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Toronto Star BUSINESS

## Our Employment Insurance plan is broken — do any of the parties have a good plan to fix it?

By [Rosa Saba](#) Business Reporter  
Sat., Aug. 28, 2021



When the COVID-19 pandemic brought the economy to a standstill, Toronto DJ and event organizer Brice Sopher — along with millions of other Canadians — lost his primary source of income.

Sopher turned to UberEats to fill the gap. He'd already been delivering for the company for several years on the side, but now it was all he had.

Meanwhile, the federal government was struggling with the Employment Insurance program, which was failing under the pressure of the pandemic's effects.

So in late March 2020 it rolled out — some say rushed out — the Canada Emergency Response Benefit (CERB), a streamlined income support program that kept droves of out-of-work Canadians afloat through a difficult spring and summer.

Sopher is one of the millions of workers who was covered by CERB, but found that EI was not available. As a gig worker, he's classified — or misclassified, many say — as an independent contractor, making him technically self-employed. He doesn't pay into EI, and neither does Uber.

As vice-president of Gig Workers United, Sopher is fighting along with other gig workers to be considered an employee, which would make him eligible for EI and other labour protections like minimum wage. The pandemic has made this issue even more urgent, he says. "The current system is really lousy."

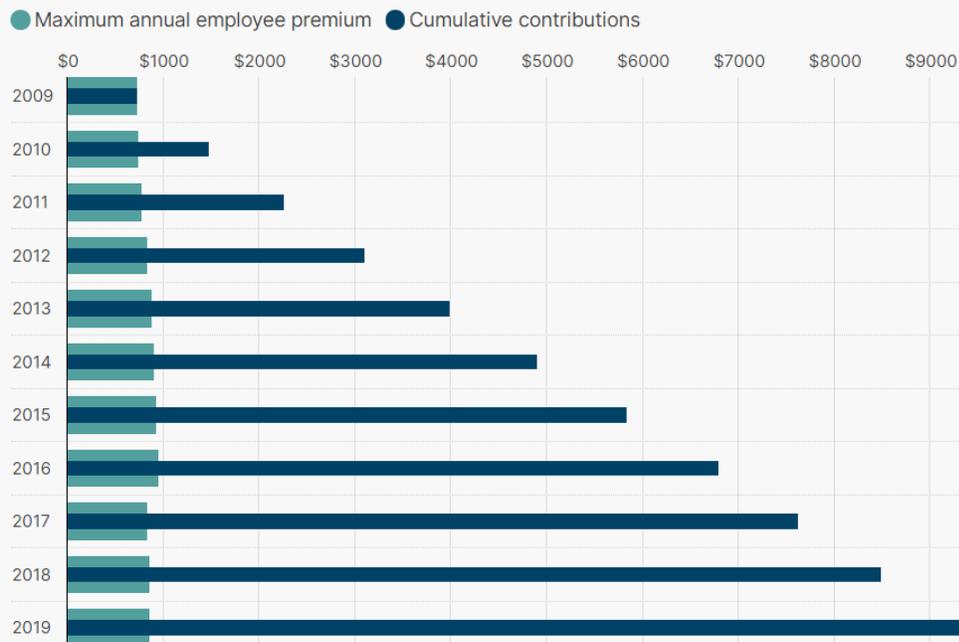
Sopher is not the only one who feels this way. The pandemic has shone a harsh light on the deeply flawed EI program, which experts and labour advocates say has long been in need of an update. The federal election could be the perfect time to propose overhauls to the system, they say, but instead the parties appear to be dancing around its most serious problems.

The Employment Insurance program was designed as a safety net to catch workers in times of economic strife. At one time it was partially funded with taxpayer money, but since 1990, the

payouts have been covered by contributions from workers and their employers. In short, it's a program that collects money from workers — and then gives it back to them in times of need.

## Cumulative EI contributions

Here's how much a worker paying the maximum EI premiums would pay into the program over time.



