

# DEVELOPING A MODERN WORKFORCE IN THE ATLANTIC PROVINCES

NLEC SUBMISSION TO THE COUNCIL OF  
ATLANTIC PREMIERS PANEL ON RECENT  
CHANGES TO EMPLOYMENT INSURANCE

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## *NLEC SUBMISSION TO THE COUNCIL OF ATLANTIC PREMIERS PANEL ON RECENT CHANGES TO EMPLOYMENT INSURANCE*

The Newfoundland and Labrador Employers' Council (NLEC) is the lead business advocacy association in the province on matters that impact the employment relationship. Our membership employs greater than 50% of all non-government employees in all sectors of our economy and regions of the province. With the mandate of advocating on behalf of employers on matters that enhance their ability to contribute to the economic growth and prosperity of Newfoundland & Labrador, the Employment Insurance (EI) program is of great concern to our organization.

### **The employer experience with Employment Insurance in Newfoundland & Labrador**

The NLEC has lobbied for increased due diligence and control within the EI system for years and is supportive of the federal government's EI reforms. The labour force in this province is shrinking due to an aging population, outmigration and a declining birth rate. Economic growth in the province is creating an unfilled demand for labour, and particularly skilled labour. Employers in this province report having to forego bidding on projects, seasonal businesses report having to shut down early and remain closed during shoulder seasons, and employers in this province are looking to foreign countries to fill vacancies. At the same time, a significant share of the provincial labour force is dependent on receiving EI. A recent report by the Canadian Taxpayers Federation, using Stats Canada figures, calculated that between 2008-2010 on average 89% of tax filers in rural areas of Newfoundland & Labrador collected EI at least once during the calendar year. Bay Roberts, a community less than a one hour commute to St. John's, had on average 80.2% of its working population collect EI at least once during those calendar years. Employers in this province are no longer just competing with other businesses for labour, they are in many cases competing with the EI system.

In 2009, the NLEC commissioned Corporate Research Associates to conduct a study of the employer experience with EI in this province. Thirty-two percent of employers reported that EI eligibility rules make it more difficult to find employee. Sixty percent of employers surveyed reported having had an employee request a layoff in order to receive EI benefits, and 41% reported having had a person turn down an offer of employment to remain on EI. In a tight labour market, research shows these incidents happen more frequently, as the fear of being unable to find work after EI benefits are exhausted decreases.

Employers struggle with employee availability issues on a daily basis in Newfoundland & Labrador. In conversations with member employers during Tax on Labour Focus Groups held across the province in Clarenville, Grand-Falls Windsor, Happy Valley-Goose Bay, Labrador City and Corner Brook in 2011, numerous NLEC members shared their frustration with workers who are unavailable for work due to eligibility for EI. EI recipients have been reported to deny offers of employment, postpone start dates, avoid/screen telephone calls, and request layoffs due to EI eligibility. Although solid evidence exists that EI recipients are failing to comply with the EI Act & Regulations, the EI program continues to have a lack of stringent investigation and control.

## The impact of EI reforms

While the Atlantic Premier's have publicly taken the view that these EI reforms are unreasonable, and will have a "devastating impact" on workers in the Atlantic Provinces, this has not proven to be the case. The recent changes to the EI system that took effect in January of 2013, although welcomed by the NLEC, have not yet had a lasting impact on connecting EI recipients with available jobs in the local economy. We were pleased when NLEC members initially began reporting a significant increase in the number of job applications following the EI reforms. Unfortunately, the number of applications being received by employers eventually returned to pre-reform levels.

In fact, of the 597,650 total disqualifications and disentanglement EI claims in 2013, only .06% or 380 were because of the "Connecting Canadians with Available Jobs" (CCAJ) changes. While a massive increase in disentanglements to seasonal workers has not occurred, the unemployment rate in NL has continued to decrease during this same period, which could indicate a facilitation of more EI recipients into employment.

