As evidenced in the evaluations, the flexibility to tailor programs and services

to local needs appears to be one of the major successes of the LMDAs. Early evaluations suggest that growing partnerships between governments have resulted in successful harmonization of federal and provincial programs.

Clients are participating in more EBSMs and overall more clients are being served. Overall the proportion of long-term interventions is continuing to decline, however, the use of Targeted Wage Subsidies doubled in 1998/99. Short-term interventions increased to 57.6% of all interventions in 1998/99, contributing to the increase in clients served. The shift in expenditures to short-term interventions under Employment Assistance Services has resulted in lower average costs per intervention.

For 1998/99, we indicate that 267,108 EI clients returned to work, a 46% increase over last year. Unpaid benefits totalled \$917.55 million, a 36% increase over last year. Results from Group Sessions also increased over the previous year, representing 28% of returns to work and 47% of unpaid benefits in 1998/99. Improvements in data capture contribute somewhat to the overall increase in results data.

Training Purchases have been phased out and Skills Development employment benefit has been successfully implemented.

The Transitional Jobs Fund program ended on March 31, 1999. Over the life of the program, more than 30,000 new jobs were created across Canada. TJF was also successful in creating partnerships with others including the private sector and regional economic development agencies. Under the new Canada Jobs Fund, the creation of more sustainable jobs will continue.

Chapter 4 — Community Adjustment

I. INTRODUCTION

This chapter presents the findings of the 1999 round of the ongoing Employment Insurance (EI) research known as *Tracking the Future: A Community Perspective*. Community Perspective focuses on the monitoring and assessment of the reported adjustment to the implementation and operation of the Employment Insurance (EI) on 14 selected communities across Canada.

Both qualitative and quantitative methods are used in this research. The qualitative methods draw on interviews with community leaders,²¹ plus focus group sessions with EI recipients and non-EI recipients, employers, and service delivery workers in each community. The quantitative methods rely on HRDC and Statistics Canada data. The HRDC data in this chapter comes from a special set of administrative data from the 14 communities. As such, the results may differ from those provided in Chapter 2 because the data in that chapter is derived from Canada as a whole. Results from both qualitative and quantitative analysis provide an account of adjustment to EI within the 14 communities over time.

The 1999 Community Perspective focus group sessions were conducted from May to July 1999. Focus groups are an important part of *Tracking the Future* because they provide an excellent forum where groups and individuals can express their different perceptions and experiences. In the case of EI, this type of information can help to provide a picture of how people in selected groups and communities feel about EI, its

delivery and effectiveness. Qualitative methods are also important to the identification of relationships that are difficult to determine using other methods of analysis.

Where appropriate, the results of the 1999 Community Perspective are compared with the results of the 1998 round.²² The most significant change in the analysis is that the 1999 Community Perspective added a set of focus groups consisting of unemployed individuals who had not received EI. It also took a closer look at the building of local level capacities to meet internal and externally imposed adjustments.

II. OVERVIEW OF THE 14 COMMUNITIES

The 14 communities that are the subject of this research were selected to represent a broad spectrum of communities across Canada. Two general selection criteria were used: (1) there had to be at least one community from each province; and (2) there had to be sufficient variation among communities in terms of geography, type (urban/rural), level of unemployment, use of both official languages, and work patterns (seasonal/non-seasonal).

The 14 selected communities are:

- Clarenville, Newfoundland
- Prince Edward Island
- Truro, Nova Scotia
- Miramichi, New Brunswick
- Repentigny, Quebec
- Montreal Centre East, Quebec
- Toronto Centre, Ontario

²¹ Examples include HRCC managers and representatives from local economic development agencies, chambers of commerce, social service organizations, community colleges or training institutions.

²² The results of the 1998 round of Community Perspective were summarized in the 1998 Monitoring and Assessment Report.

- Hamilton, Ontario
- St. Boniface, Manitoba
- Prince Albert, Saskatchewan
- Calgary, Alberta
- Kelowna, British Columbia
- Surrey, British Columbia
- Yellowknife, Northwest Territories.

III. 1999 COMMUNITY PERSPECTIVE RESULTS

1. *Knowledge and Understanding of EI*

An important development since the 1998 Community Perspective was the improved understanding of the calculation of Employment Insurance (EI) benefits. For example, seasonal workers in the Atlantic region communities are becoming increasingly aware that the minimum divisor and the number of weeks they worked in the last 26 weeks were used to calculate their benefit levels. They also understood that working fewer weeks than the minimum divisor would negatively affect their weekly benefit levels. If this were the case, one would expect the proportion of claims based on the minimum and minimum plus one insured weeks to diminish after the implementation of the EI reforms. Indeed, this was the case. According to aggregate administrative data for the 14 communities, only 3.3% of EI claims with regular benefits that were established in 1997/98 (and 3.5% of those established in 1998/99) were based on the minimum and minimum plus one insured weeks. This represents a substantial decrease from the corresponding figure of 6.6% in 1996/97.

Also, in the 1999 Community Perspective there was an increased awareness of EI overpayments. Some people who participated in the focus groups said that they had received letters about discrepancies in reported earnings, and that they had been subject to penalties for misrepresenting their earnings. They said that even small errors could trigger an action from EI Investigation and Control.

As a result, in situations where they did not have exact figures, some claimants felt that they could not provide close approximations of their earnings without running the risk of being penalized. These persons believed that such situations acted as a disincentive to work while on claim.

2. *Access to Information on EI Benefits*

There was no reported change in participants' ability to access information about EI. They continued to obtain information through pamphlets, brochures, etc. Members of focus groups noted that they had little personal contact with staff at the HRCC, and that they would like to have more personalized services. For some participants, obtaining consistent information on EI continued to be a concern. In this regard, at least half of HRDC staff felt that while better information about EI was being provided within the HRCC, co-ordination with provincial information services could be improved.

3. *Qualification and Entrance Requirements for EI*

At least two-thirds of participants in the focus groups for non-EI recipients did not have the necessary hours to qualify for benefits. The majority tended to be youth and women. Participants felt that, with EI entrance requirements, it was increasingly difficult for new entrants/re-entrants to qualify for EI benefits.

Analysis of the aggregated administrative data from the 14 communities on Records of Employment (ROEs) with no associated claims shows that of all these ROEs issued in fiscal 1998/99, 57.7% did not have enough hours to qualify for EI. This figure is up about 6% over 1997/98 and 1.5% over 1996/97 (when the EI reforms were implemented).

Furthermore, participants felt strongly that the extent to which the hours-based system

is perceived as being fairer than the previous system depends on the type of job and industry in which a person is employed. As noted in the 1998 Community Perspective, workers in seasonal industries such as construction, mining and agriculture indicated that it was easier for them to qualify for benefits under the new system. However, part-time workers in the education, retail and service sectors felt that it was more difficult for them to qualify for EI.

HRDC staff indicated that an increasing number of people appeared to be quitting their jobs for reasons of stress or illness and were in receipt of sickness benefits. There was also the perception that people who voluntarily quit their job and did not qualify for regular benefits were able to receive sickness benefits. Analysis of the aggregated administrative data from the 14 communities indicates that the proportion of claims commencing with sickness benefits increased about 10% between 1997/98 and 1998/99. This increase is consistent with the results reported in the Special Benefits section of Chapter 2.

4. EI Benefit Levels

Many focus group participants said that their weekly benefit levels were lower under EI. In contrast, administrative HRDC data indicates that the average weekly benefits rose (slightly) from 1994 to 1998 in the majority of the 14 communities. There could be several sources for this discrepancy. For example, one possible explanation is that claimants who face a higher cost of living may erroneously attribute their diminishing buying power to lower benefits. Another possible explanation is that the higher average benefits may be the result of a reduction from UI to EI (due to changes in rules governing eligibility) in the proportion of persons with lower benefits levels.

