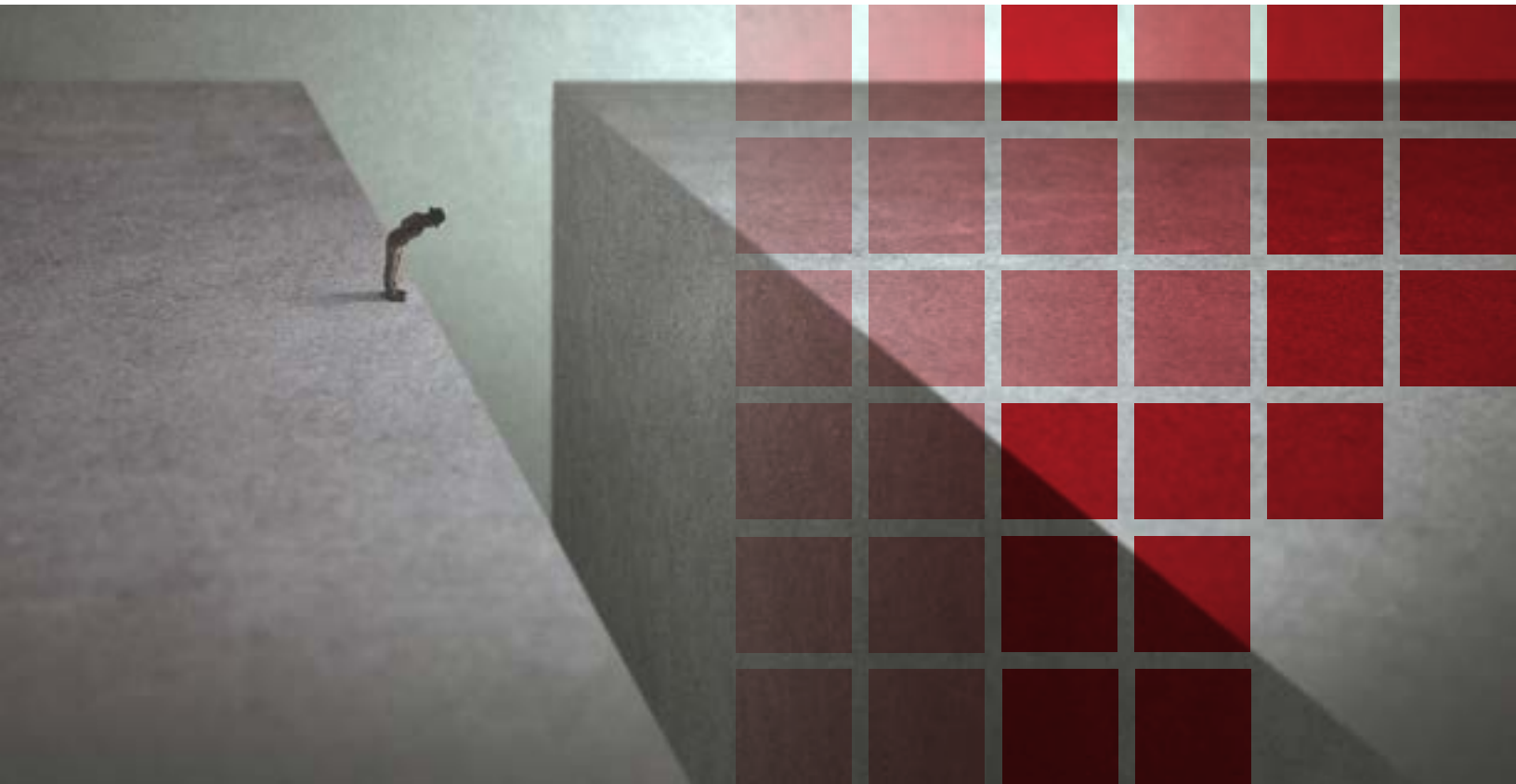


# Mind the Gap: Running Out of Employment Insurance Benefits

David Gray and Philip Leonard



## ABOUT THIS STUDY

This study was published as part of The Social Safety Net for Working-Age Adults research program, under the direction of Colin Busby. The manuscript was copy-edited by Barry Norris, proofreading was by Zofia Laubitz, editorial coordination was by Étienne Tremblay, production was by Chantal Létourneau and art direction was by Anne Tremblay.

**David Gray** is a professor of economics at the University of Ottawa. His research areas are labour market policy, income mobility and program evaluation. He has worked as a consultant on program evaluation and employment policy for Employment and Social Development Canada. In the past, he has held short-term appointments as a visiting scholar at L'Université Gustave Eiffel in the Greater Paris area. He holds a PhD in economics from the University of Michigan.

**Philip Leonard** is an honorary research associate at the University of New Brunswick's Department of Economics and the New Brunswick Institute for Research, Data and Training. He specializes in labour, health and education economics, with a particular interest in program evaluation. He worked for nearly six years in the Program Evaluation Directorate of Human Resources and Skills Development Canada, focusing primarily on evaluating the employment insurance program. He holds a PhD in economics from McMaster University.

### To cite this document:

Gray, David and Philip Leonard. 2020. *Mind the Gap: Running Out of Employment Insurance Benefits*. IRPP Study 81. Montreal: Institute for research on Public Policy.

## ACKNOWLEDGEMENTS

This research was conducted at the New Brunswick Research Data Centre (RDC) and the Carleton, Ottawa, Outaouais RDC, both part of the Canadian Research Data Centre Network. This service is provided through the support of the University of New Brunswick, the University of Ottawa, the provinces of New Brunswick and Ontario, the Canadian Foundation for Innovation, the Canadian Institutes of Health Research, the Social Sciences and Humanities Research Council and Statistics Canada. All views expressed in this work are those of the authors.

---

The opinions expressed in this study are those of the authors and do not necessarily reflect the views of the IRPP or its Board of Directors.

IRPP Study is a refereed monographic series that is published irregularly throughout the year. Each study is subject to rigorous internal and external peer review for academic soundness and policy relevance.

If you have questions about our publications, please contact [irpp@irpp.org](mailto:irpp@irpp.org). If you would like to subscribe to our newsletter, *IRPP News*, please go to our website, at [irpp.org](http://irpp.org).

Cover photo: Shutterstock.com.

## CONTENTS

Summary .....	2
Résumé.....	4
Introduction .....	7
Rationales for Extending the Duration of EI Benefits .....	9
Seasonal Workers .....	14
Cyclical Downturns and Recessions .....	20
Commodities Downturns .....	23
Displaced Long-Tenured Workers .....	26
How to Set Appropriate EI Benefits Durations: A Tall Order .....	28
Conclusion .....	29
References .....	32
Appendix .....	34

## SUMMARY

The Employment Insurance (EI) program has long been criticized for its inadequacies. Chief among these are its variable eligibility requirements that create inequities among regions and its failure to cover a growing proportion of unemployed workers. The duration of benefits has received much less attention but it should be added to this list. EI rules were designed to provide longer-lasting benefits to unemployed workers in regions with fewer job opportunities and to minimize the risk their claims would run out before they found a new job. Yet, on seven separate occasions since 2004, the federal government has had to extend benefits beyond the duration set by EI rules. Indeed, extraordinary benefit extension measures have been in place for most of the past 16 years. This suggests that a fundamental review of EI rules is in order and all the more urgent in the context of the pandemic and its aftermath.

In this study, David Gray and Philip Leonard assess the implementation and impact of EI benefit extensions based on the categories of unemployed workers targeted by these measures and the economic conditions that motivate the additional support. They examine whether benefit extensions have successfully reduced the risk of claimants exhausting their benefits while still unemployed. They also review the evidence on the unintended behavioural effects of extensions, such as claimants delaying their job search and staying on benefits longer than they would have without a buffer period.

Seasonal workers: The most common benefit extensions target seasonal workers in particular regions. They are meant to shorten the period between the end of their benefits and the start of the following working season. Gray and Leonard's analysis focuses in particular on a 2010-12 pilot project that extended benefits by 5 weeks in 21 regions where the unemployment rate exceeded 8 percent. They compare the outcomes for claimants in these regions to those in regions not taking part and find there was a clear reduction in the proportion of claimants running out of benefits. Government evaluations of these measures revealed a major flaw, however. A large majority of those who claimed the extended benefits were not seasonal workers facing income gaps. This resulted in significant unintended costs and other problems, which the authors highlight. For instance, they argue that the difficulty in targeting seasonal claimants without affecting other unemployed workers in these regions made these benefit extensions distortionary and inefficient, not to mention the fact that they exacerbated regional inequities among unemployed workers. Also, the recurrent use of benefit extensions to support select groups of seasonal workers does not conform with the proper role of insurance, which is to mitigate the effects of unanticipated and nonpreventable events. They recommend that these measures not be renewed as they only serve to perpetuate seasonal workers' dependency on EI. Policy-makers should focus instead on increasing the occupational and regional mobility of these workers, for example, through retraining and adult education.

The 2008-09 recession: The 2009 federal budget marked the first time EI benefit extensions were implemented nationwide in response to a recession. The plan included an extra 5 weeks of benefits for regular claimants and an extra 20 weeks of benefits for long-tenured workers with little history of making EI claims. Based on the government's program evaluations, these measures had the intended effect of significantly reducing benefit-exhaustion rates relative to what they would have been otherwise. Gray and Leonard say the benefit extensions were an appropriate response to an unanticipated economic shock. But they argue that policy-makers should draw two important lessons from this experience: (1) the EI program has proven not sufficiently responsive to sudden and massive job losses; and (2) implementing ad hoc benefit extensions entails inevitable, costly delays. A better solution would be to revamp the EI system to ensure benefit durations increase more rapidly when unemployment rises.

The 2015 commodities downturn: There is limited evidence with which to assess the 2015-17 benefit extensions that were granted to claimants in 15 commodity-based regions facing a sharp drop in resource prices. Evidence suggests that the unemployed workers who claimed these extended benefits, including many who previously worked outside the oil and gas sector, were clearly in need of income support. The vast majority of them were still unemployed by the time they exhausted their claims. As in 2009, this measure responded to an unanticipated economic shock and was therefore appropriate. However, as Gray and Leonard point out, commodity prices have now been depressed for five years and the regional labour market effects persist, even beyond those related to the pandemic. Without the prospect of a near-term recovery, the argument for extending EI benefits for this purpose in the future is weakened. Many of these workers would likely be better served by programs to help them transition to other occupations or sectors.

Displaced long-tenured workers, such as those who have been permanently laid off from auto manufacturing plants in Ontario, have not been granted EI benefit extensions, despite calls for such action. The two exceptions are the 20-week extensions announced in the context of the 2008-09 recession and the 2015 commodities downturn. Yet research indicates that long-tenured workers are less likely than others to be re-employed one year after losing their jobs and those that are often earn significantly less than they did before. Rather than extending EI benefits for these workers, however, Gray and Leonard suggest that governments develop new programs better suited to their needs such as wage insurance and re-employment accounts.

At the end of September 2020, the federal government temporarily increased from 14 to 26 weeks the minimum benefit duration for all EI claimants as part of its longer-term response to pandemic-related layoffs. Gray and Leonard agree with this course of action. However, they argue that the government should also use these unprecedented economic circumstances as an opportunity to make fundamental changes to EI. Employment Insurance remains the main pillar of Canada's

social safety net. We need a system that is more responsive to ongoing changes in the labour market and better able to support those most at risk of being left behind in the post pandemic recovery.

## RÉSUMÉ

Les insuffisances du programme d'Assurance-emploi (AE) sont depuis longtemps l'objet de maintes critiques. On lui reproche notamment ses conditions d'admissibilité variables, qui créent des inégalités entre régions, et son incapacité à protéger une proportion grandissante de chômeurs. On s'intéresse beaucoup moins à la durée des prestations, qu'il faudrait pourtant ajouter à ses lacunes. Les règles de l'AE ont été conçues pour assurer des prestations de plus longue durée aux chômeurs des régions où les perspectives d'emploi sont moindres afin d'éviter qu'ils se retrouvent sans revenu avant d'avoir trouvé un nouvel emploi. Pourtant, depuis 2004, Ottawa a dû prolonger à sept reprises la période de prestations au-delà des échéances établies. De fait, des mesures exceptionnelles de prolongation ont été appliquées pendant la plus grande partie des 16 dernières années. Ce qui semble confirmer la nécessité de réviser en profondeur les règles de l'AE, et d'autant plus rapidement dans le contexte actuel de la pandémie et de ses suites appréhendées.

David Gray et Philip Leonard examinent dans cette étude l'application et l'incidence de ces mesures de prolongation en fonction des catégories de chômeurs visés et des conditions économiques qui ont motivé leur adoption. Ils cherchent à établir si elles ont effectivement atténué le risque d'épuisement des prestations avant l'obtention d'un nouvel emploi. Et ils analysent les données sur les effets comportementaux imprévus qu'elles peuvent occasionner, par exemple chez des prestataires qui remettent à plus tard leur recherche d'emploi et par conséquent touchent des prestations plus longtemps que nécessaire grâce à cette période tampon.