The experience since these reforms have been implemented demonstrates clearly that they are not about cutting seasonal workers off of EI, rather about facilitating movement off of EI into full employment where jobs are available – something government leaders in the region should support, rather than oppose.

**The NLEC believes that the Atlantic Canadian Premiers should not only support these EI reforms, but should be looking for further action that truly addresses the challenges inherent in our current EI system.**

## Resistance to EI reform hurts our image as a competitive and vibrant place to live, work and do business

While the economy of Newfoundland & Labrador continues to grow, the unemployment rate is still the highest in the country. This is a statistic that is not only confusing, but paints the wrong picture of the current state of our province's labour market.

If Atlantic Canada is truly to compete on a global stage, we cannot hold on to policies of our past. High unemployment rates in the Atlantic region present a challenge to continued economic growth. The disincentive to work created by access to employment insurance benefits is a major barrier to investment and continued job creation. Companies who invest in high EI use regions face major hurdles to finding and retaining workers despite high unemployment rates. Employers have difficulty maintaining operations, or may not even consider setting up in a region. EI reform should not be viewed as an affront to our region, but as an opportunity to address these challenges.

EI is an important system, not just to Atlantic Canadians, but to our entire country. Government is continuing to take more and more out of the paychecks of working Canadians to fund our EI program in its current form. Many Canadian citizens are upset about what they perceived as an "overuse" of the EI system in Atlantic Canada, and with good reason: the maximum EI premium for 2012 was \$839.97– that is an entire pay check for some people. Before government takes more out of the paychecks of working Canadians, citizens want their government to ensure that the system is being run in the most efficient and prudent manner possible.

People will use a system in the manner that system allows. What is seen by many in the rest of Canada as an overuse of the EI system, is not reflective of the current economic reality in the region

nor is it reflective of the true wishes, or spirit of our workforce. In a recent Corporate Research Associates survey of Atlantic Canadians, 42% of Newfoundlanders & Labradorians surveyed were supportive of EI reform. This in a province where nearly sixty percent of the workforce received EI benefits at least once a year in 2008-2010. In 2014, Atlantic Canadians want to work, they want support to access jobs and they want an EI system that facilitates, not inhibits, their ability to do that.

**Resistance to EI reform in Atlantic Canada is sending the wrong message about the viability of our region as a place to live, work and do business, and is holding us back.**

## **EI reform will benefit Newfoundland & Labrador long term**

The current Employment Insurance system is not fully meeting the needs of employers, or the working population, of Newfoundland & Labrador in 2014.

Atlantic Canada, and in particular Newfoundland & Labrador, is currently faced with unprecedented economic opportunity. Today, more than ever, our government must focus on long-term planning to ensure our current prosperity is maximized for current and future generations. A part of that must be to facilitate the movement of individuals in this region off of EI and into full employment.

The NLEC does not suggest that EI in its current form be abolished. EI is an important program, and many seasonal employers rely on employment insurance to maintain an attachment to their workplace.

These reforms are not, and should not be seen as, an attack on seasonal industries. Seasonal businesses operating in rural areas with little to no other employment will not be impacted by these reforms. Research by the Mowat Centre indicates that the impact of these reforms will actually be felt predominantly in urban areas, where low unemployment and high job vacancy rates exist. The NLEC believes the Atlantic premier's have been resisting reforms that will benefit workers and employers in these areas, based on misinformation regarding the impact on rural areas and seasonal industries.

In fact, the experience of employers operating in seasonal industries in rural areas indicates that this reliance on Employment Insurance income is not the desire of the modern workforce in 2014. Employers operating in many seasonal industries report that it is very difficult to hire young people, and maintain an attachment to the workforce, using this model of employment. Continuing to rely on Employment Insurance as an income supplement to seasonal industries has created a false labour market that is unsustainable. As the generation of workers traditionally employed in these sectors ages, the viability of businesses operating in this manner is threatened.