SOURCE: STATISTICS CANADA

STAR GRAPHIC

Last September — some six months into the pandemic — when it became clear the system was failing, the government introduced temporary changes to EI, lowering the number of qualifying hours and introducing a one-time hours credit to help more Canadians qualify. It also brought in a suite of recovery benefits aimed at those who didn't qualify for EI, such as the self-employed — who number 2.7 million, at last count.

But the recovery benefits are set to expire near the end of October, and though the EI program is more accessible now than it was before, it still leaves out millions of workers.

Experts say that none of the top three federal parties — the Liberals, the Conservatives and the NDP — have a plan to fix this urgent problem.

The Liberals have started a consultation for long-term fixes to the EI program that will take years. And the Conservative and NDP platforms promise a number of changes, but don't properly address one of the biggest issues, experts say: the fact that so many Canadians remain ineligible for EI.

Broadly speaking, EI's three major problems are the barriers to eligibility for self-employed, part-time and low-paid workers; the duration of the benefits; and the amount of money the benefits

give out, says Armine Yalnizyan, an economist and the Atkinson Fellow on the Future of Workers.

“The basic program needs reform ... and everybody’s talking around that, rather than at the core,” she says.

Of these, eligibility is the most fundamental — after all, when the pandemic hit, so many Canadians were ineligible for assistance under EI, the government had to introduce CERB, a whole new program.

### A safety net you fall right through

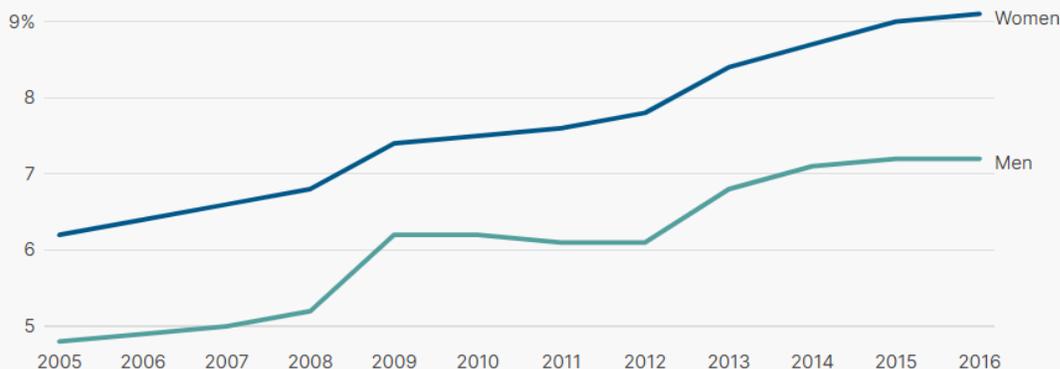
Jim Stanford, economist and director of the Centre for Future Work, says it was immediately clear when COVID-19 hit that the EI system wasn’t fit to handle the pandemic shutdown — or any other economic crisis. After all, the issues that made EI incapable of dealing with the pandemic existed long before COVID-19, he says.

One of the biggest problems was — and is — that the qualifying restrictions were too severe for millions of low-paid or part-time workers, Stanford says.

“What is the point of a safety net that most people fall right through?” he says.

## Gig work on the rise

The share of gig workers among all employed Canadians rose between 2005 and 2016; a higher number of those workers were women.



SOURCE: STATISTICS CANADA

STAR GRAPHIC

As well, the system doesn’t include help for non-standard workers such as the self-employed, including, increasingly, gig workers. According to Statistics Canada, between 2005 and 2016 the share of gig workers among all workers rose to 8.2 per cent from 5.5 per cent.

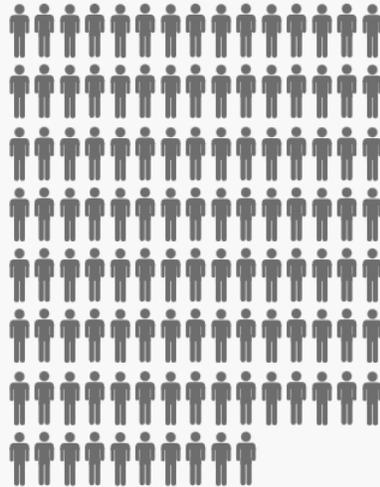
In December 2019, 1.1 million Canadians were unemployed, but fewer than half that number were receiving EI, according to Statistics Canada, illustrating the gap between those who need the benefit and those who qualify.

