

The Duration of Employment Insurance (EI) Benefits: How many unemployed Canadians will exhaust their EI claims?

A CLC *Recession Watch* Research Note

The Canadian Labour Congress (CLC) has called for *all* EI claimants to be eligible for up to 50 weeks of benefits in *all* regions.

There was a problem before the recession in terms of EI claimants exhausting their benefits before finding a new job, and it will soon get much worse.

In 2006-07, before the recession, the national unemployment rate averaged just over 6%. Nonetheless, there were over 1.3 million new regular EI claims filed over the year, reflecting the fact that many Canadian workers experience periodic spells of unemployment through no fault of their own, even in relatively good times. To qualify for EI, a worker must have been involuntarily laid off from a previous job, be actively seeking a new job, and have met the hours of work entrance requirement in the region in which she or he lives.

The average regular EI claimant qualified for 31 weeks of benefits in 2006-07, the most recent year for which HRSDC (Human Resources and Skills Development Canada) provides data. However, the average claim was for just 18.7 weeks. That is because most unemployed workers managed to find a new job before exhausting a claim.

Nonetheless, even before the recession, more than one in four (27.9%) of claimants exhausted their benefits (29.9% of women and 26.5% of men). Based on a total of 1.3 million new claims in 2006-07, about 350,000 claims were exhausted over the year. More than one in

three (34.3%) older workers on EI exhausted their benefits. (Calculated from data in HRSDC, *EI Monitoring and Assessment Report*, 2008: 74-75.)

Neither Statistics Canada nor HRSDC release current data on the average period of eligibility for EI benefits for new claimants, or on how many claimants exhaust their benefits in any given month. This lack of information makes it difficult to assess how well the system is coping with the economic crisis.

Currently, claimants are eligible for between 19 weeks and 50 weeks of benefits depending upon how many hours of work they put in in the 52-week qualifying period, and the regional rate of unemployment. This range of eligibility periods includes the temporary five weeks of benefits added to the system in all regions in the last Budget.

In an “average” region with an unemployment rate of 8%—the same as the average national rate—eligibility ranges from 23 to 47 weeks depending upon the number of hours worked in the previous year, with more than 1,820 hours or essentially a history of working in a full-time, permanent job being required to get the maximum 47 weeks of benefits. The current 50-week maximum in all of Canada only applies in regions with an unemployment rate above 12%.

One can estimate that a new EI claimant today will, on average, qualify for about 38 weeks of benefits. That is the average of 31 weeks for 2006-07, plus the extra five weeks added in the last Budget, plus the extra two weeks generated on average by a two percentage point rise in the national unemployment rate. (Nationally, the unemployment rate has jumped from 6% to 8%, though the actual increase varies between regions. The unemployment rate has risen fastest in Ontario, British Columbia, and Alberta.)

The key question that needs to be asked is: How many claimants are likely to exhaust their benefits in the weeks and months ahead?

In February 2009, the number of new EI claims was up 53% from one year earlier. If this trend continues, we can expect the total number of new claims in 2009 to hit about 1.7 million. If the exhaustion rate were to remain the same as in 2006-07, we could eventually see some 475,000 exhausted claims in late 2009 and into 2010.

It is open to question if the exhaustion rate will remain the same as before the recession. On the one hand, as noted, a higher unemployment rate automatically triggers longer benefit eligibility periods, and five weeks have been temporarily added for two years. On the other hand, it will be much harder than in 2006-07 for those on claim to find a new job before their eligibility period comes to an end.

Before the recession, in 2008, the average duration of a spell of unemployment had fallen to an historic low of just 16.3 weeks for workers aged 25 and over (17.5 weeks for men and 14.8 weeks for women), but it was significantly longer at 19.7 weeks for workers aged 55 and over. (Data are from the *Labour Force Survey Historical Review* with a top code of 99 weeks of unemployment. For purposes of this analysis, we look only at the unemployment duration of adults, since the great majority of unemployed young workers do not qualify for EI due to insufficient hours of work and the high new entrant requirement of 920 hours.)

As of April 2009, the average duration of unemployment had not increased significantly compared to one year earlier, and had, in fact, declined slightly for workers aged 25 and over, from 17.9 weeks, to 17.7 weeks. This is because, with the very sharp and sudden rise in unemployment since last October, many of the unemployed have only very recently joined the ranks of the unemployed.

Nonetheless, previous recessions saw a major increase in the average duration of a spell of unemployment. During the last recession, the average duration of unemployment among adults aged 25 and over rose from a low of 19.0 weeks in 1990, to 21.4 weeks in 1991, to 25.3 weeks in 1992, to a high of 28.1 weeks in 1993, and 28.8 weeks in 1994, before slowly falling thereafter. Typically, unemployment duration rises slowly but surely in the initial stages of a recession, and then peaks well after an economic recovery has begun. Part of the reason is that new hiring lags a recovery in production. Also, the longer a worker is unemployed, the harder it becomes for she or he to find a job in a changing labour market which demands current skills.

Because of the manufacturing jobs crisis which preceded the recession, there are already a significant number of longer term unemployed workers at risk of losing benefits in even the near future. As of April 2009, there were 210,500 unemployed workers who had been unemployed for 27 weeks or more (117,600 men, and 92,900 women). (Not seasonally adjusted data from Statistics Canada CANSIM Table 282-0047.) It is impossible to say how many of these workers are current EI claimants, but the great majority (90%) are aged 25 and over, and thus much more likely to be eligible for EI than young workers, and the majority (52%) have still been unemployed for less than one year, and are thus still likely to be EI claimants.

In short, there are a significant number of unemployed workers at risk of losing benefits in the short-term, and their numbers are likely to grow very rapidly in the months ahead if eligibility is not further extended.