The EI system as it is currently structured also exacerbates the geographical mismatch of labour demand in certain areas such as the Avalon Peninsula and Labrador, versus dispersion of the unemployed across rural areas of the province. Currently in Newfoundland there are two economic regions: St. Johns (surrounding area) & the rest of the province. Currently, the qualifying hours for St. Johns is 630 hours, which result in 17-40 weeks of paid benefits. The rest of the province only requires 420 hours for between 37-45 weeks of paid benefits. The disparity between entrance requirements for the employment insurance system is increasing the labour shortage in this province. Many workers who live outside the St. Johns region, can work roughly 10 weeks then receive benefits for nearly a year. This inhibits their motivation to seek employment in other regions of the province currently experiencing labour shortages.

In 2014, our Employment Insurance system needs to be less about income supplement and more about active adjustment assistance. Reforms to the EI system that actively move Newfoundlanders & Labradorians from EI to year-round work in positions where their hard work and skill set are needed, should be supported by our provincial government in order to encourage economic growth and individual prosperity.

**The NLEC urges the Atlantic Premiers to take a long term view and support policies that promote the facilitation of individuals off EI and into full employment.**

## Impact of specific Employment Insurance changes on employers and workers in Newfoundland & Labrador

### Connecting Canadian with Available Jobs Initiative

It is the position of the NLEC that reforms to the definitions of “suitable and available work” and “reasonable job search” are completely reasonable given the current labour market situation in our province. They facilitate the movement of individuals off EI and into employment where they will earn higher incomes and make greater contributions to their families and communities.

Misconceptions about what these reforms really mean have created a resistance to these changes among many in the Atlantic region that is unfounded. If no other employment exists within a one hour radius, seasonal workers will not be affected by these reforms. The worker’s individual situation will also be taken into consideration.

The perception that it is unreasonable to travel up to one hour from their home for year round work that *in every instance* will mean higher earnings than what was received on EI, is insulting to thousands of hard working Newfoundlanders and Labradorians and to employers struggling to find workers to fill available positions. It is the position of the NLEC that if full time, year round employment exists in a region, EI recipients should be available and actively seeking this type of employment regardless of prior work history. It is also the position of the NLEC that reforms to the EI system that aim to actively connect Canadians with available jobs, are positive and long needed in our EI system.

How aggressively the new regulations have and will be enforced, will be a crucial determinant of their outcomes. Lack of due diligence, investigation and control by Service Canada has long allowed the EI system to be used in ways outside its intention. Employers cannot act as regulators and investigators for the EI system. It is important that they maintain a positive relationship with their workforce in order to meet labour demands in a tightening labour market. Service Canada has a responsibility to increase their investigation and control of EI claims in order to ensure the system is being used as it was intended. Given the small number of disqualified claims resulting from these changes, many employers who still struggle to find employees feel these rules actually do not go far enough, especially in dealing with long term claimants.

Our position is that current EI legislation is sufficient to bring about cost reductions and facilitate movement of recipients off EI and into available jobs, but to achieve this will require a significantly enhanced enforcement effort.

**The NLEC has encouraged the federal government to devote greater resources to EI enforcement in the 2014 budget to ensure these EI reforms are more meaningful in years to come.**

**The NLEC encourages the Atlantic Premiers to support increased efforts to connect Canadians with available work, and increased enforcement of these regulations by Service Canada.**

*Working while on claim pilot project*

Changes to the working while on claim pilot project seem promising. The NLEC agrees with the goal of ensuring that everyone who works while on EI is better off working, than not.

The former approach employed a 100% claw back on all earnings above the greater of \$75 or 40% of an individual's weekly EI benefit. Our members reported consistently that many employees would "work to the hours" and stop working when nearing the 40% threshold. Employers operating in service based businesses with variable demand for services reported significant issues attracting workers back to work once the threshold had been met.