Travailleurs saisonniers – Les mesures les plus courantes de prolongation s'appliquent aux travailleurs saisonniers de certaines régions. Elles visent à réduire le délai entre la fin de leurs prestations et le début de la saison de travail suivante. Les auteurs analysent en particulier le projet-pilote de 2010-2012, qui a donné lieu à une prolongation de 5 semaines dans 21 régions au taux de chômage supérieur à 8 %. En comparant ces régions aux autres, ils constatent que cette mesure a eu pour effet de réduire la proportion de chômeurs ayant épuisé leurs prestations. Mais les évaluations gouvernementales du projet révèlent une sérieuse lacune : la grande majorité des prestataires ayant bénéficié d'une prolongation n'étaient pas des travailleurs saisonniers menacés d'un manque à gagner. Ce qui a entraîné des coûts imprévus et d'autres problèmes remarqués par les auteurs. Par exemple, la difficulté de départager les prestataires saisonniers des autres chômeurs a eu des répercussions sur le comportement de ces derniers et amoindri l'efficacité des prolongations – sans compter qu'elles ont accentué les inégalités régionales. Leur usage récurrent en appui à certains groupes de travailleurs saisonniers contrevient en outre au principe d'assurance, qui est d'atténuer les effets de situations imprévues et inévitables. Les auteurs recommandent donc

d'abolir ce genre de mesures qui perpétue la dépendance des travailleurs saisonniers à l'égard de l'AE. Ils proposent en échange d'accroître la mobilité régionale et professionnelle de ces travailleurs, en misant notamment sur la formation et l'éducation des adultes.

Crise financière de 2008-2009 – C'est dans le budget fédéral de 2009 qu'on a prolongé pour la première fois la durée des prestations d'AE pour atténuer les effets d'une récession. Le programme prévoyait 5 semaines supplémentaires pour les prestataires habituels et 20 semaines pour les travailleurs de longue date ayant rarement bénéficié de l'AE. Les évaluations gouvernementales ont établi que ces mesures avaient rempli leur objectif, qui était de réduire significativement le taux d'épuisement des prestations par rapport à ce qu'il aurait été sans leur adoption. Si les auteurs estiment qu'elles étaient justifiées face à un choc économique imprévu, ils soutiennent que nos décideurs doivent en tirer deux leçons clés : (1) le programme d'AE ne s'est pas avéré suffisamment réactif aux pertes massives et soudaines d'emplois ; (2) la prolongation circonstancielle de la durée des prestations entraîne inévitablement de coûteux retards. Il serait plus judicieux de réformer le programme de manière à ce que la durée des prestations augmente plus rapidement en période de hausse du chômage.

Récession de 2015 – Peu de données permettent d'évaluer l'effet de la prolongation des prestations accordée entre 2015 et 2017 aux prestataires de 15 régions d'activités pétrolières et gazières touchées par la chute importante du prix des ressources. Elles indiquent tout de même que les chômeurs ayant bénéficié de cette prolongation, dont beaucoup travaillaient hors du secteur en cause, avaient réellement besoin d'un soutien du revenu. La grande majorité des chômeurs avaient ainsi épuisé leurs prestations sans avoir trouvé d'emploi. Comme en 2009, cette mesure avait été adoptée à juste titre par suite d'un choc économique imprévu. Mais les auteurs rappellent que le faible prix des matières premières se maintient aujourd'hui depuis cinq ans et son incidence sur les marchés du travail régionaux persiste même au-delà des effets de la pandémie. À moins d'une reprise à moyen terme, il serait donc difficilement justifiable d'avoir encore recours à une prolongation des prestations pour les travailleurs de ce secteur. Bon nombre des travailleurs touchés seraient d'ailleurs probablement mieux servis par un programme de transition vers d'autres métiers ou secteurs.

Sauf lors de la crise financière de 2008-2009 et de la récession de 2015, les travailleurs licenciés après de longues années de service, comme ceux qui ont perdu leur emploi dans l'industrie automobile de l'Ontario, n'ont obtenu aucune prolongation de leurs prestations même si plusieurs le réclamaient. Les études indiquent pourtant que ces travailleurs de longue date sont moins susceptibles d'avoir retrouvé un emploi un an après leur licenciement, et que ceux qui y parviennent subissent généralement une importante baisse de salaire. Mais au lieu de prolonger leurs prestations, les auteurs préconisent l'adoption de mesures mieux adaptées à leurs besoins, comme des programmes d'assurance-salaire ou des comptes de réemploi.

Pour faire face à plus long terme aux licenciements occasionnés par la pandémie, Ottawa a annoncé fin septembre qu'il augmentait temporairement de 14 à 26 semaines la durée minimale des prestations de tous les demandeurs d'AE. Si les auteurs approuvent cette initiative, ils estiment qu'Ottawa devrait aussi profiter de cette situation sans précédent pour restructurer son programme d'AE. Car ce programme, qui est le principal élément du filet social canadien, doit pouvoir s'adapter à l'évolution constante du marché du travail et mieux soutenir les chômeurs plus à risque d'être laissés pour compte lors de la reprise post-pandémie.



## INTRODUCTION

Losing one's job, whether due to a recession, economic restructuring or a major drop in commodity prices, is a highly stressful event. The greatest concern of workers displaced in such circumstances is to find a new job as quickly as possible, either in the same industry or in another sector or region. In the meantime, often their only other recourse is to turn to the employment insurance (EI) program for income support. But EI benefits are temporary and can expire before claimants are re-employed, which means they might have to fall back on less generous social assistance.

EI originally was designed to address short-term unemployment and job losses during cyclical downturns. The rules that determine who qualifies, for how much, and for how long – the “EI entitlement matrix” – have undergone only modest reforms since they were designed in the early 1970s.<sup>1</sup> The matrix stipulates the generosity of EI benefits with two critical parameters: the maximum number of weeks of benefits to which a claimant is entitled and the minimum number of hours of work required to qualify.<sup>2</sup> Moreover, eligibility requirements and benefit duration vary by region.<sup>3</sup> As the regional unemployment rate rises, the required qualifying period becomes shorter and the duration of benefits increases – and vice versa (see appendix table A1).

The EI matrix's built-in adjustment features were meant to accommodate seasonally unemployed workers and variations in regional labour market conditions. However, these embedded rules have not evolved to reflect the changes taking place in the nature of work over time due to structural and technological change, which are causing job displacement and a greater incidence of “nonstandard” forms of employment – such as involuntary part-time (full-year but fewer than 30 hours per week), precarious and casual employment (Busby and Muthukumaran 2016; Fong 2018; Morissette 2018). As a result, the EI program is increasingly failing to meet the needs of those it is intended to help – not only recent immigrants and workers in the gig economy, but also those impacted by economic restructuring, such as long-tenured workers who are permanently laid-off.

Although much of the public debate on EI has focused on the inability of many unemployed workers to qualify for EI benefits, little attention has been paid to inequities in the duration of benefits among different groups of unemployed Canadians. The EI matrix was designed to provide longer-lasting benefits to unemployed workers in regions with fewer job opportunities, yet there are still many instances of laid-off workers facing significant periods of time without income. As a result, the federal government often faces political pressures to extend benefit periods beyond the standard durations.

The massive layoffs that occurred in spring 2020 as a result of the COVID-19 pandemic have drawn renewed public attention to EI's complicated regional eligibility criteria and poor responsiveness to economic shocks. Due to the program's rigidities and limitations, the federal government had to create the Canada Emergency Response Benefit (CERB) to provide income support to those who could no longer work but did not qualify for EI. As well, many other laid-off workers who would have qualified for EI but were affected by backlogs in processing claims were instead signed up for the

CERB. Still, benefit durations have become an issue for both programs as the negative effects of the pandemic on unemployment and job prospects persist. The CERB, which had been extended by an additional 8 weeks, expired at the end of September 2020, at which point many claimants were redirected to EI (under less stringent eligibility rules), while others who still did not qualify were placed in a separate program, the Canada Recovery Benefit (CRB). As it has done in the past, the federal government also decided to temporarily extend the duration of EI benefits. The minimum benefit duration has been increased from 14 to 26 weeks.

In this study, we examine the use of “extended EI benefits” (that is, increasing the maximum number of weeks of benefits to which targeted claimants are entitled) and their impact on claimants’ behaviour. Extended benefits have become a policy tool regularly deployed to help claimants deemed at risk of exhausting their benefits while still unemployed. How claimants respond to changes in the duration of benefits is of great policy interest given the frequency with which the federal government has resorted to extended-benefit measures in recent years to provide additional support to particular groups of unemployed workers, namely those in seasonal industries and those laid off during a recession or following a prolonged drop in commodity prices. There are also lingering questions about the temporary, stop-gap nature of extended benefits, their optimal duration and their suitability for different types of unemployed workers. Looking at the experience of other countries that have also implemented unemployment benefit extensions in the past further informs this discussion.

In considering the appropriate duration of EI benefits, policy-makers also need to confront ongoing structural changes in the labour market. For example, at the end of 2019, General Motors closed its assembly plant in Oshawa after a half-century of operation, while Daimler Chrysler announced that 1,500 layoffs would occur at its Windsor plant by June 2020. Many of these workers were earning well above the minimum wage, and could be facing significantly reduced wages if and when they find new employment (Finnie and Gray 2011; Morissette and Qiu 2020). The Ontario government asked Ottawa to extend EI benefits for the laid-off workers in Oshawa (Ontario 2018), but no extension had been granted at the time of writing.

The EI entitlement matrix was designed in part to accommodate seasonal workers by providing longer-lasting benefits to claimants in high unemployment regions. But our analysis suggests it is not flexible enough to address the disparate needs of workers facing other types of unemployment. Ongoing labour market trends and changes in the nature of work are exposing the limitations of this design. We argue that, although some EI benefit extensions – namely, those granted during economic recessions – are justified, others are not. In those cases, policy-makers need to pursue alternative policies. Also, making the EI matrix more responsive to economic downturns and better adapted to various forms of unemployment would reduce the need for policy-makers to resort to ad hoc benefit extension measures on a recurring basis.

## RATIONALES FOR EXTENDING THE DURATION OF EI BENEFITS

Policy-makers take several factors into consideration in determining the duration of EI benefits. The primary objective is to provide temporary financial assistance to workers who are no longer earning salaries or wages, so that they and their families do not suffer undue financial hardship. EI benefits are also intended to facilitate the search for a suitable job: if the benefit period is too short, job seekers might have to accept the first job offer they receive, even if it is unsuited to their skill set and pays poorly. On the other hand, if the period is too long, claimants might not search actively until their benefits' expiry date draws close. This trade-off – between providing adequate income replacement with enough time to conduct a productive job search and weakening the incentive for job search with unduly generous, long-lasting benefits – is the central issue policy-makers must wrestle with when they extend the duration of benefits on an ad hoc basis.

Since 2004, Ottawa has extended EI benefits on seven different occasions, targeting four different types of unemployed workers: seasonal workers, the cyclically unemployed, the commodity-based unemployed, and long-tenured workers laid off during a nationwide recession or commodity price downturn (see table 1). These measures were implemented to address concerns that unemployed workers in these various

**Table 1. Employment Insurance extended benefit period initiatives, Canada, 2004-2020**

Name of initiative	Type of unemployment targeted	Dates in effect	Treated regions	Measure
Pilot Project No. 6	Seasonal	2004-06	24 regions (unemployment rates 10% or higher)	Extra five weeks of benefit entitlement
Pilot Project No. 10	Seasonal	2006-09	21 regions	Extra five weeks of benefit entitlement
Economic Action Plan, Budget 2009, Bill C-10	Cyclical, recessionary	2009-10	All of Canada	Extra five weeks of benefit entitlement
Economic Action Plan, Budget 2009, Bill C-50 (additional measure for long-tenured workers)	Cyclical, recessionary	2009-10	All of Canada but only long-tenured workers	Extra 20 weeks of benefit entitlement for long-tenured workers
Pilot Project No. 15	Seasonal	2010-12	21 regions (unemployment rates 8% or higher)	Extra five weeks of benefit entitlement
Commodities cycle initiative, Budget 2016	Cyclical for commodity sector	2015-17	15 regions adversely affected by low commodities prices	Extra 5 weeks of benefit entitlement; extra 20 weeks for long-tenured workers
Pilot Project No. 21, Budget 2018	Seasonal	2018-20	13 regions with a high concentration of seasonal workers	Extra five weeks of benefit entitlement (seasonal claimants only)

