



Commentary

**The Consequences and Effects the Current
Employment Insurance (EI) Programs Have on
Women in Canada**

Dr. Tammy Schirle

March 30th, 2009

On April 2, 2009, Tammy Schirle was invited to make a statement to the House of Commons Standing Committee on the Status of Women regarding their study 'The Consequences and Effects the Current Employment Insurance (EI) Programs Have on Women in Canada.' This commentary is a copy of the speaking notes prepared for that meeting. A full transcript of the meeting is available from the House of Commons website.

Introduction

I plan to address two questions here. First, given access to benefits, what are the effects of various EI provisions on women in terms of their labour market behaviour or other outcomes? Second, do men and women have equitable access to EI benefits?

These questions should be examined within the context of the objectives of the EI program. EI's objectives do not appear to be clearly defined within the legislation. However, I would suggest there are 3 key goals here. First, EI protects individuals from *unexpected* earnings losses associated with unemployment. Regular EI benefits provide this type of income support. Second, the programs help unemployed persons be productive participants of the labour force. To this end, for example, we have provisions that allow some individuals to receive support for training and education. Third, EI promotes continuity in employment and attachment to the labour force. To this end, the provisions for maternity and parental leave, allowances for seasonal employment and temporary layoff may facilitate continued employment with the same employer.

Effects of EI provisions on men and women

Most often, economists are concerned with the extent to which policy will distort the decisions made by individuals. In the literature, you can find several examples of how particular EI provisions change the labour market decisions and outcomes of individuals. For example, a study by David Green and Craig Riddell (UBC) demonstrated that when you extend the qualifying period for unemployment insurance, individuals will remain employed longer. David Gray's work suggests frequent EI users are sensitive to changes in benefit calculation formulas such that expansions of the program to cover non-standard employment arrangements may have unintended repercussions. To my knowledge we do not have solid evidence on whether there exists a gender difference in the extent to which individuals will adjust their work arrangements to qualify for EI.

Obviously we expect to see gender differences in the effects of EI's maternity leave provisions. Michael Baker and Kevin Milligan have shown that the expansion of maternity and parental leave allowances in late 1990s led to a substantial increase in the time mothers spent at home.

More importantly, the provision of maternity leave benefits of any length will increase job continuity with the same employer.

Consider that any policy that increases women's labour force attachment and continuity with employers will have important long-run implications. In my recent research I have shown that the most recent groups of women entering retirement have greater access than previous groups to employer provided pensions and Canada Pension Plan benefits, and this came with their greater attachment to the labour force in 'career' employment (which in turn can be attributed in part to the legalization of the birth control pill). EI maternity and parental leave policies should lead to even greater access to public and private pensions among women.

Access to EI benefits

Consider then the second question – do men and women have equitable access to EI benefits? To examine access to regular EI benefits, I took a sample from the Employment Insurance Coverage Survey and measured the number of individuals who had received EI benefits since their last job as a portion of involuntarily unemployed individuals age 25-44. (Here, I exclude mothers of infants and the self-employed).

A gender gap in the likelihood of receiving EI benefits when unemployed clearly exists – in my sample, 68% of unemployed women and 75% of unemployed men had received EI benefits since their last job.

I undertook a simple decomposition of that gender gap and, not surprisingly, found that nearly 40% of the gap could be attributed to gender differences in work arrangements. Nearly 10% of women and only 2% of men worked in permanent part time jobs. 32% of women worked in non-permanent positions (not including seasonal workers), compared to 23% of men in such non-permanent positions. Clearly, we expect that any individual in a full time permanent position will be more likely eligible for EI benefits than those in part time casual employment. This clearly fits EI objectives to provide income support for unexpected earnings losses associated with unexpected periods of unemployment.

I also found from the decomposition that more than 1/5 of the gender gap in access can be attributed to gender differences in chosen career paths – as characterized by the industry and occupation of their previous employment. While men tend to work in construction and manufacturing industries – particularly in positions of transport or equipment operations – women are more likely to work in retail, accommodation and food services industries, in sales and service positions. This resulting gap in EI access might be attributed to the industry differences in average hours within full time or part time classifications. I suspect there are also some industries and occupations where casual workers' hours are less likely insured.

Should we modify EI to close the gender gap in EI access?

Overall, if you were to compare access to EI among comparable men and women – that is men and women with the same work arrangements, same career paths, and so on, you would find that men and women have equal access to EI benefits. The differences in access are easily explained by the different labour market choices made by men and women.

Let us assume that, on average, women are rational with a basic understanding of probability. Then we can say that when a woman chooses to take on part-time or casual employment, instead of full time permanent employment, she is aware of her lower likelihood to have access to many employment benefits. She is unlikely to have a pension plan or health benefits, she will not contribute as much to her Canada Pension Plan, and she will be less likely to qualify for EI benefits if she is out of work. These are the “costs” associated with her choice. The “benefits” of her work arrangement will include more flexibility with her time, in many cases allowing her to take on home-production activities such as child care and other family responsibilities. This choice is optimal in the sense that it is what is best for that individual.

To suggest that we need to change the EI program so that the women working part-time or casually are more likely to qualify, suggests one of two things to me. First, this might suggest we do not believe women are able to act rationally or understand the implications of their choices. I do not think we have any reason to believe that and I would personally take offence to that suggestion. Second, this might suggest that Canadians want to encourage home production activities by subsidizing the choice to take part time and casual employment. This is certainly not a policy objective of the EI program and achieving such objectives is best left to other policy levers.

