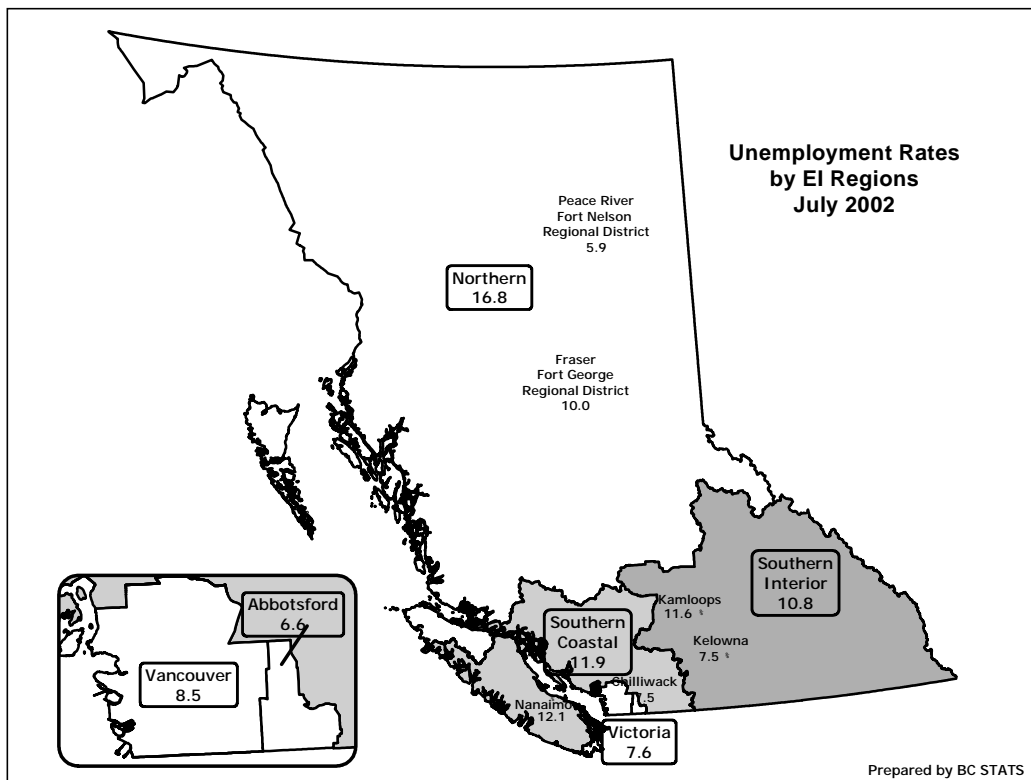


## Earnings and Employment Trends-June/July 2002

### The Effect of Regional Unemployment Rates on Employment Insurance Entitlement

An individual's entitlement to Employment Insurance (EI) benefits depends on two factors: the number of hours worked in insurable employment and the unemployment rate in the region where the claimant lives. The latter effect, that is the local unemployment rate, on an individual's entitlement to benefits can be quite dramatic.

Across BC there are six "localized" EI Regions, three of which are Census Metropolitan Areas, Vancouver, Victoria and Abbotsford and three others encompassing the rest of the province. The latter three are very large and economically diverse areas. As the map below shows, the unemployment rate in these six areas, according to Human Resource Development Canada (HRDC), currently ranges from 16.8 per cent in the "Northern" region to 6.6 per cent in Abbotsford. The higher the unemployment rate, the less demanding are the requirements for entitlement to EI benefits.



*Note: The unemployment rates in the boxes represent the HRDC unemployment rates upon which the benefit entitlements are based. These unemployment rates are based on the Labour Force Survey adjusted to include the unemployment rates of aboriginal peoples living-on-reserve. The other unemployment rates shown are not comparable as they do not include aboriginal peoples living-on-reserve and in the case of the supplementary rates for the North, the time frame is the 2000/2001 average from the LFS rather than the current 3 month average. These supplementary rates are included only to give an indication of the differential unemployment rates that can occur within an EI Region.*

Currently, to be entitled to benefits at all, an unemployed individual in the Northern Region must have worked at least 420 hours while his or her counterpart in Abbotsford has to have worked a minimum of 665 hours. That difference is 245 hours, or six weeks based on a 40 hour work-week. The other 4 regions fall somewhere in between. Besides determining the entrance requirements, the local unemployment rate also dictates how long a person is entitled to benefits. In the high unemployment area of the North, an individual is entitled to benefits for up to a maximum of 45 weeks, whereas the maximum number of weeks of benefits for someone living in Abbotsford is only 38 weeks, seven weeks fewer.

