His Worship Fred Eisenberger  
Mayor of Hamilton  
230–77 James Street North  
Hamilton, Ontario  
L8R 2K3  

Dear Mr. Mayor:  

I am writing in response to your letter of May 14, 2009, which was forwarded to me by the Office of the Prime Minister, the Right Honourable Stephen Harper, regarding access to Employment Insurance (EI) benefits for people living in Ontario. I apologize of this delayed reply.

Allow me to explain that EI is a social insurance program designed to protect individuals against the unexpected temporary loss of earnings from employment. It is similar in concept to the protection we receive from insurance against fire, theft or injury. In return for premiums paid, individuals receive the security of having access to assistance, provided that they meet insurability, qualifying and entitlement conditions.

Consistent with this objective, the program considers separation monies such as severance pay, pensions, retirement allowances, or payments for or in lieu of vacation periods, as income arising from employment. Income paid at the time of a layoff or separation is allocated from the week of layoff or separation as income from employment at the claimant’s normal weekly rate of pay. In effect, when a loss of income is compensated by a former employer through separation payments, EI benefits are not paid as there is no loss of employment income.

However, workers who do receive separation pay can have their EI benefit period extended by each week for which separation monies are allocated, up to a maximum of 104 weeks. This allows claimants who remain unemployed after their separation pay has run out to maintain their eligibility.

As you are aware, a feature of the EI program is the two-week waiting period. This waiting period follows the same best practices of other insurance programs and is similar to the deductible portion of private insurance plan. It was first introduced in 1940 when the Unemployment Insurance legislation was first founded. Since 1971, the waiting period has been fixed at two weeks.
The two-week waiting period serves a number of purposes. It allows for the time needed to verify and establish a claim, and eliminates the administrative burden created by very short claims made by people who find a job quickly. Consequently, it ensures that EI resources are focused on persons dealing with significant gaps in employment.

The elimination of the waiting period may not help those most in need of additional benefits. Although removing the two-week waiting period would result in an additional payment of two weeks for claimants who do not use their full entitlement, it would not provide assistance to workers who exhaust their EI benefits. It would simply start and end their benefits two weeks earlier.

It is important to note that the EI program is designed to respond automatically to local labour market changes, taking into account the difficulty of finding employment. The EI program divides the country into 58 economic regions intended to reflect areas of similar labour market conditions. The unemployment rate for each region is used to determine the number of hours a person residing in that region needs to qualify for EI and the number of weeks payable.

As a result, the EI program has built-in flexibility specifically designed to respond automatically to changes in the economic situation. Through the Variable Entrance Requirement, the number of insurable hours needed to qualify for EI benefits and the duration of benefits vary depending on the unemployment rate of the EI economic region in which the individual lives. When a region’s unemployment rate rises, the entrance requirement is relaxed and the duration of benefits is increased. Therefore, the amount of assistance provided increases and support adjusts to the changing needs of regions and communities.

With respect to the EI program’s replacement rate of 55 per cent, this is a long-standing co-insurance feature of the program that serves as a balance between benefits adequacy and incentives to work. Low-income families with children can receive up to 80 per cent of their insured earnings with the Family Supplement. In addition, the program offers a premium refund to low-income workers. Individuals with less than $2,000 of insured earnings are eligible to have their EI premiums refunded, after having completed their personal income tax forms.

In addition, the maximum weekly benefit of $447 in 2009 is tied to the maximum amount of earnings that contributors can insure and the 55 per cent replacement rate. The Maximum Insurable Earning was increased in each of the past three years and is set at $42,300 for 2009. While weekly benefits are limited to $447, EI premiums are only paid on earnings up to $42,300. Any earnings above this amount are not insured. Under the EI Act, the Maximum Insurable Earnings increases in line with the average industrial wage.
In September 2008, the Government announced that the Working While on Claim pilot project was expanded nationally to all EI economic regions. Under the pilot project, the amount that EI claimants may earn while on claim, without a reduction in their benefits, is the greater of $75 or 40 per cent of weekly benefits. This provision is designed to encourage work force attachment by allowing claimants to accept available work while receiving EI benefits, thus increasing employment earnings, without penalization.

Also, on September 5, 2008, the Government announced that it would continue the Best 14 Weeks pilot project for an additional two years in 25 EI economic regions. The purpose of this pilot project is to examine whether calculating EI benefits based on a claimant’s 14 weeks of highest earnings during the 52 weeks preceding a claim for benefits, or since the beginning of the last claim, provides an incentive for individuals to accept all available work, including work that would have previously lowered their benefits. It is also meant to test whether employers who are facing labour shortages will have access to additional workers.

Pilot projects allow the Government to assess the labour market impacts of new approaches before permanent changes to the program are considered, which is an important aspect of basing program changes on sound evidence.

As announced in Canada’s Economic Action Plan, the Government is taking steps to temporarily provide additional support to unemployed workers facing transitions in tough economic times through the Canada Skills and Transition Strategy.

As part of the Strategy, the Government is providing nationally the advantages of the Extended EI Benefits pilot project that was previously only available in regions of high unemployment. This provides claimants with five weeks of extended benefits. In addition, the maximum duration of benefits available under the EI program in regions of high unemployment has increased from 45 weeks to 50.

The Government has also announced the Career Transition Assistance initiative, which provides extended EI income benefits for long-tenured workers participating in longer-term training, and allows earlier access to benefits for eligible workers who invest in their own training using some or all of their severance packages. This initiative allows claimants to gain the new skills needed to adapt to the changing economy and help them secure new employment.

The Strategy provides targeted two-year funding to top up current annual funding through the Labour Market Development Agreements, which will expand the availability of training and support measures delivered to workers across Canada.

In addition, the Strategy contains measures to help unemployed Canadians who are not eligible to receive EI benefits. Over the next two years, the Strategic Training and Transition Fund will help ensure that all unemployed Canadians have access to the training and other assistance they need.
Changes to the Work-Sharing Program have prevented, and will continue to help prevent, thousands of layoffs during the economic downturn. The Government is extending work-sharing agreements by 14 weeks, to a maximum of 52 weeks, over the next two years, and increasing access to work-sharing agreements through greater flexibility in the qualifying criteria and streamlined processes for employers.

With respect to financing, the Government has frozen the EI premium rate for 2010 at $1.73 per $100 of insurable earnings—the same rate as 2008 and 2009. Keeping the EI premium rate at the same level in 2009 and 2010 will provide $10.5 billion in stimulus to the economy and ensure that premium rates for workers and employers will not increase during the economic downturn.

Please be assured that the Government will continue to monitor the EI program to ensure that it remains responsive to the needs of Canadians. The Council’s views are appreciated and will help department officials to better evaluate the impact of EI on Canadians.

Thank you for taking the time to write.

Yours sincerely,

[Signature]

The Hon. Diane Finley, P.C., M.P.

c.c. Mr. David Sweet, M.P.

Mr. Dean Allison, M.P.

Mr. Wayne Marston, M.P.

Mr. David Christopherson, M.P.

Ms. Chris Charlton, M.P.