As noted in the 1998 Community Perspective, under EI provisions such as

the lower maximum weekly benefit and the clawback, high-income workers were less likely to collect benefits continuously when they did not really need them. In addition, workers who wanted to change their jobs for better employment conditions were reluctant to quit their current jobs before finding new ones. By continuing to work, they could reduce two risks: (1) exhausting their eventual EI benefits when they really needed to have the benefits; and (2) failing to find more satisfactory employment after having quit their current jobs. Some employers in the Atlantic region reported that seasonal workers were asking to be laid off just before work slowed down, so that their EI benefit rate calculations would yield a higher benefit level.

5. Length of Claim and EI Entitlement Weeks

In these 14 communities, HRDC staff stated that claimants were likely to find work earlier in their claim, and the claimants themselves said that the length of their claim was adequate. At the same time, quantitative analysis suggests that people in Atlantic communities were staying on claim for more of their entitlement period than their counterparts in the other communities.

The aggregated administrative data from the 14 communities shows that the duration of entitlement for EI claims with regular benefits that were established in 1998/99 was 33.6 weeks, and that it remained reasonably unchanged from 33.4 weeks in 1997/98 and 33.1 weeks in 1996/97. The number of weeks of benefits was not available for 1998/99 but had been fairly stable at 22.8 for claims established in 1997/98 and 23.1 weeks for those established in 1996/97.

6. Working While on Claim and EI Work Credits

Many participants in the focus groups had limited knowledge of the positive effect that working while on claim could have on their

claim history. As was the case in the 1998 Community Perspective, the current Community Perspective found that many people would only work while on claim if they could earn more than they received while on EI. This resulted in many focus group participants indicating that they were reluctant to accept part-time jobs.

Quantitative analysis did not reveal trends that would support this observation. Thus, while final 1998/99 data is not available, the aggregated administrative data from the 14 communities shows that a relatively constant proportion of EI claims with regular benefits had a reduction in benefits due to work-while-on-claim. For claims established in 1997/98, this figure was 6.8%, slightly up by less than 1% from 1996/97.

While penalties associated with overpayments have made participants more conscientious about what they reported when they worked while on claim, participants who received overpayments and/or penalties tended to be less willing to work while on claim as a result of their experience, or felt discouraged from declaring earnings altogether.

7. Worker and Employer Behaviour

During the 1999 Community Perspective focus group sessions, some participants reported that their behaviour changed as a result of the changes brought about by EI. For example, seasonal workers in the Atlantic region were increasingly aware of the effect of the minimum divisor when calculating their benefit level. Consequently, to positively affect the amount of EI benefits they received, they recognized the need to work more hours in the last 26 weeks of their employment.

There were also comments regarding the positive impact of EI reforms on the attitudes of youth towards work. Focus group participants thought they had more new incentives to find jobs than to rely solely on EI. People in at least half of the

focus groups said that there is a greater incentive for youth to find jobs under EI.

As was the case during the 1998 Community Perspective, few employers in this round reported changing their employment behaviour as a result of the change to an hours-based system. Information gathered throughout the focus groups points to the conclusion that there were other variables that were driving employment behaviour. These include other employer premiums and the general labour market conditions faced by employers.

Overall, it is important to note that many focus group participants stated that work behaviour was more a function of the economy and the labour market than of EI reforms. For example, due to the seasonal nature of their economy, seasonal workers in the Atlantic region continued to report that they could not change their work patterns in order to benefit from EI reforms that might apply in other lines of work.

8. Financial Effects and the Interaction Between EI and Social Assistance

The majority of workers reported that they relied on a variety of alternatives to cope financially while they were unemployed. These included: savings, credits cards, bank loans, spouse's income, and RRSPs. For some, the alternatives included living at home with parents for a longer period.²³ Focus group participants did not report an increased use of social assistance as a source of financial support. In most communities, it was also reported that tighter eligibility criteria for social assistance

²³ Research based on COEP data indicated that only 12% of the unemployed experienced a drop in household consumer spending one year following job loss. This could indicate that workers used other resources such as the ones listed here. See "To What Extent is Spending Reduced as a Result of Unemployment", Strategic Evaluation and Monitoring, Evaluation and Data Development, HRDC.

were making it more difficult for people to receive assistance.

9. Record of Employment

The new Record of Employment (ROE) form requires employers to report the total insurable hours worked by employees. Employers indicated that they were receiving calls from the local HRCC to reconcile discrepancies between the ROEs they issued and information reported by claimants.

While many employers found the new approach much simpler than that of the UI system, those who employed workers with gaps in employment (i.e. with periods of no insurable earnings) continued to report an increase in the administrative burden associated with EI due to the hours-based system. For those people with even one period with no insurable earning (i.e. one gap), employers had to complete a separate chart that would break down the insurable earnings by pay period. Employers had to complete a ROE form for almost all of their employees, including many who had gaps, thereby increasing the total time spent completing forms.

10. Abuse and Misuse of EI by Workers and Employers

There was a growing awareness among workers and employers of the severity of penalties under the EI system. The increased awareness of the activities of HRDC's Investigation and Control Branch was reducing the tendency of workers and employers to use the EI system fraudulently. Working "under the table", however, was perceived as being more prevalent than was reported during the 1998 Community Perspective. This was attributed to prevailing local economic conditions and to policies with respect to undeclared earnings, which have since been reviewed and changed as reported in Chapter 5.

11. Access to and Use of Community Resources

Despite enhanced marketing and promotional initiatives since the 1998 Community Perspective, there continued to be a sense that workers were confused about what services were available and how to access them. The transfer or co-management of Employment Benefits and Support Measures (EBSM) through Labour Market Development Agreements with the provinces/territories, coupled with the delegation of the delivery of many programs and services to third-party providers, contributed to the confusion reported by many people.

HRDC staff and community representatives indicated that there were sufficient resources in the communities. However, HRDC staff in communities where EBSM had been transferred to provinces and territories said that they found it difficult to evaluate the effectiveness of programs and services. They also felt that there was less accountability in co-management agreements because of the increased number of stakeholders.

The programs and services with which workers and employers were most familiar included: training, self-employment assistance, wage subsidies, and job search services. Training was seen as an important means to help workers with few or no skills to become more employable. In communities with few employment opportunities, however, it was felt that it is not useful to train workers for jobs that did not exist.

Focus group participants in the 1999 Community Perspective thought that self-employment assistance programs were effective as means to help workers become self-employed. However, many participants indicated that self-employment assistance programs involve too much financial risk. The east/west split noted in the 1997 Community Perspective (i.e., less support in

the Western Canadian communities for the Self-Employment programs) was not apparent in this round.

The wage subsidy programs were viewed as being effective programs in helping youth to get work experience. These programs, however, were not considered an ideal solution in the case of older workers who did not want to take an entry-level position.

In the 1999 Community Perspective, it was felt that there were relatively sufficient resources for youth. This is an improvement in comparison to the 1998 Community Perspective, where HRDC staff and community representatives indicated that there were gaps in services for youth. However, the needs of older workers were becoming a greater concern. This was because it is very challenging for older workers to find jobs that match their previous levels and salaries.

12. Partnerships

Partnerships were seen as crucial in addressing communities' needs, especially since the role of government in delivering and funding programs and services has changed. Downsizing and funding cutbacks, coupled with a desire to make communities responsible for identifying and addressing their specific needs, resulted in the formation of an increased number of effective partnerships among governments and community organizations.

While many HRDC staff and community representatives agreed that these partnerships reduced duplication of services and addressed gaps in resources, as indicated below, they also believed that there was "still room for improvement".

13. Local Level Capacity Building

During the interviews for the 1999 Community Perspective, community representatives and HRCC staff considered

community capacity building to be activities involving the development of:

- community abilities to build and share knowledge, expertise and infrastructure among their members;
- local mechanisms for communities to identify and meet their economic and social challenges;
- capacity to sustain, maintain and enhance communities' self-sufficiency; and
- development of communities' ability to look into the future and take charge of their own destiny.