David Macdonald, senior economist with the Canadian Centre for Policy Alternatives, says one big question is whether self-employed and gig workers should be integrated into the EI system, or whether a separate system should be established for them.

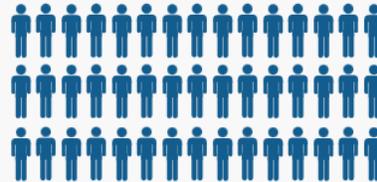
## Who doesn't qualify?

In December 2019, just before the pandemic hit, more than 1.1 million Canadians were unemployed. That month, just over 450,000 people received EI.

1,148,700 unemployed



453,130 on EI



SOURCE: STATISTICS CANADA

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The Liberals have not yet released their full election platform, but in an emailed statement, a party spokesperson pointed to their 2021 budget, as well as the changes they've made already, as an indication of how they might tackle this issue. They also hinted at more to come in the platform.

The budget promised a "suite of legislative changes" to simplify and improve eligibility for the EI program, including maintaining the lowered 420-hour entrance requirement for three years (down from between 420 and 700), as well as consultations for longer-term changes to the program. The consultation process began not long before the election.

The consultation will address "the need for income support for self-employed and gig workers," promised the budget.

The Conservatives' Recovery Plan tackles the gig worker issue by proposing an Employee Savings Account into which gig economy companies would pay premiums equal to EI and Canada Pension Plan payments, to be withdrawn by the worker as needed.

The idea is similar to Flexible Work+, a proposal made by Uber in March and criticized by labour advocates, including Sopher, who say it doesn't address the key labour issues faced by gig workers. (In an emailed statement, the Conservatives' director of media relations, Chelsea Tucker, says the plan strikes a balance "between accommodating modern and evolving ways of working, while ensuring that workers are protected.")

The NDP's platform does not mention gig workers or independent contractors. When it comes to eligibility, the party's commitments include making EI available to people who quit their jobs to go back to school, provide child care, or protect the health of their family. They also want to create a pilot project that would allow people with episodic illnesses and disabilities to access EI sickness benefits one day at a time.

Though it's not mentioned in the platform, in an interview, NDP candidate and employment critic Daniel Blaikie says the NDP has been calling for a lower-hours threshold "for a long time."

Blaikie also says the party wants to determine how to provide income support for people like gig workers, and says it is open to pursuing that through the EI program.

The NDP also wants to allow self-employed workers to opt into parental benefits — which are part of the EI program — at any time before they take their leave, and make up the premiums later.

Yalnizyan says while it's "strange" that the NDP platform doesn't mention the misclassification of workers, the Conservatives' promise also misses the mark, because it doesn't actually change gig workers' status.

Meanwhile, the Liberals have kick-started a long process that promises to address the issue, she says; they're asking the right questions so far, but what really matters is what they do with the answers.

## Billions of dollars given out in EI and pandemic aid

Since Sept. 27, 2020, more than \$65 billion has been given out between EI and CRB.



SOURCE: STATISTICS CANADA

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But nobody is promising to extend the Canada Recovery Benefit (CRB), introduced in September, as Canada enters a fourth wave, noted the Canadian Centre for Policy Alternative's Macdonald. An easy fix in the short term would be to do just that, he says.

The main question is how to get workers and employers to contribute, he says, and fixing the misclassification of gig workers is one way.

### Something everyone can agree on — longer sickness benefits

Laurell Ritchie, co-chair of the EI Working Group of the Good Jobs for All Coalition, notes that the Liberals' temporary enhancements to EI included adding more weeks to the benefits' duration, something that needs to improve over the long term, she says.