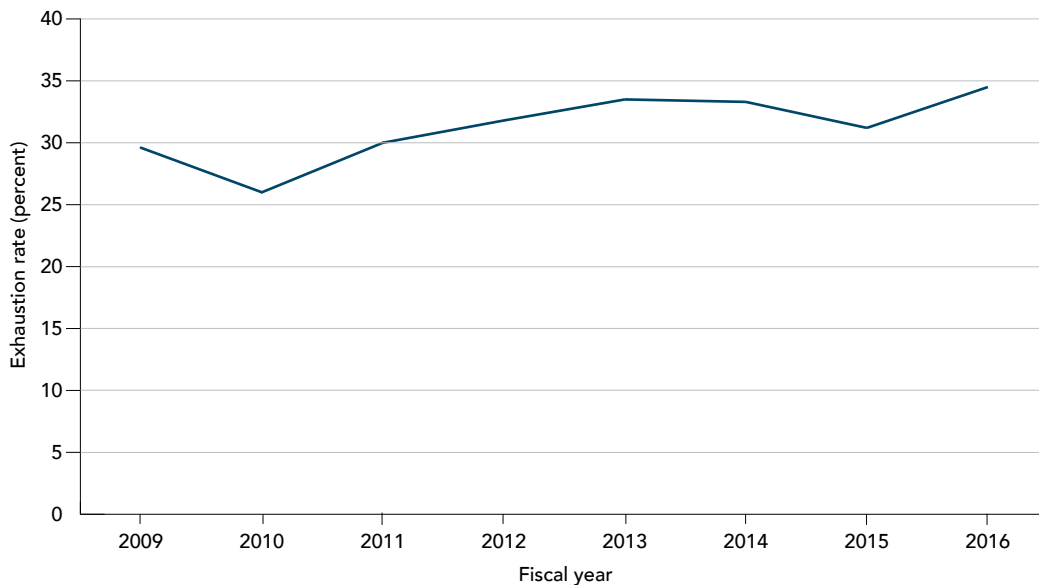
Source: Authors' compilation based on various Government of Canada documents.

circumstances might run out of EI benefits – an event commonly known as benefit exhaustion – before being re-employed.<sup>4</sup> The federal government’s fallback measure in all cases, except for special provisions for long-tenured workers, has been to extend the maximum benefit period by five weeks.<sup>5</sup>

### El benefit exhaustion indicators

The *regular-entitlement exhaustion rate* is the primary indicator used to measure the extent to which people run out of EI benefits before finding a new job. Regular-entitlement exhaustion is a fairly common event: roughly one-third of all claimants of regular EI benefits use up all their weeks of entitled benefits.<sup>6</sup> The proportion of claimants who exhausted benefits was fairly stable from 2009 to 2017, fluctuating between 26 percent and 35 percent (figure 1).<sup>7</sup> Labour market conditions play an important role by affecting the re-employment rate of claimants, because when job vacancies are more plentiful, the exhaustion rate tends to be lower. Further, the EI entitlement matrix itself serves to moderate increases in exhaustion rates by automatically increasing EI benefit durations as regional unemployment rates rise.

**Figure 1. Employment Insurance regular-entitlement exhaustion rates, fiscal years 2008-09 to 2015-16**



Note: The overall exhaustion rate is a weighted average of the exhaustion rates for each of the 58 EI regions.  
 Source : *Employment Insurance Monitoring and Assessment Report*, fiscal years 2009-10 to 2016-17.

<sup>4</sup> Benefit exhaustion and related policy responses are discussed in every annual *EI Monitoring and Assessment Report*.

<sup>5</sup> Long-tenured workers are defined as EI claimants who have paid at least 30 percent of the maximum annual EI premiums in 7 of the past 10 years and who, over the past 5 years, have collected EI regular or fishing benefits for 35 weeks or less.

<sup>6</sup> “Regular” EI benefits are distinct from “special” EI benefits, such as sickness or parental benefits.

<sup>7</sup> The figures for exhaustion are reported in the *EI Monitoring and Assessment Report* with a one-year lag in order to ensure that all of the relevant claims are completed. Year-to-year variations in the exhaustion rate for the most part reflect changes in the relative proportions of frequent, long-tenured and occasional claimants and changes in regional unemployment rates.

The secondary indicator of benefit exhaustion, the *benefit-period exhaustion rate*, is lesser known. Around 2012, it became an important administrative tool to track a unique group of claimants who run out of time to claim all of their entitled benefits. EI claims can be terminated because the benefit period – meaning the maximum 52-week window over which claimants can receive the benefits to which they are entitled – closes before all the entitled weeks of benefits have been collected. Employment and Social Development Canada uses the term “benefit weeks” to describe the number of weeks of benefits a claimant is entitled to but might end up not using if the claimant takes advantage of the working while on claim (WWC) provision during the benefit period. This provision allows EI claimants to suspend collecting their benefits temporarily in order to accept short-term work, thus substituting employment earnings for their EI benefit payment.<sup>8</sup> Roughly half of all EI claimants use the WWC provision.<sup>9</sup> Benefit-period exhaustion is a rather common experience among EI beneficiaries, accounting in fiscal year 2016-17, for example, for 18 percent of all claims. The indicator is particularly valuable in analyzing benefit exhaustion among seasonal claimants.

Table 2 shows descriptive statistics for both indicators for fiscal years 2015-16 and 2016-17. Regular-entitlement exhaustion rates appear unrelated to the variations in regional unemployment rates. Exhaustion rates were higher for nonseasonal claimants than for their seasonal counterparts. Claimants who exhausted their regular entitlements received on average about 28 weeks of benefits and relatively few requalified for a new claim soon after their claim expired.

The pattern is very different for claimants who exhausted their benefit periods. In their case, the exhaustion rate tends to increase with the regional unemployment rate, and exhaustion rates were higher for seasonal claimants than for nonseasonal claimants.<sup>10</sup> Over their 52-week claim period, they used up on average only around 58 percent of the weeks of benefits to which they were entitled. However, 71 percent of claimants who exhausted their benefit period reported working while on claim, which means they accumulated insurable hours for a subsequent claim. As a result, close to 70 percent of claimants who exhausted their benefit period in fiscal year 2016-17 ended up requalifying for a new claim within four weeks after their prior claim ended. Only about 6 percent of all EI claimants both exhausted their benefit periods and subsequently faced jobless periods without any income during that year (not shown).

<sup>8</sup> When the (typically) short period of work ends, the claim is renewed and benefit payments resume. Claimants can defer until later the EI benefits they would have received while they worked, thus postponing the date by which their entitled weeks of benefits are exhausted accordingly. Once 52 weeks have elapsed since the start of the claim, however, all unused benefits for that claim are forfeited.

<sup>9</sup> From 2005 to 2018, a series of new pilot programs was conducted to test whether adjustments to allowable earnings provisions under WWC programs would encourage more people to work while on claim.

<sup>10</sup> Approximately 19 percent of those who exhausted their benefit periods received sickness benefits in addition to regular EI benefits.

**Table 2. Employment Insurance regular-entitlement and benefit-period exhaustion, fiscal years 2015-16 and 2016-17**

	Regular-entitlement exhausted claims		Benefit-period exhausted claims	
	2015-16	2016-17	2015-16	2016-17
All claimants (% of all EI claims)	31.2	34.5	22.7	17.5
Seasonal claimants (% of all such EI claims)	24.9	29.7	34.9	28.3
Nonseasonal claimants (% of all such EI claims)	34.0	36.5	17.3	13.1
Local unemployment rate when claim was initiated (% of all such EI claims)				
6.0% and lower	29.5	37.0	18.2	14.6
6.1-8.0%	32.8	33.9	17.6	14.7
6.1-8.0%	32.8	33.9	17.6	14.7
8.1-10.0%	31.9	33.7	23.9	19.3
10.1-13.0%	28.8	30.9	31.4	17.8
13.1% and higher	28.6	37.7	41.4	29.0
Proportion of claims with at least one week worked	36.4	37.4	71.8	70.7
Requalification rate for EI benefits	10.2	13.8	72.5	69.7
Average number of weeks worked while on claim (n)	11.9	11.5	15.8	17.1
Average number of weeks of regular benefits paid (n)	27.4	29.1	18.9	19.7
Share of mixed claims (with special benefits)	10.5	9.8	15.8	17.9
Average proportion of entitlement used <sup>1</sup>	100.0	100.0	56.7	58.2

Source: *Employment Insurance Monitoring and Assessment Report*, fiscal years 2015-16 to 2016-17.

<sup>1</sup> By definition, claimants who exhaust their regular benefits use up 100 percent of their initial entitlement at some point before they reach the 52-week window that begins when the claim is initiated. In the case of claimants who exhaust their benefit period, by the time that window has expired, they have used up on average about 57 percent of their initial entitlement. The remainder of those 52 weeks is typically spent working.

## Evaluating the effects of EI benefit extensions

To properly evaluate the impact and the effectiveness of EI benefit extensions, a quick recap of EI's objectives is in order. When designing EI benefit levels and their duration, policy-makers are primarily concerned with how benefits affect job search behaviour and the extent to which they improve individuals' and society's well-being (Chetty 2008). EI benefits are supposed to facilitate job search, but there is a risk that job search will be postponed in favour of leisure until the time when benefits are set to expire. At the same time, policy-makers recognize that the income security that EI benefits provide helps claimants with their living expenses and may result in better job matches because the unemployed do not have to accept the first offer that comes along.

Much of the existing research on benefit extensions focuses on the disincentives to job search that might arise as a result. A summary of some of this research can be

### Box 1: Research on employment insurance benefit extensions

Due to issues of data availability, research that might help policy-makers weigh the important trade-offs between the goals of encouraging job search and providing income stability is limited. Studies are often based on administrative data, which means that only indemnified spells of unemployment are observed; the researcher knows nothing about the unemployed workers' labour force status thereafter. The empirical strategies typically focus on the claimant's probability of leaving the EI regime, labelled exit probability or hazard rate. These measures are inferred from observing either claims durations or week-by-week transitions (or nontransitions). More specifically, researchers search for spikes in hazard rates during the weeks leading up to exhaustion. The existence of a salient, upward spike is taken as evidence of a behavioural effect – that is, workers, often with the cooperation of employers, time their unemployment spells such that they return to work shortly before their unemployment insurance (UI) benefits expire. In the words of Jurajda and Tannery (2003, 333), “The high exit rates at exhaustion serve as persuasive evidence of the strategic use of compensated unemployment by both workers and firms.”

Katz and Meyer, in a seminal piece based on US data, conclude: “our estimates indicate that policies that extend benefits have much greater adverse incentive effects on the duration of unemployment than policies with the same predicted impact on the government budget which raise the level of benefits” (1990, 73). Based on an empirical model of UI benefit durations, they find that a 13-week extension of the maximum entitlement (observed in 12 US states between 1978 and 1983) is associated with a 27 percent decline in the hazard probability of exiting the UI regime. Based on a simulation, an additional one-week potential benefit duration is estimated to increase the average duration of benefits by about 0.16 to 0.20 weeks, which Katz and Meyer interpret as a “strong impact.” Applying that interpretation to the typical Canadian “extra five-week” provision, any estimated impact exceeding one week would qualify as “strong.”

Card and Levine (2000) exploit a natural experiment in New Jersey in 1996 that awarded an extra 13 weeks of potential benefits. Many of the affected claimants were already receiving UI benefits when the extra weeks were introduced, which complicated the analysis. As with Katz and Meyer (1990), the authors observe only UI spells, not the total duration of unemployment. It is important to note that the outcome variable is the duration of regular UI benefits, based only on the original entitlement. The authors do not observe what occurs during the extension period. Their results indicate that the UI leaving rate declined substantially during the observed period. Based on simulated projections of long-run effects, they report about a 7 percentage point increase in the fraction of claimants who exhausted their original entitlement, as well as an increase of one week in average UI claims durations. Card and Levine's (2000) finding of apparently minor effects of a 13-week benefit extension has been cited in subsequent papers, including a position paper released by the US Department of Labor (2013) to justify major extensions of benefit periods during and after the global recession of 2008-09.

found in box 1. These economic studies highlight two effects of extended benefits that policy-makers need to consider: (1) the *direct* and observable effect during the *benefit extension period* and (2) the *induced* behavioural effect during the *original entitlement period*. The second effect occurs because the additional income security provided by extended benefits can cause claimants to stay on claim longer during the original entitlement period knowing that this buffer exists. In other words, the benefit extension can influence the behaviour of the claimant during the regular entitlement period as well as during the extension period.

In the following sections of this study, we evaluate previous instances of EI benefit extensions according to the types of workers they aimed to support. We first discuss the objectives and details of these measures and then present the results of evaluation studies and research on the impact of such measures conducted in Canada and elsewhere. We conclude by discussing when benefit extensions are appropriate and effective and suggest policy changes to better meet the needs of unemployed workers in the future.