HRDC staff and community representatives felt that their communities had the capacity to meet their requirements, but that there was a need for better co-ordination to ensure that human and financial resources were being fully and effectively utilized.

In the Atlantic region and northern communities, there was a feeling that community leaders were overworked. Community representatives were concerned about "burn out" among community workers and volunteers and the loss of some of their most valuable people. In contrast, there was a concern in other communities about not having enough new and fresh ideas, because the key players tended to be the same organizations and people over time.

In about half of the communities, HRDC staff and community representatives said that there needed to be more dedicated financial resources to nurture and expand community partnerships that build on existing local capacity. There was still a concern that local organizations were "competing" for funds to address their own agendas, and a co-ordinated approach was required to foster capacity building at the local level. In addition, representatives from some communities continued to consider government funding an important ingredient for meeting their community's needs. Some community leaders said that they needed to change to a local, more results-driven

approach with outside help in addressing their community's needs.

Some focus group participants felt that local level capacities were not being utilized effectively. In particular, they explained that people did not have the financial resources required to access many of the programs and services available. Moreover, they also maintained that there was not enough knowledge about what was available. They also felt that there was a need for a better awareness and co-ordination of community resources so that gaps could be identified and addressed. It was understood that a transfer of knowledge was taking place from the HRCCs to the community. Thus, services and programs could become more effective once this transfer is complete.

Community representatives and HRDC staff agreed that HRDC should be playing a leading role in helping and supporting communities to build local capacities. In particular, HRDC should be the “catalyst”, “facilitator”, and “co-ordinator” that would bring the partners to the table. In addition, it was felt that HRDC should be involved at the “idea” stage because of its experience and expertise.

IV. CONCLUDING OBSERVATIONS

The 1999 Community Perspective found that participants had acquired a better understanding of the calculation of EI benefits. For example, seasonal workers in Atlantic communities were more aware of the effect of the divisor rule and the benefits of working more hours in the last 26 weeks of their employment. However, participants had limited knowledge of the positive effects of working while on claim.

Focus group participants stated that work behaviour was more a function of the economy and labour market conditions than of the EI reforms. However, the 1999 Community Perspective reported some additional evidence of behavioural changes such as seasonal workers' efforts to adjust

their work patterns in order to access high benefits. Some people were also keeping their claim open, but did not claim EI benefits while working. This was in order to delay the use of their entitlements.

The 1999 Community Perspective found some positive developments in the case of youth. There was a general feeling that EI reforms were having a positive effect on the attitudes and work behaviour of youth. Also, in contrast with the 1998 Community Perspective, the 1999 version found that there appeared to be sufficient resources for youth in the majority of communities.

Regarding the building of local capacities, in the 1999 Community Perspective most participating community leaders felt that their community had the capacity to address their needs locally. However, a number of areas were identified for improvement (e.g. better co-ordination, increased awareness of what is available, and the identification of gaps in services and resources). Community representatives and HRDC staff agreed that HRDC should support the building of local capacities by continuing to be involved in the “ideas” stage and by being the “catalyst”, “facilitator” and “co-ordinator” who brings partners to the table.

This chapter reports on measures introduced with EI reform to standardize and ease program administration. Changes made in the areas of financing structure and efforts to provide high quality services to Canadians were examined. The chapter identifies a number of steps taken to ensure effective administration of the *EI Act* and to promote friendly and informative service to Canadians.

I. FINANCING STRUCTURE

1. *First Dollar Coverage*

In 1997, EI reform brought in a new method for calculating premiums. Under the new structure, employers and employees pay premiums on all earnings from the first dollar onward, up to an annual maximum of \$39,000. This system is considered more equitable and also easier for employers to administer than the previous one, which used a weekly minimum and maximum for calculating insurable earnings.

The removal of the weekly minimum as a criterion for eligibility had the effect of bringing workers with low incomes into the system. The annual Maximum Insurable Earnings equalized the contributions of workers with similar annual earnings but different work patterns (e.g. seasonal workers). An evaluation by Peter Kuhn indicates that the extension of coverage to those working less than 15 hours resulted in a small 1% increase in contributions to the EI Account, but a larger (2.3%) benefits pay out per job separation (refer to Annex 2.18).

With existing data, it is difficult to isolate the effect of EI reform (from other factors influencing the labour market) on the number of EI contributors and the amount of EI contribution. However, we can assume that individuals who did not contribute in 1996 and had earnings under \$7,800 (old

weekly minimum of \$150 multiplied by 52 weeks) would be most affected by first dollar coverage. For example, individuals with employment earnings greater than \$7,800 likely had at least one week of insured earnings. In 1996, the number of individuals with uninsured earnings less than \$7,800 totalled approximately 618,000. This figure gives an estimate of the number of individuals potentially now contributing to EI in 1997. Under the old system, these individuals were not covered. Furthermore, since 1997, individuals with \$2,000 or less of insured earnings that contribute to EI are now eligible for a full refund of their premiums. (For further information see Section 2 below.)

The removal of the weekly maximum contribution level would most impact individuals with higher weekly earnings. Under the new system these individuals would have to contribute on every dollar earned up to an annual maximum of \$39,000. Initial estimates indicate that between 1996 and 1997 there were noticeable increases in the contribution levels for those earning above \$30,000 within industries characteristically composed of high weekly earners – Construction and Logging & Forestry in particular.

2. *Premium Refunds*

In order to reduce the impact which first dollar coverage would have on low-income earners, individuals with \$2,000 or less of insured earnings were to have their premiums refunded under the EI program. In line with our original estimate, over one million individuals were eligible to receive the refund. However, approximately 40% of these individuals did not file a personal income tax return and consequently did not have their premiums reimbursed. As a result, 693,950 individuals received a

premium refund in 1997. These individuals were refunded over \$20 million. Of those receiving the refund, 59% were women and nearly 42% were under the age of 25. Retail Trade, Accommodation, Food & Beverage Service, and Other Service Industries, typically composed of part-time earners, accounted for 43% of the refund. Almost two thirds of people receiving premium refunds in this sector were women and about half were under the age of 25.

3. *New Hires and Federal Youth Hires Programs*

The New Hires Program provided transitional relief to small firms facing an increase in EI premiums in 1997 and 1998. Under the program, small businesses with employer premiums up to \$60,000 in 1996 could be eligible to receive up to \$10,000 of assistance in each of the two years. Firms could receive a 100% refund in 1997 and a 25% refund in 1998 on any total increase in premiums above \$250 compared to what they paid in 1996.

Firms expected to benefit from the program included those who hired new employees and those with part-time employees who paid EI premiums for the first time as a result of moving to first dollar coverage.

Under the New Hires Program, eligible firms have up to three years, from the program's inception, to claim their refunds. For this reason, the monitoring process is ongoing and the information concerning 1997 and 1998 refunds will not be final until 2000 and 2001, respectively.

Revised data from 1997 tax returns reveals that during 1998, 30,000 new firms filed for the refund. The 1997 tax files now indicate that for the first year of the program approximately \$260 million of EI premiums have been refunded to 166,000 small businesses. Revenue Canada estimates that approximately 336,000 employers are eligible for a premium refund and that the number of applications could rise to

between 180,000 and 200,000 – a possible take-up rate of close to 60%. While the projected take-up rate has improved from around 50%, last reporting year, to 60% this year, there are still improvements to be made in increasing awareness of the program.

While data for 1998 is even more preliminary, the current value of employer refunds is about \$75 million involving some 125,000 employers. This compares to an original expectation that the cost in the second year would be \$115 million, but this is again subject to employers submitting claims within three years. (For a summary of the New Hires Program and Federal Youth Hires Program, refer to Annex 5.1.)