All three parties agree that the length of sickness benefits needs to change, at least for people with serious long-term illnesses such as cancer. The Conservatives are promising the longest benefit duration at 52 weeks.

The NDP wants to give parents more options for parental leave — currently, after maternity leave, you can take 40 weeks of parental leave at a 55 per cent replacement rate, or 69 weeks at 33 per cent. They are proposing a shorter leave option at a replacement rate higher than 55 per cent.

Improving the duration of all EI benefits should be a government priority, say Yalnizyan and Ritchie. Yet that doesn't seem to be the case so far.

“They're only addressing it at the fringes of the system,” Yalnizyan says.

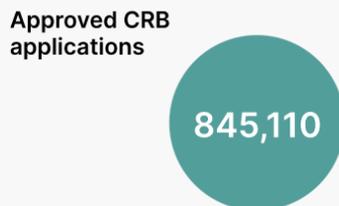
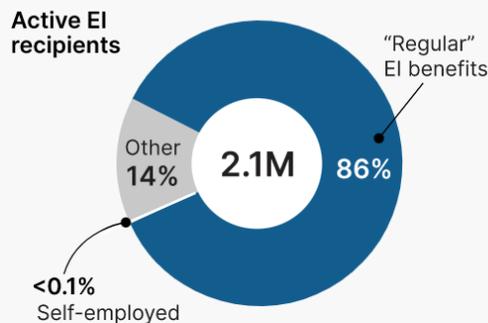
### A living wage for EI recipients

And then there's the all-important question of rate, or how much money EI recipients should receive. It's a question that has come up with both CERB and CRB, as some employers have blamed the benefits for being too generous and keeping workers at home, while others have used the benefits as proof that a universal basic income is the way forward.

The EI replacement rate is 55 per cent of insurable earnings for regular benefits, up to a maximum of \$595 per week. Yalnizyan pointed out that for someone working at a low or minimum wage, EI at 55 per cent would likely not be enough to stay afloat. For example, someone who was previously working 40 hours a week at \$15 an hour would get just \$330 per week before taxes under EI.

### EI and CRB recipients

Close to 2 million people were receiving EI regular benefits as of mid-August, compared to 850,000 receiving the CRB mid-July.



Currently, temporary COVID-19 changes mean that EI recipients will receive a minimum of \$500 per week, or \$300 per week on extended parental leave.

With an eye to future crises, the Conservatives are proposing a “Super EI,” which would bump the 55-per-cent replacement rate up to 75 per cent if a province enters a recession, as measured by a 0.5 per cent increase in the unemployment rate. The same worker from above would get \$450 per week instead of \$330.

They are also proposing that Canadians on parental and maternity leave be allowed to earn up to \$1,000 a month on top of their benefits.

The NDP is promising to create a low-income supplement, funded by EI funds, for people receiving EI regular and special benefits to ensure no one receives less than \$2,000 a month.

Eligibility for the supplement would kick in if the sole income earner in the household receives below \$2,000 a month in EI, according to an NDP spokesperson.

### **Who’s going to pay for it?**

Of course, improving government aid programs costs big money, and EI is no exception — but given the structure of the program, that cost would not necessarily be borne by taxpayers. For instance, if the program were expanded to include gig workers, the extra payouts could very well be covered by the extra workers paying into the program, as well as new money from Uber, DoorDash and other major gig employers. So it’s a safety net that could be strengthened without a huge cost to taxpayers.

That said, a growing number of experts, including Ritchie, say the government should once again contribute to the EI fund, as it has in the past — and a House of Commons committee recommended considering that prospect this past June.

“That’s really the only way,” Ritchie says, explaining that a low-income supplement could raise concerns about internal equity, where some employees would be in essence subsidizing extra benefits for others.

Ritchie says she’s worried the window of opportunity for reform created by the pandemic will close before changes are made.

“We want all the parties to co-operate when they get back to Parliament on moving these reforms forward ... and not kick it down the road.”

**Rosa Saba** is a Toronto-based business reporter for the Star. Follow her on Twitter: [@rosajsaba](https://twitter.com/rosajsaba)