## SEASONAL WORKERS

Most extended-benefit interventions implemented since 2004 (table 1) were targeted at a particular group of EI claimants labelled seasonal “gappers” (see definition in box 2) in an effort to reduce the “gap” (the period during which claimants receive no income) between the end of their benefit entitlement and the start of the following working season. Although “EI gappers” typically do not have trouble qualifying for benefits, most do not qualify for the longest benefit-entitlement periods, for two reasons. First, they do not always reside in regions with the highest unemployment rates (and hence the longest benefit duration). Second, their working season is usually not long enough to accumulate the insurable hours needed to qualify for longer-lasting benefits.<sup>11</sup>

The first benefit extension measure for seasonal workers (Pilot Project No. 6) was introduced in May 2004 and lasted two years. All EI claimants in regions with 10 percent or higher unemployment – roughly 24 in total – were entitled to five extra weeks of benefits. The rationale given for the initiative was to “test the cost and impact of extending the number of weeks of benefits in EI regions of relatively high unemployment” (Canada 2015, 412). A report by Human Resources and Skills Development Canada indicates some of the pressures the department faced at that time.

*Despite evidence that overall seasonal workers had longer durations [of benefits] after the 1996 EI reforms, ...there are still many anomalies in the way that some employees and industries interact with the program. This has led to questions regarding the adequacy of the EI entitlement in the case of seasonal workers...Generally, in many of the high unemployment regions, these seasonal and part-time or non-permanent workers just do not have satisfactory employment opportunities. Consequently, the EI table of entitlements... may not be meeting the needs of those with seasonal and part-time or non-permanent employment patterns. (Canada 2005, 3)*

This statement suggests that the motive for extending benefit durations for seasonal workers was not to give workers and firms more time to adjust to new employment patterns and ultimately become less dependent on EI. Rather, it appears to conclude that this group of claimants required an immediate and permanent improvement in the generosity of benefits. Indeed, since some version of the five-week benefit extension was in effect until 2012, workers and firms in the affected regions could anticipate that the provision was quasipermanent.

The next incarnation was Pilot Project No. 10. In effect from 2006 to 2009, this project maintained the same 10 percent unemployment rate threshold as Project No. 6 to qualify, but reduced the number of eligible regions from 24 to 21. In 2010, when Pilot

---

<sup>11</sup> Recall that the EI entitlement matrix jointly determines whether or not the claimant qualifies for EI benefits, and the maximum number of weeks of benefits to which they are entitled. More specifically, the matrix stipulates that, within any given administrative region, the number of benefit weeks increases with the number of insurable hours, up to a ceiling.



## Box 2: Seasonal and nonseasonal “EI gappers”

In most EI Monitoring and Assessment Reports between 2004 and 2017, seasonal “gappers” were defined as seasonal claimants with a regular benefit claim established during the reporting fiscal year who had exhausted their entitlement, had a combined work and EI benefit period shorter than 52 weeks and did not requalify for a new claim within four weeks following the end of their claim. In fiscal year 2003-04, there were 26,680 seasonal “gappers” in Canada, of whom 56 percent experienced a gap of five weeks or less; they represented about 1.7 percent of all regular EI claimants (Canada 2004, 14). More recent data indicate that the number of seasonal “gappers” declined consistently between fiscal years 2014-15 and 2016-17, when 9,300 claims were made.

Starting with the 2017-18 EI Monitoring and Assessment Report, a very significant change in the definition of gappers was implemented in order to “better represent the levels of EI claimants experiencing periods with no income” (Canada 2018a, 102). The criteria now specify that claimants must have established a regular claim during the reporting fiscal year, have completed their previous regular benefit claim during the reporting fiscal year or the previous fiscal year and have experienced a period without employment income or EI income immediately following the exhaustion of the preceding claim. The period with no income must be 15 weeks or less. Very importantly, “[g]appers can be either seasonal or non-seasonal claimants” (102). This definitional change coincided with a drastic increase in the number of “gappers” from 9,300 in 2016-17 to 74,800 in 2017-18, or 5.2 percent of all claimants – 44 percent of whom were seasonal claimants. The program documentation does not give much explanation (other than the brief rationale quoted above) for broadening the definition.

Project No. 15 was implemented, the threshold unemployment rate was reduced to 8 percent, mainly to ensure that the same 21 regions that qualified for Pilot Project No. 10 were still eligible. However, 16 other regions with unemployment rates above 8 percent were deemed ineligible for the extra weeks of benefits, as only those regions that had benefited from Pilot Projects 6 and 10 were included (see appendix table A2).<sup>12</sup> Pilot Project No. 21, the most recent extended-benefits intervention targeting seasonal workers, began in August 2018 and will run until the end of October 2021; it is projected to benefit 51,500 claimants.<sup>13</sup> In contrast to previous pilots, this initiative restricts eligibility to claimants who are considered *seasonal* workers under specific criteria.<sup>14</sup>

## What does the evidence show?

The provision of extended benefits targeting seasonal workers is unique to Canada. Relevant research consists mainly of evaluations and empirical studies carried out by the government and our own work presented below. The project evaluations are based on two types of quantitative evidence: descriptive statistics and trends drawn

<sup>12</sup> Falling unemployment rates posed a major challenge to the design of Pilot Project No. 15; given the program parameters, it was not possible to target those 21 regions without excluding the other 16 regions that were not deemed to be needy. A caveat was applied to the eligibility criteria, nonetheless, in the form of the so-called automatic trigger provision, which stipulated that any region whose unemployment rate dipped below 8 percent for 12 consecutive months over the course of that particular pilot project would be dropped.

<sup>13</sup> According to the qualification criteria, only 13 regions are eligible this time: most (but not all) of the EI regions in Atlantic Canada, and a handful in Quebec and in the Yukon.

<sup>14</sup> A claimant must satisfy four qualification criteria to be considered a seasonal worker. They must initiate a claim during the time period when the pilot is in effect; reside in a designated region; have received regular benefits on at least three occasions in the 260 weeks before the current claim was initiated; and have at least two of their prior benefit periods begin around the same time of year.

from administrative databases and about a half-dozen econometric studies by Employment and Social Development Canada comparing treatment-group outcomes to control-group outcomes to determine whether benefit extensions (1) caused claimants to collect benefits for longer periods; (2) reduced exhaustion rates; and (3) shortened the income gap periods (time without EI benefits or wages).

Looking specifically at Pilot Project No.15, which extended EI benefits by five weeks in 21 regions with 8 percent or higher unemployment between 2010 and 2012, the estimated total cost was \$558 million (Canada 2016a). Of this amount, \$233 million (or 42 percent) was attributed to claimants' longer use of regular entitlements in response to the additional five-week buffer. The other \$326 million (or 58 percent) was the direct cost attributed to the take-up of extended benefits. The overall take-up rate for the extended benefits was just under 30 percent of all claims in these regions, amounting to about 23,000 claimants, two-thirds of whom used the full five weeks. Although the project was intended to support seasonal gappers, they represented only 1.4 percent of the EI claims in these regions and 4.6 percent of claimants who used the extra weeks, accounting for 3.2 percent of the total cost.

In terms of estimated impacts, claimants in affected regions prolonged their receipt of benefits by an average of 1.0 to 2.7 weeks overall, depending on the study (Canada 2016a, 2016b). The entitlement-exhaustion rate declined by between 6.4 and 7.3 percentage points, but the benefit-period exhaustion rate rose by 5.4 percentage points.<sup>15</sup> Focusing narrowly on seasonal gappers, the proportion of claimants experiencing an income gap period fell by 6.6 percentage points, and the average duration was reduced by 2.6 weeks. The fact that fewer seasonal gappers experienced an income gap and that, for those who did, the gap period was shorter could be considered a success. However, given the project's objectives, these findings suggest that it met its goals but in a costly manner due to its effects on nontargeted claimants.<sup>16</sup> In particular, as nontargeted claimants ended up collecting benefits from their regular entitlement for longer than they would have otherwise, extending EI benefits prompted additional expenditures that policy-makers did not intend.

## Our investigation of Pilot Project No. 15

To provide more information on the outcomes of such measures, we conducted our own empirical analysis of Pilot Project No. 15 to gauge the effects of the initiative on a number of key variables. Our analysis focused on changes in the number of weeks

---

<sup>15</sup> This unintended (but totally predictable) effect occurs when the extra benefit weeks push the claim of the beneficiary past the 52-week window. Such a claimant typically will have a fair amount of WWC activity. As we explained above, however, in many cases these claimants requalify for a new EI claim within a month or so.

<sup>16</sup> Further evidence of spillover effects on nontargeted workers can be found in Lluís and McCall (2019), who study the effect of the extended benefits measures over the 2004-09 period using data on all affected unemployed workers (targeted and nontargeted) from the monthly Labour Force Survey. They model the impact of the pilot projects on transition rates of unemployed workers to three different employment states: full-time, part-time and temporary. They conclude that these pilot projects significantly weakened the incentives of the following groups of unemployed workers to search for part-time work: men, unmarried individuals, those with only high school education and young workers. They also observe an increase in re-employment rates shortly before EI benefits were scheduled to end.

of active claim status,<sup>17</sup> paid benefit weeks and entitled weeks of benefits as well as regular-entitlement exhaustion and benefit-period exhaustion rates.<sup>18</sup>

The ability to work while on claim has implications for both indicators of EI benefit exhaustion. WWC activity is quite prevalent among EI claimants who did not hold “standard” – full-time, full-year – jobs previously. This matters, because the greater the number of weeks claimants work during the EI claim period (as opposed to receiving EI benefits), the farther into the future their entitlement-exhaustion date is deferred.<sup>19</sup> This deferral lessens the likelihood they will exhaust their regular-benefit entitlement; at the same time, however, it makes it more likely they will exhaust their benefit period. As a result, claimants who work while on claim tend not to take up many of the additional weeks provided by EI benefit extensions.

Table 3 reports the average values for the five outcome variables. The values for the pilot groups are reported in columns A (before pilot), B (during pilot) and C (after pilot), while the remaining columns show the corresponding values for the comparison nonpilot (control) groups.<sup>20</sup> During the pilot, the average number of entitled weeks of benefits in pilot regions was 38.6 weeks, whereas the average duration of EI claims

**Table 3. Average claim durations and exhaustion rates in pilot and nonpilot regions, EI Pilot Project No. 15, 2010-2012**

	Pilot regions			All nonpilot regions			Nonpilot regions with 8% or higher unemployment		
	A Before	B During pilot	C After	D Before	E During pilot	F After	G Before	H During pilot	I After
Total weeks on claim	40.5	39.2	37.6	35.9	30.8	30.7	37.4	32.1	32.0
Number of weeks of benefits paid	24.7	23.9	22.7	22.5	18.4	18.0	23.6	19.3	18.9
Entitlement weeks	41.7	38.6	35.0	41.6	31.1	30.6	43.3	32.7	32.0
Regular-entitlement exhaustion rate (%)	22.4	24.4	31.2	22.4	29.9	29.9	22.2	30.2	30.5
Benefit-period exhaustion rate (%)	33.8	34.2	29.0	20.5	16.1	16.6	22.2	17.1	17.5
Number in sample	513,790	982,850	969,960	1,089,615	2,147,590	2,072,560	604,065	1,217,135	1,180,405

Source: Authors’ calculations using EI Status Vector administrative data.

<sup>17</sup> Note that this consists of both weeks during which benefits were paid and weeks during which the claim was suspended – often to work on a short-term basis.

<sup>18</sup> Our research also looks at the event of exiting within two weeks of exhausting entitlement, which is commonly modelled in the US literature. Results for this variable can be found in the appendices.

<sup>19</sup> Recall that, if no EI benefit is claimed for that particular week, the claimant can keep his or her entitlement for that benefit week for possible redemption later in the claim.

<sup>20</sup> The period running from September 11, 2009, to September 11, 2010, is considered prepilot, and that from September 16, 2012, to October 11, 2014, is considered postpilot.

of 39.2 weeks was slightly longer because there were some weeks when claimants' benefits were deferred due to WWC. Claimants received an average of 23.9 weeks of paid benefits, which means they only used up 62 percent of their entitled weeks of benefits.<sup>21</sup> Since the average claimant used less than two-thirds of entitled benefits, it appears many were not at risk of exhausting their benefits, and thus were not "gap-pers." The regular-entitlement exhaustion rate was 24 percent, while the benefit-period exhaustion rate was 34 percent.

We used a "difference-in-difference" econometric methodology to compare the response to benefit extensions in pilot regions to outcomes in nonpilot regions (comparison groups that are deemed representative of what likely would have occurred in pilot regions without the extended benefit measure).<sup>22</sup> Table 4 presents the raw "difference-in-difference" results by subtracting both the prepilot and postpilot outcomes (table 3) in the nonpilot regions from those in the pilot regions. Hence, in column 1 of table 4, we compare the differences between outcomes during the pilot and those before the pilot in the pilot regions (table 3, columns B and A) to the corresponding differences in the nonpilot regions (table 3, columns E and D). In column 2, we do the same thing but this time we compare the differences between outcomes during the pilot and those after the pilot in the pilot regions (table 3, columns B and C) to the corresponding differences in the nonpilot regions (table 3, columns E and F).