In 1999, a new program entitled Federal Youth Hires began. The new program provides EI premium relief for employers who expand their youth payroll in 1999 and 2000. All employers, (not just small businesses) who expand the employment of youth aged between 18 to 24 years old, either by creating new jobs or by giving more work to their current young workers, are now entitled to receive some premium relief. Under the program, the total EI premiums employers pay for youth will be no more than they paid in 1998. Therefore, the amount of the premium relief will depend on the increase in insurable earnings for the target group compared to the 1998 base year, multiplied by the employer premium rate. There will be no maximum premium relief amount.

Anticipated refunds under this program were estimated at \$100 million for each year, but once again the exact amount will depend on the number of young people actually employed by firms and on their earnings. Based on lessons learned from the New Hires Program, a decision was made to adopt a proactive approach to ensure that all eligible employers would quickly receive the refunds to which they were eligible rather than wait for their applications.

II. QUALITY SERVICE INITIATIVES (QSI)

Government faces a special challenge to achieve economic progress by fully developing our social capacity and human resources. Canadians want the most effective and best possible services from governments. However, they also want governments to demonstrate a compassionate and caring side that builds public trust and confidence in the face of economic pressures. The Department's Quality Service Initiatives (QSI) are designed to address these issues.

An example of HRDC's commitment to quality service can be found in the independent certification of service goals obtained through the ISO 9000 certification process. Two local offices in Belleville and Orillia in the Ontario Region, as well as two offices in the Quebec Region, in Hull and Laval, obtained ISO 9000 certification in 1999, as did the Insurance Operational Training section at National Headquarters.

1. *Administrative Simplicity for Employers*

Further to the 1998 Monitoring and Assessment Report, a survey of employers was conducted to establish how satisfied employers were with the new Record of Employment (ROE) form and to estimate cost-savings that were generated for employers. There was also a reference to the application of new information technologies to the ROE. A package of computer-based training for employers on how to complete the ROE is now being developed for release during the summer of 2000.

In March 1999, a survey was conducted with small, medium and large employers - with the staff directly responsible for completing ROEs. More than three quarters (79%) of respondents felt the process was simpler and that the complexity, awkwardness and expense complained of in

a 1993 survey had been addressed by HRDC. Nearly 70% said the process was simpler and took less time and over one half (53%) said that the current ROE process is more cost-effective for their businesses than the previous one.

A service to enable employers to order ROEs over the Internet is also now being offered in three regions. However, it seems that employers are still reluctant to use it. While the reasons are unclear, it could be that employers lack access to the Internet or the knowledge of how to use it.

A laser print of the ROE became available to employers in 1999. Employers may obtain the necessary software if they register with their local HRCC. The software produces ROEs with unique serial numbers and a bar code for security reasons.

Finally, an electronic process that enables employers to transmit ROE data to the Department is under development, and will be available when the Year 2000 certification process is completed. It is important to resolve all security issues regarding information privacy. Information that is electronically transferred must be secure and inaccessible for purposes other than the processing of EI claims.

2. *Undeclared Earnings*

The administrative rule was changed in 1999 for claimants who make honest errors more than once in reporting their earnings. This action ensures that local adjudicators of entitlement to EI benefits have the required flexibility to assess the individual circumstances of each case when earnings are not accurately declared.

3. *Period of Employment*

An amendment to the definition of "period of employment" was made after consultations with regional and local offices and a preliminary assessment of anecdotal

evidence. The definition of the period of employment will be modified to eliminate assigning undeclared earnings into a calendar week where the claimant did not work or have any earnings. This situation had led to representations from members of Parliament, claimants and organized labour groups. It allows earnings to be more accurately applied to and deducted from benefits in the precise period during which they were earned. It is anticipated that this will result in fewer overpayments for claimants than was previously the case.

4. Impact Study on Undeclared Earnings

A full detailed study of the new provisions on undeclared earnings will be made available in the fall of 2000. The purpose of the study will be to identify problems related to the administration of the revised undeclared earnings policy and to ensure that the amended regulation has eliminated the unintended overpayments that were created under the original regulation.

5. Public Liaison Officers

This role was first introduced in the late 1980s. Its purpose was to ensure that all EI clients are given the opportunity to understand how the program works. Major changes in legislation, including the Employment Insurance legislation of 1996, along with recent changes in organizational structure have necessitated a liaison between HRDC and its clients. The Public Liaison Officer (PLO) is an essential element in the provision of quality service.

The three main functions of a PLO are (1) providing service delivery advice, (2) improving public knowledge and awareness, and (3) providing specialized services. In general, PLOs assist clients with the EI program and provide general information on the other available services. A PLO can be considered as an "ambassador" of the EI program.

At the beginning of 1999, there were approximately 135 PLOs across the country. With about one million employers contributing to the EI program and over two million clients per year, we are examining how to enhance this activity at the local office level.

In addition, the training packages for PLOs across Canada were reviewed to strengthen the interactive skills of these officers and provide them with new competencies in problem identification and resolution. The training was focus-tested with 15 incumbents of the position and after adjustments was scheduled to be rolled out in the fall of 1999.

6. Disclosure

HRDC's penalty-free disclosure policy encourages EI clients (claimants and employers) to make voluntary disclosures to acknowledge any contravention of the *EI Act* or Regulations without being penalized or prosecuted. This policy was to be re-emphasized in October 1999 in a new communication strategy. This is expected to enhance the effectiveness of preventive measures by providing a means for EI claimants to declare errors in statements made on their claims without having additional penalties or prosecutions imposed. It is anticipated that more claimants will disclose such errors knowing that they must only repay the benefits to which they were not entitled.

7. Group Information Sessions

Group Information Sessions (GIS) constitute a major Human Resources Development Canada (HRDC) initiative demonstrating the positive way in which the department assists and communicates with its clients. Group Information Sessions have been part of Investigation and Control activities in some regions for a number of years. While the format varied, all claimants were given information about their rights and obligations under the EI program. More

recently, Group Information Sessions have been used as forums that not only provide information on the EI program, but also information on programs and services that may assist the re-employment of clients. Reducing the time on claim and preventing the occurrence of abuse through information and awareness are potential outcomes of this approach.

HRDC will provide regions with comprehensive guidance, procedures and evaluations to ensure that GIS implementation is fair and consistent across the country. An automated data capturing system to gather, track and report on GIS data is being developed.

8. Investigation and Control Performance Measures

The mandate of the Investigation and Control (I&C) program is to detect, deter and prevent fraud and abuse of the EI Account. Although a variety of indicators are used to evaluate and monitor the performance of the program, only total savings to the EI Account resulting from I&C activity are used as an overall indicator of results. This tends to highlight the detection of abuse and misuse portion of I&C's mandate.

In recent years, I&C activities have shifted from primarily focussing on detecting abuses, to prevention and early intervention activities such as GIS. I&C is currently redefining its performance measurement system. The current measures will be expanded through discussions and consultations with internal and external stakeholders to include activities that involve prevention and early intervention indicators. Just as assessing and reporting on savings produced increases in total savings results, prevention and early intervention activities can be encouraged if given more prominence in the performance measurement system.

9. Staff Training

HRDC has redesigned and restructured the development and delivery of training to field personnel. The new training covers 34 topics essential to the delivery of quality service from claim-taking procedures to entitlement/adjudication issues. Half of all the Insurance General Training Modules (GTMs) will be completed by the end of 1999 and will be available and posted to the Intranet for ready access by all staff. The remainder will be finalized and posted by July 2000.

HRDC will continue to review the existing staff-training program to ensure that new approaches are reflected. In addition, the Department continues to be committed to providing the required training and tools to ensure that front line staff can deliver the highest quality of service to Canadians. This is consistent with HRDC's vision and Supporting People initiatives.