The rules dictating the entrance requirements and entitlement periods are in place to enhance the workforce adjustment process. In areas where jobs are easier to find, the more stringent entrance requirements and shorter entitlement periods prod claimants to find work quickly. On the other hand, providing income support for longer periods to the unemployed living in areas where jobs are more difficult to find, assists the unemployed directly plus helps soften the overall hardship for communities suffering through economic downturns. In effect, the EI program is used as a policy tool for transferring income from the more economically robust communities to communities undergoing hard times.

A major concern for BC with the existing EI system is the fact that benefit entitlement is based on average unemployment rates within the three very large areas of the "Northern", the "Southern Interior" and the "Southern Coastal". As can be seen from the map on the previous page, within these three EI regions, the situation does arise where communities with high unemployment are situated in

low unemployment EI Regions. Under such circumstances, the unemployed in these economically depressed communities would not be able to access full benefit from the EI system.

For example, the Southern Coastal EI region includes the Port Alberni area, a region very dependent on forestry and hence a region that suffers severe downturns. While the existing statistical system in Canada does not provide unemployment rates for areas as small as Port Alberni, we do know that Port Alberni is one of the most welfare dependent regions in BC. But because it sits in an EI region that is dominated by communities that are economically more diverse, such as those in the Fraser Valley and Squamish-Lillooet, the average unemployment rate for the EI Region is, in all probability, much lower than the Port Alberni rate. As a result, unemployed workers in the Port Alberni area have to work at least 490 hours to access EI, whereas persons living in communities in the Northern region with similar unemployment circumstances only have to work 420 hours to receive benefits.

Similarly, in the Southern Interior EI region, the Thompson-Nicola, a region also strongly dependent on the forest sector, sits side by side with the Okanagan, an area with a larger economic base. Currently, the unemployment rate for Kamloops is running at 1.5 times the unemployment rate in Kelowna. Thus, the relative "well-being" of the dominant Okanagan region keeps the average unemployment rate low, which in turn restricts access to the full benefit of the EI program for the more economically needy communities of the Thompson-Nicola region.

The Northern region includes virtually all areas north of Kamloops, including the Northeast where unemployment rates have been rela-

tively low due to the boom in oil and gas, alongside the northern interior and coast regions which often suffer very high levels of unemployment. The “Northern” EI region consistently seems to have an unemployment rate close to or above the maximum rate<sup>1</sup>, so economically depressed areas in the North receive what they should, maximum EI access. However, somewhat unfairly, unemployed persons in booming Fort Nelson and economically stable Kitimat are able to take advantage of far more lenient restrictions to EI than they would if benefits were based on their local unemployment rate.

Ideally, unemployment rates for communities would be available on a monthly basis, but that is unlikely to happen without huge public expenditure on data collection. So the inequities that arise from using an average value to categorize everyone living in a non-uniform region are likely here to stay. However, the inequities might be mitigated somewhat if the regions were aligned more along similar economic bases rather than along geographic proximity to each other. For example, it would make more sense if Alberni-Clayoquot were in the same EI region as Skeena-Queen Charlotte rather than with the Fraser Valley. And, at first glance, there do not appear to be any real reasons why an EI Region has to be made up of contiguous areas. Within the next few years, Statistics Canada will re-design the Labour Force Survey sample. This presents an opportunity for HRDC to investigate ways to improve the economic homogeneity of each defined EI Region.

TITLES OF PREVIOUS ISSUES	ISSUE NUMBER
School Performance in Reading, Math & Science	02-04
Projected Impact of the Softwood Lumber Dispute	02-03
Labour Market Regional Comparisons	02-02
Year End Highlights	01-12
List of Articles	01-11
Minimum Wage and Economic Hardship	01-10
Minimum Wage Earners in BC - Update	01-09
On the Net	01-08
Computers in our Lives	01-07
Computer Training in the Workplace	01-06
Employment Trends in the CMA's	01-05
Having a Second Job	01-04
Summer Work	01-03
When Workers Retire	01-01/02
Year 2000 in Review	00-12
Turnover in the Workforce	00-11
BC Unions Low Wage Increases	00-10
Average Weekly Wage Rates	00-09
Income & Income Distribution	00-08
British Columbia Employment Equity Data	00-07
Good News in BC Unemployment Rates	00-06
Internet Usage in BC	00-05
Teachers in BC – Are we facing a shortage?	00-04
Earnings of Men and Women	00-03
Education Levels of the Prime Age Workforce	00-02
Major Revisions to the Labour Force Survey	00-01

<sup>1</sup> All areas with unemployment rates greater than 16 per cent are entitled to maximum EI access.