Based on the comparison of pilot and all nonpilot regions, total weeks on claim in the pilot regions appear to have increased by between 1.5 and 3.8 weeks during the pilot project (columns 2 and 1, row 1), while the duration of the benefit entitlement

**Table 4. The effects of EI Pilot Project No. 15, select indicators**

	Difference between pilot and nonpilot regions (during and before pilot) (1)	Difference between pilot and nonpilot regions (during and after pilot) (2)	Difference between pilot and nonpilot regions with 8% or higher unemployment (during and before pilot) (3)	Difference between pilot and nonpilot regions with 8% or higher unemployment (during and after pilot) (4)
Raw "difference-in-difference" estimates from table 3 columns	(B-A)- (E-D)	(B-C)- (E-F)	(B-A)- (H-G)	(B-C)- (H-I)
Total weeks on claim	3.8	1.5	4.0	1.5
Number of weeks of benefits paid	3.3	0.8	3.5	0.8
Entitlement weeks	7.4	3.1	7.5	2.9
Regular-entitlement exhaustion	-5.5	-6.8	-6.0	-6.5
Benefit-period exhaustion	4.8	5.7	5.5	5.6

Source: Authors' calculations from table 3.

<sup>21</sup> The discrepancy between the total length of the claim period and the length of time benefits were collected is due primarily to WWC activity.

<sup>22</sup> An extended description of the regression methodology can be requested from the authors.

increased by between 3.1 and 7.4 weeks (columns 2 and 1, row 3).<sup>23</sup> The number of weeks of benefits paid – one targeted outcome of the five-week benefit extension pilot – increased between 0.8 and 3.3 weeks (columns 2 and 1, row 2). The regular-entitlement exhaustion rate fell, as intended, between 5.5 and 6.8 percentage points (columns 1 and 2, row 4). The benefit-period exhaustion rate rose, however, between 4.8 and 5.7 percentage points (columns 1 and 2, row 4).

Columns 3 and 4 of table 4 apply the same “difference-in-difference” approach, but compare pilot regions with nonpilot regions that (like pilot regions) had unemployment rates above 8 percent (table 3, columns G, H and I) – and therefore might be a better basis of comparison. The results hardly change, however, which suggests that claim patterns were similar across all nonpilot regions (table 4, comparing columns 3 and 4 to columns 1 and 2).

The regression results using the “difference-in-difference” methodology are similar to the raw statistical results presented in table 4 and to those reported in prior studies (see appendix table A3):<sup>24</sup> the five-week benefit extension had the intended effect of prolonging the period over which benefits were paid and reducing the regular-entitlement exhaustion rate, while having the unintended effect of increasing the benefit-period exhaustion rate. However, given that 70 percent of claimants who exhaust their benefit periods tend to requalify for a subsequent claim without experiencing much of a gap (see table 2), this result is less of a concern.

### Policy prescriptions for seasonal workers

The evaluations of extended benefit measures for seasonal workers revealed a major flaw in the allocation of these benefits: a strong majority of the actual beneficiaries were *not* seasonal gappers. To reduce these undesired spillover effects, the fourth and most recent version of this policy (Pilot Project No. 21, in 2018-21) is strictly limited to those meeting the narrow definition of seasonal gapper, which should significantly reduce the cost of the project. Nevertheless, restricting access to extended benefits to this small group of claimants will not resolve the inequities that persist between this group and other seasonal claimants in nonqualifying regions. Project evaluations highlight the diversity of employment and unemployment patterns among seasonal EI users. This makes modifying the EI entitlement matrix to accommodate needs of seasonal claimants more complex, and might pit their interests against those of other unemployed workers, for instance the non-seasonal claimants in the pilot regions.

<sup>23</sup> Findings vary depending on the choice of comparison group in the regression (using a comparison group drawn from the period before the pilot started or from the period after it ended). Since we are not dealing with longitudinal data, no specific individual is followed over time. Although no claimant can benefit from more than five extra weeks, the average value can rise by more or less than five weeks due to changes in the composition of claimants and changing unemployment rates, which cause both changes in EI program variables and changes in the expected length of time to find re-employment.

<sup>24</sup> The regression results then include the group indicators as well as controls for the regional unemployment rate and dummy variables for claimants’ sex, age, first digit of their occupation code and first digit of their industry code

Over time, too much effort and resources have been exerted on too many occasions to implement supplementary benefit extensions that required complex workarounds to accommodate the confines of the EI entitlement matrix. Moreover, these efforts have focused disproportionately on the needs of a particular group of seasonal workers – representing a very small percentage of unemployed workers in Canada – and they have come at a high cost, not only financially but also in terms of added administrative burden and increased inequities among claimants. The recurring use of five-week benefit extensions to support seasonal gappers – which implicitly and explicitly serve to perpetuate their dependency on EI – is both distortionary and inefficient, in good part due to the difficulties involved in targeting them without affecting other unemployed workers in the pilot regions.

Many researchers and analysts have critiqued variable region-based entry requirements and benefit durations, which encourage seasonal and part-year employment patterns and result in frequent claims. In the case of seasonal workers, extended benefit interventions are not triggered by an unanticipated event such as a recession or a commodities price shock, or by economic restructuring in a particular sector. Instead, their risk of exhausting benefits and experiencing an income gap can be anticipated with virtual certainty, negating any case for insurance coverage. In situations characterized by depressed labour markets and persistent structural unemployment, a more suitable yet underused policy response would be to implement measures designed to facilitate occupational or regional mobility among unemployed workers. We also favour reforms that put a greater emphasis on encouraging seasonal gappers to search for longer-term and perhaps even full-year jobs, thereby breaking the cycle of EI dependence. Although improving occupational mobility is one stated objective of training supports available to displaced workers who are on EI, to date those interventions are arguably not sufficiently funded, inadequate or ineffective.

## CYCLICAL DOWNTURNS AND RECESSIONS

The Economic Action Plan outlined in the 2009 federal budget marked the first time that EI benefit extensions were implemented in response to *cyclical* unemployment – unemployment that occurs during a recession. The plan included two extended-benefit measures: an extra 5 weeks of benefits for all claimants and an extra 20 weeks of benefits for long-tenured workers with little history of making EI claims; the benefit period – that is, the 52-week window to claim weeks of entitled benefits – was also extended accordingly.

### The Canadian evidence

EI benefit extension measures are meant to prevent unemployed workers having to face periods without income from either employment or EI. In the case of frequent and seasonal claimants, the evidence pertaining to such “gaps” is fairly extensive, but in the case

of long-tenured workers and occasional claimants, the data are not available.<sup>25</sup> Hence, we rely mostly on changes in regular-entitlement exhaustion rates to inform our analysis of extended benefit measures during a recession. Our analysis must also take into account the prolongation of benefit entitlement periods that occurs automatically through the EI matrix when unemployment rates rise. Between October 2008 and October 2009, unemployment increased from 6.3 to 8.6 percent nationally, which extended the duration of benefit entitlements by an average of 3.2 weeks in 2009-10 and 2.4 weeks in 2010-11, independent of the discretionary benefit extensions (Canada 2012a).

Extended benefits were available to all unemployed workers who filed claims from March 2008 to September 2010. As of March 2011, over 1.2 million claimants had benefited either from additional weeks of regular benefits – due to automatic adjustments in the EI matrix – or from extra weeks of benefits due to the budget measures. As a result, in 2010-11, the average benefit entitlement period was extended by 6.4 weeks (across all claimants) to 36.0 weeks in total. Looking at the entire period during which the five-week extension measure was in place, the data show that 34 percent of claimants used at least one of the extra weeks, and of that group 76 percent used all five weeks (table 5).

**Table 5. Number of claimants using weeks of extended benefits, Budget 2009 benefit extension measures (Bill C-10)**

Total number of claims	Number of claims using 1 to 5 extra weeks					% of claims that used extra weeks
	1	2	3	4	5	
180,165	3,396	3,435	3,659	4,689	46,823	34.4

Source: Canada (2016a).

Note: Figures are based on a representative sample of claims initiated between March 2008 and September 2010.

According to Employment and Social Development Canada (Canada 2016a), the total estimated cost of the five-week extension was \$2.5 billion (table 6), with 57 percent of the cost attributed directly to claimants’ use of some or all of the five extra weeks, and 43 percent due to the prolonged use of regular benefits by claimants who waited longer than usual to take up a job because they had the five-week cushion.

Based on initial estimates, this measure increased the weeks of benefits collected by an average of 1.6 weeks across all claimants (including those who did not claim the extra weeks) (Canada 2012b). As a result, the regular-entitlement exhaustion

<sup>25</sup> Due to reporting practice, only work activity leading up to qualification for a new claim is recorded in the standard administrative data based on the claimant’s record of employment. Frequent claimants typically will try to accumulate insurable hours shortly after the point of exhaustion in order to requalify, and that work activity is reported. In regard to the other two official categories of claimants, however – namely long-tenured workers and occasional claimants – information regarding work activity after exhaustion will be reported only if they file a subsequent claim fairly soon thereafter. For instance, if they file a subsequent claim after the one-year anniversary of the point of exhaustion, the insurable hours will be reported only for the prior 52 weeks (at most). The researcher will not observe the employment status right after the point of exhaustion of the last claim.

**Table 6. Estimated cost of the extra weeks of benefits claimed and the longer use of regular entitlements, Budget 2009 benefit extension measures (Bill C-10)**

	Estimated cost of extra weeks claimed (\$) A	Estimated cost of longer use of regular entitlement (\$) B	Total estimated cost of benefit extension measures (\$) C = A + B
Annual cost	0.6 billion	0.4 billion	1.0 billion
Total cost	1.4 billion	1.1 billion	2.5 billion
Share of total cost (%)	57	43	100

Source: Canada (2016a).

Note: Figures based on claims initiated between March 2008 and September 2010.

rate was reduced by 4.8 percentage points to 29.6 percent compared to what it would have been without the extension – and therefore much closer to what it was in prerecession years (27.9 percent in 2006-07).

A later study, which re-estimated the impact of the 5-week benefit extension on claimants' behaviour relative to the counterfactual, also reports an average increase of 1.6 weeks in the number of benefit weeks collected, but found a slightly larger decline (5.3 percentage points) in the exhaustion rate (Canada 2016a).<sup>26</sup> Overall, it appears that the EI measures in the Economic Action Plan had the desired countercyclical effect by providing additional support to unemployed Canadian workers during the last global recession.

The evaluation of the 20-week benefit extension for long-tenured workers reveals that, as of March 2012, roughly 221,000 claimants (29 percent of eligible claimants) benefited from this measure, many of whom were first-time claimants. In fiscal year 2011-12, they claimed 10.2 extra weeks; the average claim duration was 51.7 weeks (Canada 2012c). The estimated direct cost of the additional weeks of benefits claimed was \$1 billion, and the total cost was \$1.5 billion accounting for the fact that many claimants waited longer than usual to take up a job because they had a 20-week cushion. Approximately 17.1 percent of long-tenured workers exhausted their benefits – about half the rate among other workers. A follow-up survey indicated that 75 percent of eligible long-tenured workers were employed 12 to 18 months after layoff, and over half had rejoined the same firm (Canada 2012c). This indicates that many of them were cyclically unemployed workers expecting to be recalled. The reported effects of extended benefits during the 1990-91 and 2008-09 recessions in the US are summarized in box 3.

### Should EI benefits be extended during recessions?

The provision of five extra weeks of EI benefits to all claimants during the 2008-09 recession appears to have had the desired effect of reducing entitlement exhaustion rates.<sup>27</sup> This intervention was appropriate according to insurance principles – at the time, employment opportunities were declining as job losses were rising. This

<sup>26</sup> These two evaluative studies – Canada (2012b) and Canada (2016b) – are based on more sophisticated methodologies that seek to quantify the incremental impacts relative to unobserved counterfactual cases.

<sup>27</sup> This effect was also partly due to the automatic extension of entitlement periods (through the EI entitlement matrix) caused by the increases in unemployment rates.



### Box 3: The US evidence on the effects of extended benefits during recessions

The international literature on unemployment insurance benefit extensions during recessions is based on experience in the United States. In response to the Great Recession of 2008-09, many US states extended benefits for periods of up to two years – roughly twice as long as total EI benefit durations in Canada and 20 times longer than Canada’s 5 week benefit extension at the time. Specifically, the typical maximum UI benefit duration of 26 weeks was extended in some cases by 73 additional weeks. The US policy response was significantly larger than Canada’s – perhaps because the recession in the United States was far more severe and prolonged. This spurred a lot of evaluative research. Although the relevance to Canada of US findings must be weighed carefully, we briefly summarize them because they are informative. One major point of inquiry for this research is whether UI benefit extensions created disincentive effects on job search behaviour even when job markets were depressed.