10. Telephone Services

The Employment Insurance automated voice response system responds to general EI enquiries and allows claimants automated access to personalized information about payment of benefits. EI clients can also access expert service from 11 Telecentre sites across Canada either via local or long distance telephone service. To ensure that the same level of service is offered throughout the telecentres, a quality assurance program has been developed. National implementation of a telephone service (Teledec) was completed in 1999. Teledec eliminates the need for clients to mail in their report cards by allowing them to make their declaration over the phone and improves service by allowing benefits to be deposited directly into a client's bank account.

11. Expanded Internet Services

Information about HRDC programs is available at all Human Resource Centres of Canada, and Telecentres, where professional staff who have received training are able to answer all clients' questions.

In addition, information on HRDC programs is available on the Department's Internet site. Specific information on Employment Insurance, including jurisprudence from Canadian Umpire Benefits decisions and from the Federal Court, is available on the Internet at: <http://www.hrdc-drhc.gc.ca> (under Employment Insurance). This information is important to the decisions made by EI adjudicators and for individuals who appeal those decisions.

The Department is pursuing the establishment of an e-commerce environment in which it will be able to provide quality services to its various clients. Applications for interstate benefits can already be made via telecommunications, as can applications for EI benefits in northern and rural B.C. As well, there will be, as of October 1999, a pilot project with eight employers to provide ROEs through the Internet. The London local office (Ontario) will be running a pilot by March 2000 in taking EI applications by Internet.

12. Correspondence Review

A review of all HRDC's publications and correspondence is currently underway to make sure that letters are written in simple plain language, and that the tone of all HRDC's communications is friendly and informative, reflecting the values of the Department. HRDC is also working with partners who can help explain to clients their rights and obligations.

13. Plain Language in EI Legislation

Currently, there is a longer-term project to rewrite the *EI Act* in a more understandable language to assist clients, lawyers and stakeholders who must deal with it on a daily basis. The purpose of this project is not just to state the law in simpler terms but to make this large and important body of legislation easier to access. Specifically, we want to ensure that clients can:

- navigate the law in order to respond to specific issues and questions;
- recognize clearly when they have found the pertinent point of law;
- easily understand the text of the appropriate section; and
- locate, retrieve and extract text easily for secondary use.

A great deal of the work needed to ensure easy search and retrieval of text is already finished. Significant progress is expected in 1999/2000.

14. Social Insurance Number

The *EI Act* provides for the administration of the Social Insurance Number. Last year, a number of improvements were implemented in response to the Auditor General's September 1998 Report, which raised issues about SIN fraud and increased verification of the number of SIN cards. Integrity has been enhanced by flagging accounts which were dormant over the last five years and by identifying deceased accounts with reference to data banks for Canada Pension Plan/Old Age Security (CPP/OAS) and Revenue Canada. We have taken a number of steps to increase the number of investigations pertaining to the use of the Social Insurance Number. As a result of all these actions, there has been a doubling of SIN investigations and certification of over five million accounts.

III. CONCLUSION

Changes made in the areas of financing structure as well as efforts to promote friendly and informative service to Canadians are described in this chapter.

In 1997 the *EI Act* began requiring employers and employees to pay premiums on all earnings from the first dollar onward, up to an annual maximum of \$39,000. This was expected to increase the number of contributors to the program. Initial estimates indicate that there were noticeable increases in the contribution levels for those earning above \$30,000 within industries characteristically composed of high weekly earners – Construction and Logging and Forestry in particular.

In order to reduce the impact of first dollar coverage on low-income earners, premiums were refunded for those with \$2,000 or less of insured earnings. A total of 693,950 individuals received a premium refund in 1997, with a dollar value of about \$20 million. A majority of all those receiving refunds (59%) were women and 42% were under 25 years of age. Retail Trade, Accommodation, Food & Beverage Service, and Other Service Industries, typically composed of part-time earners, accounted for 43% of the refund.

The New Hires Program provided transitional relief to small firms facing an increase in EI premiums in 1997 and 1998. During 1998, 30,000 new firms filed for a refund under the New Hires Program. In 1999, a new program entitled Federal Youth Hires began. The new program provides premium relief to employers who expand their youth payroll in 1999 and 2000.

A number of quality service initiatives were also described in this Chapter.

- A survey of employers determined that the new approach to Records of

Employment was less complex and less expensive.

- In response to concerns raised through the monitoring process, the administrative rule was changed in June 1999 for claimants who make honest errors in reporting their earnings. This action ensures that local adjudicators have the required flexibility to assess the individual circumstances of each case when earnings are not declared.
- An amendment to the definition of “period of employment” was also made. This will result in fewer overpayments for claimants than was previously the case. A full detailed study of the new provisions will be made in the fall of 2000.

In 1995, the Budget announced a 10% reduction of EI program costs as part of the government's fiscal restraint measures. When the new EI system was designed, measures were introduced to achieve the necessary savings. The *Employment Insurance Act* requires the Commission to monitor and assess whether the savings expected as a result of the reforms are being realized. Savings were expected to result from:

- reduced income benefits;
- enhanced claimant assistance services; and
- reductions in fraud and abuse.

In the 1998 Monitoring and Assessment Report this chapter described the savings that were realized over the first two years of the reform. This year the chapter will focus on the incremental savings for 1998/99.

I. DECLINE IN BENEFITS PAID

In Chapter 2, claims initiated within 1997/98 and 1998/99 were reported. Here, changes in benefits paid during the same reference period irrespective of the start date of the claim are examined.

The redesign of Part I income benefits included several major changes to the eligibility and benefit calculation systems. These changes were intended to strengthen insurance principles and work incentives, as well as reduce the overall cost of the program while still providing adequate income support for the unemployed.

The estimated impact of reform in 1997/98, presented to the Standing Committee on Human Resources Development on April 18, 1996, was a 6% decline in total EI benefit payments. The decline in income benefits was projected to be 9% in 2001/02 due to the maturing of specific elements of

the reform, namely the intensity provision, benefit repayment provision and the freeze of the Maximum Insurable Earnings. However, the decline was to be offset by the maturing of the Family Supplement. All impacts were estimated by considering expenditures that would have been paid without EI reform and without any changes in economic conditions.

The 1998 Monitoring and Assessment Report focused on the total decline in EI benefit payments over the period 1995/96 to 1997/98. Over this two-year period, benefits declined by \$2 billion or 16%. Further, it was estimated that roughly half (5% to 10%) of the observed changes in regular EI benefits was due to labour market change while the other half was due to EI reforms.

Many EI reform elements were fully phased in during the first two years and are not expected to produce any further incremental savings for 1998/99. Therefore, the focus in this section is on the incremental savings to income benefit payments stemming from the maturing of the intensity provision, the freeze of the Maximum Insurable Earnings and the maturing of the Family Supplement.²⁴

The intensity rule produces incremental savings because this provision reduces weekly payments to regular claimants by an additional 1% for each 20 weeks of EI benefits received over the past 5 years. Since the claims history for EI began in 1996, this provision will not be fully matured until 2001 when some claimants could have their benefits reduced by 5%.

²⁴ It should be noted that incremental savings from the maturing of the benefit repayment provisions could not be calculated because tax data for 1998/99 was unavailable.

The Maximum Insurable Earnings (MIE) freeze produces incremental savings in cost of the EI program because the maximum weekly benefit does not grow in line with the average earnings, as would have been the case under UI. With the freeze in place, each year more beneficiaries receive the maximum weekly benefit of \$413. The proportion of beneficiaries who receive the maximum weekly benefit increased from 19% of all beneficiaries in 1997/98 to 23% in 1998/99.

The Family Supplement produces incremental new spending under EI because it calls for annual increase of 5% in the maximum benefit rate (from 65% in 1997 to 80% in 2000). In 1998, the maximum benefit rate with the Family Supplement was increased from 65% to 70% and in 1999, it was increased again to 75%.

The "net effect" of the maturing of the Family Supplement, the intensity provision and the MIE freeze over the 1997/98 to 1998/99 period has been estimated using administrative data (the benefit repayment provision cannot be estimated as mentioned earlier). The results indicate that the maturing of these reform elements reduced costs by \$95 million or 0.94%.