The new approach features a simple 50% claw back on all earnings while on claim. There is no "financial penalty" for crossing the old threshold of 40%. The new system is reported to have reduced some of the issues experienced by employers, by providing greater incentive to accept offers of larger amounts of work, but reduces incentives to accept smaller amounts of work. The fundamental problem of turning down suitable and available work remains a barrier for employers.

It is projected that this change will increase costs to the EI system by \$74 million over a two year period. It is too soon to tell but the NLEC remains hopeful that the change combined with enhanced enforcement of the connecting Canadian Canadians with Available Jobs Initiative, although initially costly, will lessen the disincentive to work while on claim. This should help facilitate movement of individuals off EI and into full time employment and reduce claims in the system.

*New formula for calculating benefits based on your weekly earnings*

The "Best 14 weeks" pilot project offered a more generous weekly benefit in mostly high unemployment, mostly rural, and mostly eastern EI regions. With the extension of the "Best 14 Weeks" program to include all of Canada as the "Variable Best Weeks" program, all benefits will be based on the highest earning 14-22 weeks within the past year, depending on the regional unemployment rate. The higher the regional unemployment rate, the larger the weekly EI benefits are likely to be for EI claimants who had variable week-to-week earnings prior to job loss. Most EI claimants have their EI benefit rates calculated based on their highest weeks of insurable earnings from the last year. This will not impact areas of the province outside of St. John's, which will continue to be calculated using the best 14 weeks due to the high unemployment rate.

While there will still be significant regional differentiation, this program extends the program to regions who were not part of the best 14 weeks project, therefore eliminating some of the regional disparity that has been heavily criticized. This ensures that people living in regions with similar labour market conditions are treated the same. This is fair and reasonable.

The NLEC has received little to no feedback from our members on this issue.

### [Canceling the pilot project that gave claimants an additional five weeks of benefits](#)

The additional 5 weeks of benefits was implemented as a temporary measure to provide additional support to individuals impacted by the recent recession. The additional 5 weeks benefit originally began as a pilot on June 6, 2004 for high unemployment areas but was extended to all areas of Canada on March 1, 2009 as a result of the recession.

This program was always intended to be a temporary measure in reaction to the recession – not a long term change to the EI program.

Given that the economy has recovered and the EI account remains underfunded as a result of the recession, and that fact that rates paid by working Canadian employees and business has been rising since 2011, the cancelation of this temporary measure is more than justified.

### [Establishment of a new appeals process](#)

There are two main benefits to the new appeals process. First, the process will be less expensive to operate. More claims are being handled without having to go through the appeals process. Every single claimant who is refused now gets a review of the negative decision by an EI official to determine whether the claim can be resolved without having to go through the appeals process.

Second, the adjudication of appeals should now happen in a more objective manner. There is now greater consistency among decision by virtue of the centralization of that process. Employers however, continue to report examples of terminated employees with numerous infractions appealing and accessing EI benefits.

## Conclusion

The role of government is to make educated and informed decisions that are in the best long term interest of our province, its economy and its people.

In the period from 2008-2010, the same time our province promoted reaching “have status”, nearly sixty percent of all tax filers in Newfoundland & Labrador (not including those who collected CPP) received EI benefits at least once a year. This is not a statistic we should be proud of, nor is it a statistic our premier should be encouraging by resisting EI reform.

EI, in its current form, is enabling overreliance on the system, inhibiting labour market mobility, and is a barrier to economic growth, labour market and skill development in this province. EI reforms that focus on active vs. passive labour market assistance will be an important part of labour market development in our region. Recent reforms, while they have not achieved the results we would like to see thus far, are certainly a step in the right direction. We encourage the Atlantic Premiers to not only to support federal government reforms, but to become leaders in the country on recommending further reforms that proactively address our labour market challenges, by adjusting the labour force skill set and expectations to better coincide with the current economic reality.

Without such reform, it will be impossible to sustain this province’s current prosperity for generations to come.