Farber and Valetta (2015) assess the impact of the UI benefit extensions between 2008 and 2011 and in the early 1990s on unemployment exit rates and unemployment durations. They conclude that, rather than reduce their job search efforts, claimants remained active in the labour force longer than what would have been the case without the extensions. The authors conjecture that, during recessions, there are society-wide gains from extending UI benefits, but those gains are modest. Another interesting question is the extent to which UI benefit extensions affect the overall availability of workers to fill job vacancies. Landais, Michaillat and Saez (2018) analyze the effects on claimants’ job search behaviour and more broadly on the ability of job seekers to find suitable jobs. They find that, as UI became more generous, claimants searched less intensively, which had the effect of slightly worsening unemployment. On the other hand, more generous UI induced a further, partially offsetting adjustment in that it gave rise to a tighter labour market, making it easier for unemployed workers who were not eligible for UI to find work. The authors conclude “that the [UI] benefit extensions after the 1990-1991 and 2008-2009 recessions were warranted, but that the elimination of benefit extensions in 2014 came prematurely” (Landais, Michaillat and Saez 2018, 184). Offering a different perspective on the issue, Hagedorn et al. (2013a) argue that the tightening of the labour market due to UI benefit extensions ultimately placed upward pressure on wages and lowered firms’ long-run profit expectations.

nationwide temporary measure lasted until about a year after the recession ended and was not renewed. In our view, the five-week benefit extension was warranted in the circumstances, as it would be in the event of another recession as a way to counteract adverse economic effects while also supporting job search efforts.

However, policy timing and responsiveness can be problematic in such situations. For instance, the EI matrix’s automatic adjustments, which prolong benefit duration when unemployment rises, occur slowly. This means that in a recession the first wave of laid-off workers never gets to benefit from these extensions, even though they do provide added support to later cohorts of laid-off workers. Discretionary benefit extensions might help address these inequities and bolster the income of some of the hardest-hit workers. Still, the implementation lags associated with discretionary policies of this nature are such that the help might not arrive in time. Making the EI matrix more responsive to changes in unemployment and economic conditions should be an important priority for policy-makers.

## COMMODITIES DOWNTURNS

The “commodities cycle” initiative announced in the 2016 federal budget provided EI benefit extensions to workers in energy-producing regions affected by the steep decline in global commodity prices. Whereas in the past, extended EI benefits were often

made available to claimants in regions with persistently high unemployment, the 15 EI regions that qualified under this new measure were those experiencing a sudden, sizable increase in their unemployment rates as a result of a negative commodity price shock.<sup>28</sup> The July 2016 initiative was applied retroactively to January 2015 in recognition of the fact that the downturn had begun much earlier. This allowed previously laid-off workers to benefit from the extensions, which consisted of an extra 5 weeks of benefits up to a limit of 50 weeks for regular claimants, and for long-tenured workers an extra 20 weeks of benefits for a maximum of 70 weeks. Due in part to the provision's retroactive reach, some unemployed workers whose claim had already been terminated by the time of its enactment were then allowed to requalify for extensions.<sup>29</sup> The initiative ended in July 2018.

### What does the evidence show?

The commodities cycle initiative, which aimed to mitigate the effects of unanticipated but temporary job losses, is consistent with basic insurance principles. However, the administration and delivery of extended EI benefits to workers in commodity-based regions were complicated. The initial cost estimates for this intervention turned out to be low because they were based on projections of claimants exhausting their original entitlement within the regular 52-week benefit period. After the program's initial roll-out, many unemployed workers whose claims had expired were granted a prolongation of their benefit period to claim additional benefit weeks, making them "reach-back" claimants. This arcane administrative category and ad hoc provision is yet another illustration of the complexity stemming from the rigidity of the EI system.

A large proportion of claimants received additional EI benefits simply due to rule changes that moved back the deadline to apply for extended benefits. One lesson learned is that there are multiple challenges with any discretionary benefit extension policy: those directly associated with managing the increased benefit entitlement and those involving the timing of benefit extensions, which in this case required altering the standard 52-week benefit period.

Of all eligible claimants, 28 percent benefited from the 5-week benefit extension. And most of those who took up extra weeks of benefits used all 5 of them. "Reach-back" claimants – in this case, 75,690 claimants who had exhausted their regular EI benefit entitlements before the implementation date and were still unemployed – represented

---

<sup>28</sup> Unemployment rates in Calgary and the Northern Alberta Economic Region increased from 4.8 percent and 7.7 percent, respectively, in January 2015 to 7.0 percent and 11.8 percent, respectively, at the end of the year. These rate increases would cause a four- and five-week increase in the maximum benefit duration under the EI entitlement matrix (see appendix table A1).

<sup>29</sup> If these workers were still unemployed at that time, they were considered to be "reach-back" claimants. Their benefit periods – that is, the 52-week window during which they potentially could receive benefits – were extended by 17 weeks, such that they could collect the extra 5 weeks, but not any part of their original benefit entitlement that they had not already received. For instance, suppose that the claimant had previously reached the end of his or her benefit period while still having 4 unused weeks of benefits; the claimant would have been able to collect an additional 5 weeks of benefits but not an additional 9 weeks. This is an intricate administrative detail that reveals how the complexity of the EI system complicates the delivery of unconventional provisions such as this.

50.7 percent of all unemployed workers deemed eligible for extended weeks. Frequent and occasional claimants claimed, on average, 4.7 of the extra 5 weeks of benefits, and 86.8 percent of them exhausted the extended benefits. Notably, many of the recipients previously worked outside the oil and gas industry: the take-up rate among eligible workers in educational services (70.5 percent) exceeded the rate in the oil and gas sector (Canada 2018b). Long-tenured workers claimed, on average, about 18 of the 20 extra weeks of benefits to which they were entitled. Just under half of them exhausted the extended benefits.

### **Should EI benefits be extended during commodity price downturns?**

It is hard to assess the impact of benefit extensions in response to a sharp drop in commodity prices because of limited evidence and the difficulty in predicting the duration of such downturns. Extending benefits in this context can be seen as justified because it was a response to an unpredictable but localized shock, insuring against this risk.<sup>30</sup> Further, most recipients had contributed to EI for long periods and had little claims history.

That said, the very high rates of entitlement exhaustion – much higher than those experienced after the Great Recession – suggest that a large number of laid-off workers in these regions struggled to find a new job even after using up all the additional weeks of benefits. As of late 2020, oil and gas prices, despite a brief bounce back, remain depressed. The current commodities downturn has already persisted much longer, and is deeper, than the typical Canada-wide recession. Should it turn out to be due to a secular decline in demand for carbon-intensive energy, the resulting unemployment would be not cyclical but structural in nature. Were this to be the case, it is not clear that EI benefit extensions would be the appropriate long-term policy response.

In our view, neither the EI entitlement matrix, with its region-based benefits durations, nor the discretionary provision of extra weeks of benefits, adequately addresses this pressing policy challenge. Given the circumstances, a 5-week (or even a 20-week) extension of benefits is insufficient to carry many laid-off workers over their jobless periods, and it likely does not help improve their job search and matching efforts. Unlike some western European countries, and perhaps for good reason, Canada has not extended EI benefits for periods of up to two years in response to cyclical downturns. Whether or when some of the affected workers in this case should switch from “waiting out the cycle” to take the path of long-term adjustment – which involves exiting those industries, taking up new occupations or perhaps even relocating – is a relevant policy question that deserves further debate.

The roll-out of extended benefits for unemployed workers in the commodities sector exposed the difficulties entailed in modifying EI criteria to fit the needs of those impacted by regionally concentrated job losses. Existing rules and regulations greatly complicated the provision of such benefits in terms of planning, delivery and budgeting.

<sup>30</sup> If a certain risk is foreseeable and avoidable, there is no basis to insure against it. Ideally, insurance covers risks that can strike randomly with a fairly low probability and are difficult to avoid.

## DISPLACED LONG-TENURED WORKERS

Although other countries have implemented benefit extensions specifically for long-tenured workers who are permanently laid off, there are few similar cases in Canada. Other than in the context of a recession or a commodity price downturn, EI benefit extensions have never been granted to long-tenured workers displaced as a result of structural changes in the Canadian economy.<sup>31</sup> Layoffs due to plant closures, for instance, are often a product of secular trends – technological change, shifting supply chains and so on – and whereas many victims of a commodities cycle in the past had some reasonable expectation of being recalled, there is little chance that those struck by structural unemployment will ever be recalled to their former jobs.<sup>32</sup> Evidence from Canada and elsewhere shows that most displaced long-tenured workers bear very high adjustment costs, and rarely attain the levels of earnings they previously had in subsequent jobs (Finnie and Gray 2011; Morissette and Qiu 2020).

### What does the international evidence show?

The international literature on benefit extensions for long-tenured workers pertains most notably to Austria and Germany. A study by Card, Chetty and Weber (2007), drawing on Austrian administrative data from 1981 to 2001, does not involve a benefit extension per se, but rather exploits differences in UI entitlements between workers who qualified for long-lasting benefits (30 weeks), having worked for 36 months or more prior to being laid-off, and otherwise similar workers who had worked for just under 36 months prior to layoff and qualified instead for shorter-lasting benefits (20 weeks). They investigate two outcomes at the end of a UI spell – namely, exits from official unemployment status (which includes the possibility claimants have withdrawn from the labour force) or exits to re-employment. The main behavioural effect they find is that long-tenured workers on UI were more likely to drop out of the labour force than to resume employment when their benefits expired. In the case of recipients who did find work, it appears as though some of them delayed their search and could have found work sooner. Extended benefit recipients who subsequently withdrew from the labour force likely were not searching seriously for work while on UI because their opportunities were limited or unattractive.

Also drawing on Austrian administrative data, Lalive (2008) examines the impact of a special extended-weeks provision implemented on a regional basis in 1998 that provided up to 170 extra weeks to former steelworkers over age 50. In the case of men, every additional 11 weeks of benefit entitlement prolonged the duration of unemployment by one week. In the case of women, however, the estimated impact was four to five times larger, a discrepancy attributed to the fact that female workers could

---

<sup>31</sup> As part of the 2009 federal budget, Bill C-50 (see table 1) contained a measure called the Extension of Employment Insurance Regular Benefits for Long-Tenured Workers, which provided up to 20 weeks of extra benefits for this group. Also, as mentioned in the previous case, long-tenured workers in commodity regions were entitled to an extra 20 weeks in 2016.

<sup>32</sup> Canadian research looking at outcomes for displaced long-tenured workers includes Bonikowska and Morissette (2012); Chan, Morissette and Frenette (2011); Finnie and Gray (2011, 2018); Morissette, Qiu and Chan (2013); Morissette, Zhang and Frenette (2007); Neill and Schirle (2008); and Schirle (2012).

access public pensions at age 54, while male workers had to wait until they were 59 years old. Many of the women, in effect, used the UI benefit extension as a bridge to reach the age threshold for early retirement.

In follow-up research, Lalive, Landais and Zweimuller (2015) conclude that the UI benefit extension *reduced* the average unemployment duration of *non-eligible* workers compared to their eligible counterparts – all of whom were competing for the same vacant jobs. One policy implication of this finding is that providing more generous UI benefits to long-tenured workers actually reduces the number of unemployed workers available for work relative to job vacancies: as UI claimants delay their job search, a smaller group of unemployed workers is actively seeking vacant job, thus creating greater opportunities for the job seekers. Furthermore, the authors argue, extended benefit provisions are justifiable during recessions, when, by definition, labour markets are not tight. Lalive et al. (2015) essentially share the view of Landais, Michailat and Saez (2018) that job opportunities are shifted away from indemnified unemployed workers to nonindemnified ones, but also that, should extended benefit measures become a quasipermanent feature, labour supply could be permanently reduced, placing upward pressure on wages and reducing employment levels.

### Should EI benefits be extended for long-tenured workers?

As noted above, Canada has not yet provided EI benefit extensions specifically for long-tenured workers permanently displaced as a result of structural changes, as advocated by the Ontario government for those laid off from manufacturing auto plants in Oshawa, Windsor and Thunder Bay. Perhaps wage insurance is a more appropriate policy instrument to help these displaced workers (Finnie and Gray 2011; Jones 2009). Wage insurance would allow qualifying EI beneficiaries to accept new employment at a reduced wage, while receiving benefits that partially cover the difference between the wage they earned prior to being laid off and their current wage. Recent research shows that older workers (ages 55 to 64) are much less likely than younger ones to be re-employed one year and even five years after being laid off. Even five years after losing their jobs, a significant proportion of re-employed long-tenured workers have earnings that are at least 10 percent lower than their prelayoff earnings (Morrisette and Qiu 2020). Wage insurance insures not against the risk of unemployment, but against the risk of substantially lower re-employment earnings.