It is worth noting that the maturing of the MIE freeze and the maturing of the intensity provision affect men more than women, while the Family Supplement affects women more than men. Overall, the net impact of the maturing elements within EI from 1997/98 to 1998/99 was to reduce payments to men by \$84 million and to women by \$11 million. This represents a reduction of 1.38% in EI payments to men and 0.27% to women.

II. INVESTIGATION AND CONTROL SAVINGS

1. *Increased Penalties for Fraud*

Even though the vast majority of employers and claimants who participate in the EI program are honest, protecting the integrity of the Employment Insurance Account requires that HRDC take steps to detect and prevent fraud. EI introduced more severe fines for claimants and employers, as well as penalties for employer and employee collusion and increased entrance requirements in cases of claimant fraud. These stricter sanctions are intended to reinforce the message that fraud and abuse of the EI program will not be tolerated.

Over the course of 1998/99, an increased emphasis was placed on reducing the amount of abuse and misuse of the EI Account as well as on educating claimants about their rights and obligations while in receipt of EI benefits. The results of these efforts are evidenced in the identified savings to the EI Account as well as in the reduction in the average number of claimants assessed overpayments or penalized for fraud.

Claimants who fail to declare income, for example, can be assessed overpayments when that additional income is detected through control activities. In the majority of cases the failure to report income is unintentional and results in the assessment of an overpayment. In 1998/99 the average number of overpayments per month (23,345) remained at about the same level as in 1997/98 (22,751). However, this represents a reduction of 18.4% in the average number of overpayments per month that occurred prior to legislative change (27,650).

The monthly average number of claimant penalties, where the failure to report income was intentional and a penalty was assessed, was 8,306 in 1998/99. This

represents a 13% reduction when compared to the 15-month period before legislative change (9,405). While it is not possible to conclude that fewer claimants are making a conscious decision to misuse or abuse the program, it may be that activities such as Group Information Sessions are helping claimants to be better informed about the new rules and their obligations under the *EI Act*.

The average number of employer penalties imposed in a month has remained relatively unchanged since 1995. The average penalty for employer fraud in 1998/99 was \$5,500. While this was about the same as the previous year, it is still almost double the value prior to the reform (\$2,818). The most significant factor in 1998/99 has been the provision for fines of up to \$12,000 for issuing or selling false Records of Employment. Penalties for these offences were imposed 57 times in 1998/99 at a value of \$732,000, representing 43% of the \$1.7 million worth of employer penalties.

2. Increased Entrance Requirements

Beginning in January 1997, claimants who receive a penalty for an offence under the *EI Act* are required to have additional hours of work to qualify for subsequent benefits. Such claimants who re-apply for benefits without having met the additional entrance requirements create savings in terms of benefits that are not paid out.

As reported last year, these cases were beginning to appear in the last quarter of the 1997/98 fiscal year as claimants began to re-apply for benefits after having been penalized on a previous claim. In 1998/99, these cases resulted in savings to the EI Account of over \$3 million.

3. Group Information Sessions

In the shift from detection- to prevention-type activities, an increased emphasis has been placed on communicating the

department's messages to our claimants in person.

Over the course of the 1998/99 fiscal year, efforts were made to promote the use of Group Information Sessions (GIS) more widely throughout the country. While the timing of these sessions may vary by region, the goal is to have most claimants attend a session at some point in their claim. The GIS is typically given in conjunction with staff who are knowledgeable about the Employment Insurance program and, in many instances, staff who are aware of re-employment programs and services offered by HRDC and provinces or territories.

The objectives of the GIS are to help EI claimants return to work more quickly, thereby reducing their dependency on the EI Account. The sessions are designed to help make claimants more aware of their rights and obligations under the *EI Act*, provide answers to frequently asked questions about their claims and inform them about the programs and services that are available to assist in their search for re-employment.

Sometimes though a claimant may fail to attend a session. Since attendance is mandatory, HRDC follows up and uncovers abuse or fraud. For instance, we may find that a person has started back to work and not told us, that he or she is out of the country, or that he or she is not willing to fulfil his or her obligations of actively looking for work.

Savings from GIS can result from preventing and/or recovering overpayments of benefits. In 1998/99, the Group Information Sessions resulted in additional savings to the EI fund of \$182 million.

4. Total Investigation and Control Savings

In 1998/99, Investigation and Control (I&C) staff across the country reported

\$702.7 million in total savings from honest errors and cases of fraud and abuse of the EI Account. These savings reflect overpayments and administrative penalties, as well as the value of benefits that have been prevented from being paid out as a result of an I&C intervention. This represents a saving of \$11.88 for every dollar spent on I&C activity in 1998/99.

Of course, earlier interventions prevent the continued inappropriate payment of benefits and result in reduced overpayments and less financial hardship for claimants. These savings accounted for 51.2% of the total I&C savings in 1998/99, up from 46.6% in 1997/98 and 44% in 1996-97.

The Investigation and Control program will continue to move in this direction. Early interventions, wherever possible, will be accompanied by an increased focus on preventing misuse/abuse from occurring in the first place. Group Information Sessions, which have already been more widespread than in previous years, will be further expanded and are a cornerstone activity of the shifting focus to increased prevention.

III. CONCLUSION

The *Employment Insurance Act* requires the Commission to monitor and assess whether the savings expected as a result of the reforms are being realized. Savings were expected to result from reduced income benefits, enhanced claimant assistance services, and reductions in fraud and abuse.

The results reported in this chapter build on those reported in the 1998 report, when a \$2 billion or 16% drop in benefit payments was observed for the period between 1995/96 to 1997/98. Further, it was also estimated that roughly half (5% to 10%) of the observed changes in regular EI benefits in this period were due to labour market change while the other half was due to EI reforms. For 1998/99, the results show that the net effect of the maturing of the Family Supplement, the intensity provision and the

MIE freeze over the 1997/98 to 1998/99 period reduced the cost of EI by \$95 million or 0.94% of EI payments. Payments to men were reduced by 1.38% or \$84 million, and payments to women were reduced by 0.27% or \$11 million.

In 1998/99, the Group Information Sessions resulted in additional savings to the EI Account of \$182 million, and Investigation and Control (I&C) activity reported \$702.7 million in total savings from overpayments, penalties and fines. This represents a saving of \$11.88 for every dollar spent on I&C activity in 1998/99.

Chapter 7 — Conclusion

In this third of five annual EI Monitoring and Assessment reports, we have examined how individuals, communities, and the economy are adjusting to the reforms introduced under the *Employment Insurance Act*. The focus of the analysis is on the period from April 1, 1998 to March 31, 1999 – the second full fiscal year the Employment Insurance system was in place. Data for 1998/99 is compared to data for 1997/98. Trends identified in the 1998 Monitoring and Assessment Report are also discussed.

The following brings together the conclusions from each of the preceding chapters in the report and discusses key results observed for:

- how the economy is adjusting;
- income benefits provided under Part I of the new Act;
- employment benefits and support measures delivered under Part II;
- community adjustment;
- impacts by gender, age, province and industry;
- program administration; and
- savings achieved.

I. HOW THE ECONOMY IS ADJUSTING

With each succeeding year, it becomes more difficult to isolate the independent impact of EI reforms on the economy. The analysis does indicate though that Canadian labour markets performed well in 1998/99, and the economy generated more net job growth than any fiscal year since 1979/80. During this period, employment grew by just over 400,000 (2.9%), from 14.04 million in 1997/98 to 14.44 million in 1998/99. About 85% of employment growth was in full-time jobs.

Employment growth also extended across most of the country, lowering unemployment significantly in virtually all provinces. Between 1997/98 and 1998/99, the average monthly unemployment rate dropped from 9.0% to 8.1%. Wage gains between the period were modest with weekly wages of salaried employees increasing by 1.5% and those of hourly paid employees increasing by 1.8%.

