

Intelligence MEMOS



From: Parisa Mahboubi

To: Patty Hajdu, Minister of Employment and Social Development

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Re: REGIONAL UNEMPLOYMENT POINTS TO THE NEED FOR REFORMS IN EMPLOYMENT INSURANCE

Canada's unemployment rate remained at its lowest recorded level at the end 2018, but that does not reveal the whole story. Although low unemployment points to a strong labour market performance, it masks variations across the provinces.

The jobless rate is significantly above the national rate in Atlantic Canada, but the majority of unemployed persons reside in Ontario where access to unemployment benefits is more limited due to eligibility criteria. More balanced Employment Insurance eligibility – both regionally and toward workers in non-standard jobs – would more properly recognize the labour market reality in Ontario.

The national unemployment rate in December stayed at 5.6 percent – the lowest rate recorded in more than 40 years – meaning that more than 1.1 million Canadians aged 15 and over were seeking work. Across the provinces, the jobless rate was below the national rate in B.C., Quebec and Ontario while the rest of provinces had higher unemployment. Newfoundland and Labrador recorded the highest rate, at about 14 percent. Even so, only 2.8 percent of unemployed Canadians were in Newfoundland and Labrador. In contrast, Ontario had the largest share of unemployed persons (more than 37 percent). This is because the unemployment rate measures the number of unemployed relative to the labour force – those of working age who have or are seeking a job. A larger labour force, therefore, includes more unemployed people, everything else remaining the same.

Although there is nothing surprising in provinces with larger employed populations also being home to more unemployed people, there are potential concerns when Employment Insurance (EI) eligibility rules are tighter for workers in non-traditional jobs than for others, and in certain provinces than for others.

Only 26 percent of unemployed Ontarians received EI benefits, which was second lowest among provinces after Alberta, according to the [latest data available from Statistics Canada](#). At the same time, provinces with lower unemployment rates like Ontario also have a higher share of part-time workers. For example, close to 19 percent of employment in Ontario is part-time. This is two to four percent higher than in the Atlantic provinces.

Part-time work is the most common form of non-standard employment – often low-paying jobs with fewer hours per week, a high degree of instability and no access to benefits. The greatest challenge faced by part-timers more likely is income insecurity due to job loss. EI is a social insurance program intended to protect workers against income loss while temporarily unemployed but EI eligibility requires a certain number of insurable hours in the 12 months prior to layoff, depending on regional rate of unemployment ([420 to 700 hours](#)). Workers in regions with a low unemployment rate need to accumulate more hours, making it harder for part-timers to qualify. This means that a larger portion of formerly part-time workers fail to meet EI requirements since they are more likely to reside in regions with a low unemployment rate like Ontario.

This suggests EI eligibility should not be solely dependent on the unemployment rate in a given region and the number of hours worked. The current rules do not reflect trends and variations in the types of employment due to labour market changes. For example, the size of part-time employment is driven not only by economic downturns but also by the desire of businesses for greater flexibility, along with changes in some workers preference for a work-life balance. Among unemployed workers who contributed to the EI program while working, the eligibility rate is [lower for those who worked part-time](#). Governments should therefore consider providing better support for part-time workers through improvements in EI eligibility.

Prior to 1997, EI eligibility was based on the total number of weeks worked rather than hours. The weeks-based system protected more part-time workers who work limited hours per week. To better capture income and employment insecurity associated with part-time jobs, the EI program could boost eligibility by [reverting to pre-1997 criteria](#), and [harmonizing EI eligibility criteria across provinces](#).

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