The incentive structure inherent to wage insurance benefits differs from that of EI benefits. Whereas EI provides income support over a period during which unemployed beneficiaries can search for a good job match, wage insurance, by supplementing workers' wages up to some percentage of their prelayoff levels, might induce workers to accept lower-paid jobs sooner after being laid off. We therefore encourage conducting pilot projects on wage insurance, perhaps starting with the EI regions where the Oshawa General Motors, Windsor Daimler-Chrysler and Thunder Bay Bombardier plants are located. We are also of the view that if the

federal government were to implement wage insurance across Canada, all long-tenured workers who are permanently laid off should be eligible irrespective of the unemployment rate in their regions.

Personal re-employment accounts are another option that may be appropriate for long-tenured workers, although they have not yet been used in Canada. These accounts consist of “personally managed funds that eligible unemployed workers can use to purchase intensive career, job training and supportive services and products,” giving claimants greater flexibility in choosing among retraining options and other service needs (Voyer 2010, 11). Such accounts could be either added on to regular EI benefits or, alternatively, EI entitlements could be converted from a weekly benefit provided over a fixed period of time into an upfront, lump-sum benefit.

## HOW TO SET APPROPRIATE EI BENEFITS DURATIONS: A TALL ORDER

Much has been written about EI’s region-based variable eligibility requirements (based on the number of hours worked) and how these overly restrict the proportion of unemployed Canadians who qualify for benefits. Not nearly as much attention has been paid, however, to the inequities caused by the region-based variations in benefit duration that are also built into the EI matrix. On this score, the shortcomings of EI are arguably as problematic as the eligibility criteria.

As overall unemployment fell gradually from the height of the Great Recession in 2009 until 2019, most laid-off workers, including seasonal ones, received fewer weeks of EI benefits due to the workings of the EI matrix. The built-in, modulating feature of EI benefit rules in the matrix is meant to accommodate seasonal workers in the (relatively) high unemployment regions, where such workers tend to be concentrated, by providing longer-lasting benefits. As we have shown, however, this feature is still not well suited to accommodate the disparate needs of different types of unemployed workers.<sup>33</sup>

We think that the various ways benefit extensions have been implemented over the years, so as to reach particular regions or groups of workers at different stages of economic cycles, demonstrate the need for a thorough rethinking of the design of the EI entitlement matrix. Ongoing, transformative labour market trends continue to expose the weaknesses in this design – the creation of the CERB during the COVID-19 pandemic was in part seen as a way to get around this problem. The recurrent use of extended benefits is an implicit admission that the rules determining the duration of EI benefit entitlements fail to address the diverse needs of unemployed workers across the country.

Extended benefits are merely a temporary patch to mitigate point-in-time benefit duration issues, and they create glaring inequities in the EI program. Despite making up

---

<sup>33</sup> Recall that, in high-unemployment regions, where most seasonal workers are concentrated, all unemployed workers face easier qualifying conditions combined with longer durations of benefit entitlement than is the case in low-unemployment regions. This feature is embedded in the EI entitlement matrix.

less than 1 percent of EI claimants and less than 0.1 percent of the Canadian labour force, seasonal gappers have been the intended beneficiaries of most instances of EI benefit extensions.<sup>34</sup> Unemployed nonseasonal workers who also face regular gaps in income, those laid off just prior to (or just after) a recession, and those who reside in the same region as seasonal workers but cannot access extended benefits, are simply out of luck. In particular, long-tenured workers, who have been paying into EI sometimes for decades without making a claim, are poorly served by both the EI entitlement matrix and the usual benefit extension measures.

Corak (2019) also highlights the many shortcomings of the antiquated matrix, as well as options to address them. For instance, he recommends simplifying the matrix by making entrance requirements and benefit durations more consistent across regions by categorizing them in three groups based on the provincial unemployment rate: lower than 6 percent, 6 to 8 percent and higher than 8 percent. He also suggests building into the system more responsive, automatic extensions in benefit durations (along with reductions in entrance requirements) when unemployment rises by tracking in each province the *change* in the provincial unemployment rate relative to what it was three months earlier. This would be an important departure from the current, long-standing practice of tying those provisions to regional unemployment rate *levels*.<sup>35</sup>

Having examined EI program documentation and evaluations produced over roughly the past two decades leads us to conclude that the rules governing EI benefit entitlements and eligibility are overly complex – indeed, so complex that they undermine the objectives and efficacy of the special measures we have investigated in this study, underscoring the need for broader reform.

## CONCLUSION

Since 2004, EI benefit extensions have been implemented on several occasions to provide support to different types of unemployed workers facing different labour market conditions. The track record, however, shows mixed results. Of the three distinct variants of such provisions we have analyzed, only one – namely, the benefit extensions provided to those facing dim employment prospects during the Great Recession of 2008-09 – protected workers from the impact of an unanticipated economic shock and was effective in stabilizing the rates at which claimants exhausted their EI benefits. It is therefore appropriate that the federal government is again relying on benefit extensions in the context of the current Canada-wide recession. At the end of September 2020, the federal government temporarily increased from 14 weeks to 26 weeks the minimum benefit duration for all EI claimants, regardless of the region where they live and their hours worked prior to making their claim. This measure is especially helpful

<sup>34</sup> The broadening of the official definition of “gappers” to include nonseasonal claimants in fiscal year 2016-17 (described in box 1) resulted in a huge increase in their number, even though this broader group was excluded from benefiting from benefit extensions provided in new pilot projects.

<sup>35</sup> The “commodities cycle” measure marked a major exception to that convention, as it was the only time eligible regions were selected based the change in the unemployment rate.

to those who live in regions with relatively lower unemployment rates and who would otherwise qualify for shorter-lasting benefits.

More broadly, we think these unprecedented economic circumstances should also be viewed as an opportunity to make fundamental and permanent changes to the EI entitlement matrix to more systematically provide unemployed workers with greater income security during economic downturns going forward. For instance, serious consideration should be given to tying benefit durations to *changes* in provincial unemployment rates over time, rather than to regional unemployment rate *levels*, as is currently the case, which often results in benefit extensions arriving too late.

Our analysis also points to a number of other conclusions that can inform policy directions beyond the current crisis. In particular, we recommend that the recurring benefit extensions aimed at seasonal workers who face income gap periods between spells of EI claims and employment not be renewed. The cost of these measures remains relatively high despite efforts to target them more narrowly. They also cause glaring inequities among different types of claimants, reinforce seasonal employment patterns, and discourage adjustment on the part of affected workers and firms. What is most needed over the longer term is greater policy emphasis on workers' retraining, adult education programs and perhaps relocation assistance.

We do not have much evidence with which to assess the benefit extensions that were granted to claimants in 15 commodity-based regions facing a sharp drop in resource prices in 2015. Although that intervention was in response to an unanticipated economic shock, commodity prices have now been depressed for five years and the labour market effects persist. Without the prospect of a near-term recovery, the argument for extending EI benefits specifically for this purpose is weakened. Other longer-term measures should be considered instead, such as wage insurance to help affected workers switch jobs or individualized re-employment accounts that could encourage them to take up training opportunities as a way to transition to other occupations or sectors.

In the case of long-tenured workers who are permanently laid off, we argue that, rather than extending EI benefits, it would be preferable to test new forms of EI benefits, including wage insurance. Our view dovetails with that expressed by Halliwell (2013, 1): "I suspect EI benefits are *too* responsive to persistent inter-regional structural unemployment rate differences and *not* sufficiently responsive to variations over time in unemployment rates...I am pretty sure it [the EI system] has not been good enough for the middle-aged, high attachment worker whose job will never come back." Other than during the previous recession or the 2015 commodities downturn, displaced long-tenured workers have not yet been granted extended benefits despite calls for such action. Nevertheless, in this case as well, we would argue that the focus should be on providing these workers with better retraining opportunities and temporarily supplementing their wages if they experience a loss



in earnings when taking up new jobs. Although in the shorter term, the main priority is to provide emergency income support to those who remain unable to work, this should also be seen as an opportune time to plan ahead for the recovery and to be prepared to actively support those at risk of being left behind.

At the time of writing, the COVID-19 pandemic is having unprecedented repercussions on the Canadian labour market. In our view, the federal government took the appropriate course of action by circumventing EI's creaky, sluggish apparatus to provide immediate income support to those no longer able to work due to public health measures. This once-in-a-century economic shock called for its own income support mechanisms, delivery apparatus, qualifying rules and benefit-determination formulas, which is precisely the form the CERB took. In October 2020, with the phase-out of the CERB, many unemployed Canadians have been re-directed to EI under temporarily relaxed rules. Others, like workers in the so-called gig economy, will qualify for the new CRB. We have shown that benefit durations and extensions are important to mitigate earnings losses, but they also affect job search efforts. Policy-makers should be mindful of the need to find the right balance between these trade-offs as they continue to respond to the ongoing pandemic and plan for the eventual economic recovery.

## REFERENCES

- Bonikowska, A., and R. Morissette. 2012. "Earnings Losses of Displaced Workers with Stable Labour Market Attachment: Recent Evidence from Canada." Analytical Studies Branch Research Paper Series Working Paper 346. Ottawa: Statistics Canada.
- Busby, C. and R. Muthukumar. 2016. "Precarious Positions: Policy Options to Mitigate Risks in Non-standard Employment." C.D. Howe Institute Commentary no. 462. Toronto: C.D. Howe Institute. December.
- Canada. 2004. *EI Monitoring and Assessment Report for the Fiscal Year Beginning April 1, 2003 and Ending March 31, 2004*. Ottawa: Canada Employment Insurance Commission.
- \_\_\_\_\_. 2005. "Methodology for Evaluation of the Two-Year Pilot Project to Extend Employment Insurance Benefits by Five Weeks." Ottawa: Human Resources and Skills Development Canada, EI Evaluation Branch.
- \_\_\_\_\_. 2012a. *EI Monitoring and Assessment Report for the Fiscal Year Beginning April 1, 2010 and Ending March 31, 2011*. Ottawa: Canada Employment Insurance Commission.
- \_\_\_\_\_. 2012b. "Extended Duration of Employment Insurance Regular Benefits: Second Evaluation Update." Ottawa: Human Resources and Skills Development Canada.
- \_\_\_\_\_. 2012c. "Analysis of the Use of the Extension of Employment Insurance Regular Benefits for Long-Tenured Workers." Ottawa: Human Resources and Skills Development Canada.
- \_\_\_\_\_. 2015. *EI Monitoring and Assessment Report for the Fiscal Year Beginning April 1, 2014 and Ending March 31, 2015*. Ottawa: Canada Employment Insurance Commission.
- \_\_\_\_\_. 2016a. "Evaluation of the Extended Duration of EI Regular Benefits Initiative and the Pilot Project No. 15 Relating to Extended Benefits." Ottawa: Employment and Social Development Canada, Strategic and Service Policy Branch.
- \_\_\_\_\_. 2016b. "Geography-Based Analysis of the Impact of EI Measures." Ottawa: Employment and Social Development Canada.
- \_\_\_\_\_. 2018a. *EI Monitoring and Assessment Report for the Fiscal Year Beginning April 1, 2017 and Ending March 31, 2018*. Ottawa: Canada Employment Insurance Commission.
- \_\_\_\_\_. 2018b. "Extension of Employment Insurance Regular Benefits to Unemployed Workers with Exhausted Entitlement in Commodity Based Regions." Ottawa: Employment and Social Development Canada, EI Policy Directorate.
- Card, D., R. Chetty, and A. Weber. 2007. "The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job?" *American Economic Review* 97 (2): 113-18.
- Card, D., and P.B. Levine. 2000. "Extended Benefits and the Duration of UI Spells: Evidence from the New Jersey Extended Benefit Program." *Journal of Public Economics* 78 (1-2): 107-38.
- Chan, P.C., R. Morissette, and M. Frenette. 2011. "Workers Laid-Off during the Last Three Recessions: Who Were They, and How Did They Fare?" Analytical Studies Branch Research Paper Series Working Paper 337. Ottawa: Statistics Canada.
- Chetty, R. 2008. "Moral Hazard versus Liquidity and Optimal Unemployment Insurance." *Journal of Political Economy* 116 (2): 173-234.
- Corak, M. 2019. "My Mandate Letter for the Minister of Families, Children and Social Development." Blog post, November 4. Online at <https://mileskorak.com/2019/11/04/my-mandate-letter-for-the-minister-of-families-children-and-social-development/>.
- Farber, H.S., and R.G. Valletta. 2015. "Do Extended Unemployment Benefits Lengthen Unemployment Spells? Evidence from Recent Cycles in the U.S. Labor Market." *Journal of Human Resources* 50 (4): 873-909.
- Finnie, R., and D. Gray. 2011. *Labour-Force Participation of Older Displaced Workers in Canada: Should I Stay or Should I Go?* IRPP Study 15. Montreal: Institute for Research on Public Policy.