II. INCOME BENEFITS

For income benefits, we have looked at changes in benefits paid, the number of new claims established, the length of entitlement, and weekly benefits. In addition, we examined individual elements of EI reform to see whether they are having the intended effect. To the extent possible, we have commented on the changes observed by gender, age, region, and industry.

In 1998/99, there were about 1.8 million new claims for EI benefits, about the same number as 1997/98 (+0.1%). The breakdown by type of benefit is as follows:

- regular claims dropped slightly by 0.6% to 1.5 million claims;
- fishing claims decreased by 3.2% to 26,100 claims; and
- special benefits claims increased by 4.8% to 389,280 claims.

Total income benefits paid amounted to \$10.2 billion in 1998/99, an increase of 1.5% from 1997/98. The breakdown by benefit type is as follows:

- regular benefits increased by 0.5% to \$7.8 billion;
- employment benefits increased by 5.4% to \$490 million;
- work sharing benefits increased by 141% to \$16 million;

- fishing benefits increased by 1.3% to \$218.0 million; and
- special benefits increased by 4.5% to \$1.7 billion.

Our analysis indicates that some elements of the reform appear to be having the intended effect. Results suggest that the divisor rule and entitlement under the hours-based system are encouraging individuals to increase their work effort and improving access to the system. In addition, the top-up provided by the Family Supplement is providing higher levels of benefits to a smaller but better targeted group of claimants. The number of people who repaid benefits also increased slightly (0.7%) in 1997 in comparison to 1996.

The final results from the small weeks adjustment projects have also been quite positive. We found that the projects have enabled a significant number of workers to collect higher benefits and maintain a greater attachment to the workforce. Preliminary indications from the new project show that similar results can be expected as we move forward.

The impact of program changes on frequent users though is more difficult to evaluate. Despite the application of the intensity rule and a 5.7% decline in new frequent claims, this group received 42.9% of all regular and fishing benefits paid in 1998/99. Total benefit payments to frequent claimants was \$3.4 billion, virtually unchanged from the 1997/98 level.

Results for fishers are also difficult to evaluate. It was expected that the reform would help contribute to adjustment in the fishery and reduce the extent of reliance on EI fishing benefits. However, analysis indicates that there has been very little change in terms of the number of new claims and total benefits paid since the EI changes were implemented.

Results also indicate that the provisions in the *EI Act* that allow beneficiaries to work while on claim or earn up to \$50 a week or 25% of weekly benefits (whichever is higher) do not seem to be having a discernible impact. This indicates that other factors may have outweighed the impact of the \$50 floor. One of these factors may be the lack of awareness.

III. EMPLOYMENT BENEFITS AND SUPPORT MEASURES

We provided an update on the new partnerships with the provinces and territories under the Labour Market Development Agreements (LMDAs) and reported on Part II Employment Benefits and Support Measures (EBSMs) during their third year of operation. Specifically, we looked at:

- the progress made towards implementing the LMDAs;
- the phase-out of direct Training Purchases and implementation of Skills Development;
- the number of interventions, associated costs and clients served;
- the implementation of the results-based accountability framework; and
- findings of the first of the evaluations designed to report on implementation issues associated with delivery of the EBSMs.

Analysis shows that further progress has been made in concluding and implementing the LMDAs. As shown in the evaluations, the flexibility to tailor programs and services to local needs appears to be one of the major successes of the LMDAs. Early evaluations suggest that growing partnerships between governments have resulted in successful harmonization of federal and provincial programs. Training Purchases have been phased out and the Skills Development employment benefit has been successfully implemented.

Results indicate that clients are participating in more EBSMs and overall more clients are being served. Overall long-term interventions are continuing to decline; however, the use of Targeted Wage Subsidies rose dramatically in 1998/99. Short-term interventions increased significantly in 1998/99, contributing to the increase in clients served. The shift in expenditures to short-term interventions under Employment Assistance Services has resulted in lower average costs per intervention.

For 1998/99, 267,108 EI clients returned to work, a 46% increase over last year. Unpaid benefits totalled \$917.55 million, a 36% increase over last year. Results from Group Sessions also increased sharply over the previous year.

Finally, we also noted that the Transitional Jobs Fund program (TJF) ended on March 31, 1999 and was replaced with the Canada Jobs Fund. Over the life of TJF, more than 30,000 new jobs were created across Canada. TJF was also successful in creating partnerships with the private sector and regional economic development agencies. Under the new Canada Jobs Fund, the creation of more sustainable jobs will continue.

IV. IMPACTS BY GENDER

Throughout this year's report, an attempt was made to provide more information on the impacts of EI by gender. Our analysis of the Canadian labour market context found that women's employment rose by 3.2% — the highest percentage increase this decade — whereas employment for men rose by 1.9%. Over the past four years, employment growth averaged 2% annually for women and 1.5% for men. We also noted that women's average educational attainment has risen more rapidly than men's in the 1990s and there are proportionally fewer women than men at the lowest educational levels. We believe this is important because analysis shows a

strong link between educational attainment and labour market outcomes, with higher educated people faring better in today's economy.

In analyzing EI income benefits, we found that new claims for regular benefits made by women decreased by 3.8% in 1998/99 versus a 1.5% increase for men. Women's share of new claims was about 1% lower than in 1997/98. We concluded that the 3.8% decline in new claims for women could be traced to a substantial (7.7%) drop in claims with longer employment spells. Analysis at the industrial sector level tended to support this conclusion showing substantial declines in new claims for sectors where women are highly represented such as Finance and Insurance, Education, Health and Social Services and Government Services. The rise in new claims for men can be partly traced to changes in sectors where they are highly represented, particularly to the mining, oil and gas sector as well as in seasonal industries such as logging and forestry and fishing and trapping.

When we analyzed frequent claims we found that the figures for men were 3.4% lower than in 1997/98, while those for women were 10.3% lower. We observed this change was consistent with their decrease in new regular claims and also reflected women's lower likelihood to work in seasonal jobs.

When we considered the elements of EI reform, we found that about 63% of all claimants who received the Family Supplement were women. About 16.0% of all women with EI claims received the top-up in 1998/99 compared to 7.6% of men. This was almost unchanged from 1997/98.

In the section on the small weeks adjustment projects, we found that women filed 61% of all claims with small weeks during the initial small weeks adjustment projects and that they were almost twice as likely as men to file claims with small weeks.

We observed that the higher participation rate of women in the projects could reflect their greater likelihood of working in non-standard employment.

In the analysis of Employment Benefits and Support Measures under Part II of the *EI Act* we found that women represented 43% of all participants in 1998/99, which was a small increase from the last reporting year. We also found that about 64.2% of women were active claimants and 15.5% were former claimants. At the provincial level, we found that the participation rates for women were higher than the national average in New Brunswick, Prince Edward Island, Quebec, Ontario and Manitoba. Overall, we observed that there appears to be an increase in women's participation in long-term training interventions over the previous year. However, there was a slight decrease in their participation in self-employment. We also found that as a result of expanding eligibility to those who had collected maternity or parental benefits in the last five years, 2,775 women received access to EBSMs who otherwise would not have been eligible.

Finally, in the Savings Chapter, we noted that incremental savings for the period were estimated at \$95 million with payments to women being reduced by 0.27% or \$11 million and payments to men being reduced by 1.38% or \$84 million.

V. IMPACTS BY AGE

In the analysis of the labour market context, we found that youth had their strongest fiscal year of employment growth on record (5.3%). In the analysis of income benefits we observed that new claims for regular benefits by people under age 25 increased by 3.2% during the period compared to a decline of 27.2% for the period between 1995/96 and 1997/98. We also observed that claims by youth with short employment spells declined by 10.5%, while claims supported by longer job spells increased by

3.2%. We observed that these changes could reflect the strong employment gains by youth over the past fiscal year, and the ability to work longer in a strong labour market. Since youth tend to rely on short tenure employment, increases in employment can result in increases in EI claims.