- . 2018. "How Do Older Laid-Off Workers Get By: Reemployment, Early Retirement, or Social Insurance Benefits?" *Canadian Public Policy* 64 (2): 173-89.
- Fong, F. 2018. "Navigating Precarious Employment in Canada: Who Is Really at Risk?" Toronto: Chartered Professional Accountants of Canada.
- Hagedorn, M., F. Karahan, I. Manovshii, and K. Mitman. 2013. "Unemployment Benefits and Unemployment in the Great Recession: The Role of Macro Effects." NBER Working Paper 19499. Cambridge, MA: National Bureau of Economic Research. Online at <https://www.nber.org/papers/w19499>.
- Halliwell, C. 2013. *Getting Canada's Employment Insurance System Ready for the Upcoming Decade*. IRPP Study 42. Montreal: Institute for Research on Public Policy.
- Jones, S. 2009. "Older Workers in the New Economy: The Role of Wage Insurance and the Re-thinking of Employment Insurance." *Canadian Public Policy* 35 (4): 499-511.
- Jurajda, S. and F. Tannery. 2003. "Unemployment Durations and Extended Unemployment Benefits in Local Labor Markets" *Industrial and Labor Relations Review* 56(2): 324-48.
- Katz, L., and B. Meyer. 1990. "The Impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment." *Journal of Public Economics* 41 (1): 45-72.
- Lalive, R. 2008. "How Do Extended Benefits Affect Unemployment Duration? A Regression Discontinuity Approach." *Journal of Econometrics* 142 (2): 785-806.
- Lalive, R., C. Landais, and J. Zweimuller. 2015. "Market Externalities of Large Unemployment Insurance Extension Programs." *American Economic Review* 105 (12): 3564-96. <https://dx.doi.org/10.1257/aer.20131273>
- Landais, B.C., P. Michailat, and E. Saez. 2018. "A Macroeconomic Approach to Optimal Unemployment Insurance: Applications." *American Economic Journal: Economic Policy* 10 (2): 182-216.
- Lluis, S., and B. McCall. 2019. "Employment and Job Search Implications of the Extended Weeks and Working While on Claim Pilot Initiatives." *Canadian Public Policy* 45 (2): 129-72.
- Morissette, R. 2018. "Changing Characteristics of Canadian Jobs, 1981 to 2018." *Economic Insights*, Cat. no. 11-626-X, paper no. 086. Ottawa: Statistics Canada.
- Morissette, R., and T.H. Qiu. 2020. *Turbulence or Steady Course? Permanent Layoffs in Canada, 1978-2016*. IRPP Study 76. Montreal: Institute for Research on Public Policy.
- Morissette, R., H. Qiu, and P. Chan. 2013. "The Risk and Cost of Job Loss in Canada, 1978-2008." *Canadian Journal of Economics* 46 (4): 1480-509.
- Morissette, R., X. Zhang, and M. Frenette. 2007. "Earnings Losses of Displaced Workers: Canadian Evidence from a Large Administrative Database on Firm Closures and Mass Lay-offs." Analytical Studies Branch Research Paper Series 291. Ottawa: Statistics Canada.
- Neill, C., and T. Schirle. 2008. "Remain, Retrain, or Retire: Options for Older Workers Following Job Loss." In *Retirement Policy Issues in Canada*, ed. M. Abbott, C. Beach, R. Boadway and J. MacKinnon. Montreal; Kingston, ON: McGill-Queen's University Press, 277-308.
- Ontario. 2018. "Statement by Premier Doug Ford on General Motors Canada's Announcement That They Will Be Closing Their Oshawa Assembly Plant." Press release, November 28. Online at <https://news.ontario.ca/opo/en/2018/11/statement-by-premier-doug-ford-on-general-motors-canadas-announcement-that-they-will-be-closing-thei.html>.
- Schirle, T. 2012. "Wage Losses of Displaced Older Men: Does Selective Retirement Bias Results?" *Canadian Public Policy* 38 (1): 1-13.
- US Department of Labor. 2013. "The Economic Benefits of Extending Unemployment Insurance." The Council of Economic Advisors and the Department of Labor.
- Voyer, J.-P. 2010. "Lessons Learned from the Earnings Supplement Project." Presentation to Human Resources and Social Development Canada Roundtable on Displaced Workers, Gatineau, QC, March. Online at [http://www.srdc.org/uploads/Displaced\\_workers\\_HRSDC\\_Mar10.pdf](http://www.srdc.org/uploads/Displaced_workers_HRSDC_Mar10.pdf).

## APPENDIX

Table A1. Eligible weeks of EI benefits, by hours worked and regional unemployment rate

Hours worked	Regional unemployment rate													more than 16%	
	6% and under	6-7%	7-8%	8-9%	9-10%	10-11%	11-12%	12-13%	13-14%	14-15%	15-16%	16% and over			
420-454	0	0	0	0	0	0	0	0	0	0	0	26	28	30	32
455-489	0	0	0	0	0	0	0	0	0	0	24	26	28	30	32
490-524	0	0	0	0	0	0	23	23	25	25	25	25	25	25	25
525-559	0	0	0	0	0	21	23	23	23	23	23	23	23	23	23
560-594	0	0	0	0	20	22	22	22	22	22	22	22	22	22	22
595-629	0	0	0	18	20	20	20	20	20	20	20	20	20	20	20
630-664	0	0	17	19	19	19	19	19	19	19	19	19	19	19	19
665-699	0	15	17	17	17	17	17	17	17	17	17	17	17	17	17
700-734	14	16	16	16	16	16	16	16	16	16	16	16	16	16	16
735-769	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
↕	↕	↕	↕	↕	↕	↕	↕	↕	↕	↕	↕	↕	↕	↕	↕
1,295-1,329															44
1,330-1,364														43	45
1,365-1,399														43	45
1,400-1,434													42	44	45
1,435-1,469													43	45	45
1,470-1,504													44	45	45
1,505-1,539												43	45	45	45
1,540-1,574												44	45	45	45
1,575-1,609											43	45	45	45	45
1,610-1,644					↕						44	45	45	45	45
1,645-1,679											43	45	45	45	45
1,680-1,714	↕										44	45	45	45	45
1,715-1,749										43	45	45	45	45	45
1,750-1,784										44	45	45	45	45	45
1,785-1,819	35	37	39	41	43	45	45	45	45	45	45	45	45	45	45
1,820+	36	38	40	42	44	45	45	45	45	45	45	45	45	45	45

Source: Authors' illustration using Employment and Social Development Canada's EI matrix.

**Table A2. Official EI unemployment rates by economic region and inclusion in Pilot Project No. 15**

Prov.	EI region name	Aug. 8 - Sept. 11 2010	Sept. 12, Oct. 9, 2010	Included in Pilot 15?	Prov.	EI region name	Aug. 8 - Sept. 11 2010	Sept. 12, Oct. 9, 2010	Included in Pilot 15?
NL	St. John's	7.2	7.9	Yes	ON	London	8.1	8.4	No
NL	Newfoundland – Labrador	20.0	19.8	Yes	ON	Niagara	10.2	9.7	No
PE.	Prince Edward Island	11.5	11.9	Yes	ON	Windsor	12.2	11.9	No
NS	Eastern Nova Scotia	14.5	15.7	Yes	ON	Kitchener	7.1	6.8	No
NS	Western Nova Scotia	10.8	10.9	Yes	ON	Huron	8.9	9.0	No
NS	Halifax	5.8	6.0	No	ON	South Central Ontario	8.0	8.2	No
NB	Fredericton- Moncton-Saint John	6.9	7.3	No	ON	Sudbury	8.6	9.7	Yes
NB	Madawaska-Charlotte	10.9	11.2	Yes	ON	Thunder Bay	5.8	6.9	No
NB	Restigouche-Albert	13.8	13.9	Yes	ON	Northern Ontario	12.4	12.8	Yes
QC	Gaspésie-Îles-De- La-Madeleine	17.1	18.0	Yes	MB	Winnipeg	6.1	5.9	No
QC	Québec	5.7	5.4	No	MB	Southern Manitoba	5.7	5.7	No
QC	Trois-Rivières	8.4	9.3	Yes	MB	Northern Manitoba	29.9	30.0	Yes
QC	South Central Quebec	5.5	5.4	No	SK	Regina	4.6	4.9	No
QC	Sherbrooke	8.1	7.9	No	SK	Saskatoon	5.4	5.6	No
QC	Montréal	6.9	7.2	No	SK	Southern Saskatchewan	6.9	6.8	No
QC	Montréal	8.5	8.5	No	SK	Northern Saskatchewan	17.3	17.3	Yes
QC	Central Quebec	8.4	8.4	Yes	AB	Calgary	6.9	6.8	No
QC	North Western Quebec	11.7	11.8	Yes	AB	Edmonton	6.9	7.0	No
QC	Bas-Saint-Laurent-Côte- Nord	11.5	11.9	Yes	AB	Northern Alberta	9.1	9.6	No
QC	Hull	6.7	6.7	No	AB	Southern Alberta	7.4	7.1	No
QC	Chicoutimi-Jonquière	7.8	8.2	Yes	BC	Southern Interior British Columbia	9.6	9.6	No

Table A2. Official EI unemployment rates by economic region and inclusion in Pilot Project No. 15 (cont.)

Prov.	EI region name	Aug. 8 - Sept. 11 2010	Sept. 12, Oct. 9, 2010	Included in Pilot 15?	Prov.	EI region name	Aug. 8 - Sept. 11 2010	Sept. 12, Oct. 9, 2010	Included in Pilot 15?
ON	Ottawa	6.2	6.7	No	BC	Abbotsford	8.1	8.0	No
ON	Eastern Ontario	8.7	8.3	No	BC	Vancouver	7.6	7.5	No
ON	Kingston	5.3	5.7	No	BC	Victoria	6.5	6.4	No
ON	Central Ontario	9.4	9.3	No	BC	Southern Coastal British Columbia	8.5	9.1	No
ON	Oshawa	10.4	10.5	No	BC	Northern British Columbia	11.6	11.4	Yes
ON	Toronto	9.1	9.1	No	YT	Yukon	25.0	25.0	Yes
ON	Hamilton	7.9	7.9	No	NT	Northwest Territories	25.0	25.0	Yes
ON	St. Catharines	8.7	9.2	No	NU	Nunavut	25.0	25.0	Yes

Source: Authors' calculations using EI data from Employment and Social Development Canada.

Note: Green shading indicates inclusion in Pilot Project No. 15 while not strictly meeting the 8 percent unemployment criterion as of September 11, 2010, the first day of the pilot. Red shading indicates noninclusion in Pilot Project No. 15 while meeting the 8 percent criterion as of September 11, 2010.

**Table A3. Difference-in-difference regression results for Pilot Project No. 15**

	Control group: All economic regions			Control group: Economic regions with an unemployment rate of 8% or higher		
	Before & after	Before only	After only	Before & after	Before only	After only
Total weeks on claim	2.3129***	3.7714***	1.6548***	2.3308***	4.0393***	1.6119***
Number of benefit weeks	1.6030***	3.2296***	0.8237***	1.6365***	3.3892***	0.8483***
Weeks of entitlement	4.4657***	7.1114***	3.160***	4.3156***	7.2081***	3.005***
Exhausted benefit entitlement	-0.0634***	-0.0547***	-0.0691***	-0.0625***	-0.0596***	-0.0662***
Exhausted at 52 weeks	0.0536***	0.0489***	0.0586***	0.0552***	0.0567***	0.0578***
Within 2 weeks of benefit exhaustion	-0.0013	-0.0003	-0.0017	0.0000	0.0024	-0.0012
Number of observations	7,759,430	4,733,840	6,172,955	5,451,270	3,317,835	4,350,350

Source: Authors' calculations using EI Status Vector administrative data.

Notes: Each cell represents a unique difference-in-difference regression for the outcome variable on the left.

Each column represents a unique control group depending on economic region and period included.

\*, \*\*, \*\*\*: significant at 10%, 5% and 1%, respectively.



INSTITUT  
DE RECHERCHE  
EN POLITIQUES  
PUBLIQUES

INSTITUTE  
FOR RESEARCH  
ON PUBLIC  
POLICY

Founded in 1972, the Institute for Research on Public Policy is an independent, national, bilingual, not-for-profit organization. The IRPP seeks to improve public policy in Canada by generating research, providing insight and informing debate on current and emerging policy issues facing Canadians and their governments.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector contributed in the early 1970s.

Fondé en 1972, l'Institut de recherche en politiques publiques est un organisme canadien indépendant, bilingue et sans but lucratif. Sa mission consiste à améliorer les politiques publiques en produisant des recherches, en proposant de nouvelles idées et en éclairant les débats sur les grands enjeux publics auxquels font face les Canadiens et leurs gouvernements.

L'indépendance de l'Institut est assurée par un fonds de dotation établi au début des années 1970 grâce aux contributions des gouvernements fédéral et provinciaux ainsi que du secteur privé.

---

Copyright belongs to the IRPP.  
To order or request permission to reprint, contact:

IRPP  
1470 Peel Street, Suite 200  
Montreal, Quebec H3A 1T1  
Telephone: 514-985-2461  
Fax: 514-985-2559  
[irpp@irpp.org](mailto:irpp@irpp.org)