In the section describing the results from the small weeks adjustment projects, we found that individuals in the 15 to 34 age group accounted for almost half the claims with small weeks (45%) in the initial pilot projects. In the new project, youth represented 46% of all small weeks claimants.

In the Chapter on Community Adjustment we also noted that focus group participants felt that EI reforms were having a positive effect on the attitudes and work behaviour of youth. We also found that there appeared to be sufficient resources for youth in the majority of communities, an improvement over the 1998 findings.

VI. IMPACTS BY PROVINCE AND TERRITORY

Throughout this year's report an attempt was made to provide more information on the impacts of EI by province and territory. The analysis of regular claims established indicates that there was a great deal of variation across provinces reflecting different labour market conditions, with Ontario, Quebec and British Columbia showing significant drops (-3.4%, -5.4% and -2.3% respectively). Most other provinces and territories showed slight increases with the largest increases in regular claims in Alberta, Northwest Territories and Saskatchewan (25.6%, 19.4%, and 15.8% respectively).

To help explain the changes in claims, changes in the duration of insured employment were looked at. Between 1997/98 and 1998/99, the proportion of claims with short employment spells

increased (+1.6%), while those with over six months declined (-2.2%). A decline in the proportion of claims with long periods of insured employment can reflect an improving economy in which people with stronger attachment to the labour market are able to work longer and avoid collecting EI benefits. A rise in the proportion of claims with short periods of insured employment can also reflect an improving labour market allowing people with weaker labour market attachment to gain temporary employment with sufficient hours to qualify for benefits.

Across the provinces and territories, there were wide variations in the year to year changes. Saskatchewan had above average increases in those making claims with over six months of insured employment (+15.0%) and for those making claims barely meeting the minimum entrance requirement (+79.0%). This reflects the lack of employment growth. Above average increases in both these categories were also evident in Alberta (+27.7% for those making claims with over six months of insured employment and +13.2% for those making claims barely meeting the minimum entrance requirement). While the overall employment growth figures for Alberta were strong for this period, these results probably reflect cyclical changes in mining, oil and gas.

The number of new claims by frequent claimants also varied across the provinces and territories. In order to understand the variations across provinces the reasons why people became unemployed during the period were examined. Analyses in previous years have suggested that there is a strong link between temporary lay-offs and new claims established by frequent claimants. The provincial results for 1998/99 reflect this linkage. For example, Alberta, Saskatchewan, and Newfoundland experienced increases in the number of frequent claims (7.9%, 5.4% and 3.5% respectively). Each of these provinces also had an increase in temporary lay-offs.

In other provinces where the number of frequent claims declined such as British Columbia, Quebec, and Ontario (-8.6%, -7.9% and -7.7% respectively), the number of workers permanently and temporarily laid off also declined.

VII. IMPACTS BY INDUSTRY

From 1997/98 to 1998/99, the Professional, Scientific and Technical Services sector had the highest employment growth at 10.2%, followed by the Management, Administrative and Other Support sector at 8.8%, the Construction sector at 6.4%, and the Health Care and Social Assistance sector at 4.5%. Conversely, employment in the Forestry, Fishing, Mining, Oil and Gas sector decreased 6.0% and the Utilities sector by 2.2%.

The breakdown in total benefits paid by industry is in line with the changes in employment noted above. Benefits paid increased substantially in most of the seasonal industries and were the highest in Fishing and Trapping (+70%) followed by Mining, Oil and Gas (+52%). Meanwhile, benefit payments fell in Finance and Insurance (-16.2%), Health and Social Services (-10.4%), Education (-9.5%) and Government Services (-7.4%).

About 694,000 individuals who earned less than \$2,000 and paid EI premiums had their premiums refunded during 1997. Approximately 17.2% of these individuals worked in the Retail Trade industry, 13.6% were in Accommodation, Food and Beverage industry, and 10.4% were part of the Other Services industry.

VIII. COMMUNITY ADJUSTMENT

We have looked at how communities are adjusting to EI reform by providing qualitative and quantitative analysis of what is occurring in 14 selected communities across Canada. We found that knowledge and understanding of EI continued to improve, and participants had acquired a

better understanding of the calculation of EI benefits. However, a lack of understanding about the benefits of working while on claim highlights the need for better communication.

Focus group participants stated that work behaviour was more of a function of the economy and labour market conditions than of the EI reforms. There is also some additional evidence of behavioural responses by seasonal workers to adjust their work patterns to access higher benefits.

Some focus group participants felt that EI reforms were having a positive effect on the attitudes and work behaviour of youth. This year's consultations found that there appeared to be sufficient resources for youth in the majority of communities, an improvement over the 1998 findings.

In the area of community capacity, a number of areas were identified for improvement (e.g. better co-ordination, increased awareness of what is available, and the identification of gaps in services and resources). Focus group members suggested that HRDC should play a more proactive leading role, fostering community capacity building in order to promote access to the full range of community resources to enhance employability.

IX. PROGRAM ADMINISTRATION

Changes made in financing structure as well as efforts to promote friendly and informative service to Canadians were discussed.

In 1997, the *EI Act* began requiring employers and employees to pay premiums on all earnings from the first dollar onward, up to an annual maximum of \$39,000. This was expected to increase the number of contributors to the program. Initial estimates indicate that there were noticeable increases in the contribution levels for those earning above \$30,000

within industries characteristically composed of high weekly earners – Construction and Logging and Forestry in particular.

In order to reduce the impact of first dollar coverage on low-income earners, premiums were refunded for those with \$2,000 or less of insured earnings. A total of 693,950 individuals received a premium refund in 1997, with a dollar value of about \$20 million. A majority of all those receiving refunds (59%) were women and 42% were under 25 years of age. Retail Trade, Accommodation, Food & Beverage Service, and Other Service industries, typically composed of part-time earners, accounted for 43% of the refund.

The New Hires Program provided transitional relief to small firms facing an increase in EI premiums in 1997 and 1998. During 1998, 30,000 new firms filed for a refund under the New Hires program. In 1999, a new program entitled Federal Youth Hires began. The new program provides premium relief to employers who expand their youth payroll in 1999 and 2000.

We also discussed a number of quality service initiatives.

A survey of employers determined that the new approach to Records of Employment was less complex and less expensive.

In response to concerns raised through the monitoring process, the administrative rule was changed in June 1999 for claimants who make honest errors in reporting their earnings. This action ensures that local adjudicators have the required flexibility to assess the individual circumstances of each case when earnings are not declared.

An amendment to the definition of "period of employment" was also made. This will result in fewer overpayments for claimants than was previously the case. A full

detailed study of the new provisions will be made in the fall of 2000.

X. SAVINGS

The *Employment Insurance Act* requires the Commission to monitor and assess whether the savings expected as a result of the reforms are being realized. Savings were expected to result from reduced income benefits, enhanced claimant assistance services, and reductions in fraud and abuse.

The savings results build on those reported in the 1998 Report, when a \$2 billion or 16% drop in benefit payments was observed for the period between 1995/96 to 1997/98. Further, it was also estimated that roughly half (5% to 10%) of the observed changes in regular EI benefits in this period were due to labour market change while the other half was due to EI reforms.

For 1998/99, the results show that the net effect of the maturing of the Family Supplement, the intensity provision and the Maximum Insurable Earnings (MIE) freeze over the 1997/98 to 1998/99 period reduced the cost of EI by \$95 million or 0.94% of EI payments. Payments to men were reduced by 1.38% or \$84 million and payments to women were reduced by 0.27% or \$11 million.

In 1998/99, Group Information Sessions resulted in additional savings to the EI Account of \$182 million, and Investigation and Control (I&C) activity reported \$702.7 million in total savings from overpayments, penalties and fines. This represents a saving of \$11.88 for every dollar spent on I&C activity in 1998/99.