A more appropriate policy action would be to ensure women have equal access to the full time permanent jobs in careers that are likely to lead to EI benefit access. This has generally been the goal of affirmative action programs and even pay equity legislation. Again, this does not require modification of the EI program. Over the years we have seen a greater tendency for women to take on full time employment and have seen some reductions in occupational gender segregation. If we expect these trends to continue, we should expect the gender gap to narrow over time. As long as women are primarily responsible for home production, however, some gap will remain as women choose to take part time employment. Further reductions of that gap could be achieved, for example, through the implementation of national child care programs.

It is important to remark on the fact that modifications to EI to accommodate non-standard work arrangements will have important impacts on the choices made by men and women. Any accommodation will likely create an incentive for men and women to take on less secure

employment and develop a long-term dependency on the EI program. This will make the program much more expensive, will make its role as “insurance” questionable, and certainly does not meet the objectives of promoting labour force attachment or job continuity. Furthermore, as all modifications to the program must apply to men and women equally, the gender gap in EI may persist regardless.

Overall, I would strongly recommend against modifying the EI program to accommodate non-standard work arrangements as it is not clear that such modifications will support the objectives of the program and other policy options appear more desirable to support the interests of women.

As a final note, I would like to point out that there are several people, male and female, who will never qualify for EI benefits yet have to make contributions. It seems unreasonable to require that people pay insurance premiums toward insurance they could never benefit from. For example, to be eligible for regular EI benefits in a high unemployment region, a typical person must have had 420 insurable hours in the previous 52 weeks. On average, this person must have worked more than 8 hours per week (at all jobs combined). Introducing a Year’s Basic Exemption to EI premiums based on an individual’s annual earnings (with all, not a single employer) might be a reasonable solution to consider. The provision of benefits to these individuals would otherwise require benefit qualifications to depend on weeks worked rather than hours and it is not clear how the number of weeks should be defined.

Tammy Schirle is an Assistant Professor in the Department of Economics at Wilfrid Laurier University. Her research interests include the economics of the elderly, income inequality, social policy, immigration, and the economics of gender. Her recent research has focused on the implications of historical changes in women's labour market behaviour for senior family incomes in retirement.

For reference

EICS SAMPLE: From each year 2000-2006 of the EICS public use files, I extracted a sample of men and women age 25-44 who were unemployed in the reference week. I exclude those who left their last job or were taking an unpaid absence. I further exclude any mothers with infants age 0-12 months and the self-employed. The following tables describe the job characteristics of the last job held by the individuals in the sample.

A brief study on women’s access to EI largely based on this data is available at http://www.tammyschirle.org/research/women_ei.html

Characteristics of the last job held by unemployed men and women

	Women	Men
Type of work arrangement		
Permanent full-time worker	43.0	54.0
Permanent part-time worker	9.6	2.2
Permanent, work hours unknown	0.2	0.2
Not permanent, seasonal worker	15.5	20.4
Not permanent, other	31.6	23.3
Job tenure		
Less than one month	5.2	3.9
1-3 months	16.1	16.9
4-6 months	15.1	15.3
7-12 months	16.3	11.7
13-24 months	15.6	13.3
3-5 years	16.2	19.2
6-10 years	9.8	10.7
11-20 years	4.1	8.0
21 years or more	1.6	1.2

Career Paths: Industry-Occupation of the last job held by unemployed men and women

WOMEN	Managers, admin.	Health, sciences	Educ., govt culture	Trade, proc., utilities	Sales, Service	Total
Agric., forest, fish, mining	0.56	0.01	0	3.39	0.06	4.02
Construction	0.88	0.38	0	0.74	0.08	2.07
Manufacturing	4.64	1.01	0.64	13.73	1.11	21.12
Retail, accom., food serv.	3.51	0.23	0.06	0.41	16.78	20.98
Educ., health, public admin.	5.63	3.06	5.74	0.65	2.12	17.2
All others	17.48	2.93	3.29	3.42	7.48	34.6
Total	32.69	7.62	9.72	22.35	27.62	100

MEN	Managers, admin.	Health, sciences	Educ., govt culture	Trade, proc., utilities	Sales, Service	Total
Agriculture, forestry, fishing,	0.05	0.47	0	8.31	0.14	8.96
Construction	0.37	0.13	0	20.69	0.39	21.58
Manufacturing	2.48	2.45	0.02	16.2	0.83	21.98
Retail trade \& accommodation,	1.86	0.3	0.17	1.77	5.52	9.62
Educ. Services \& health, social	1.13	0.83	2.46	0.87	0.68	5.97
All others	5.33	6.77	3.21	10.92	5.66	31.89
Total	11.23	10.94	5.86	58.76	13.21	100

Changes in women's employment rates over time.

The following figure is based on the employment rates available from Statistics Canada (Cansim II table 282-0002). For example, women born in 1953-1957 had employment rates at 76% in 2007 when they were 50-54 years old. The employment rate of women born in 1953-1957 when they were 45-49 years old in 2002 was 77%. The employment rate of women born in 1948-1952 at age 50-54 was 71%, this was in 2002.

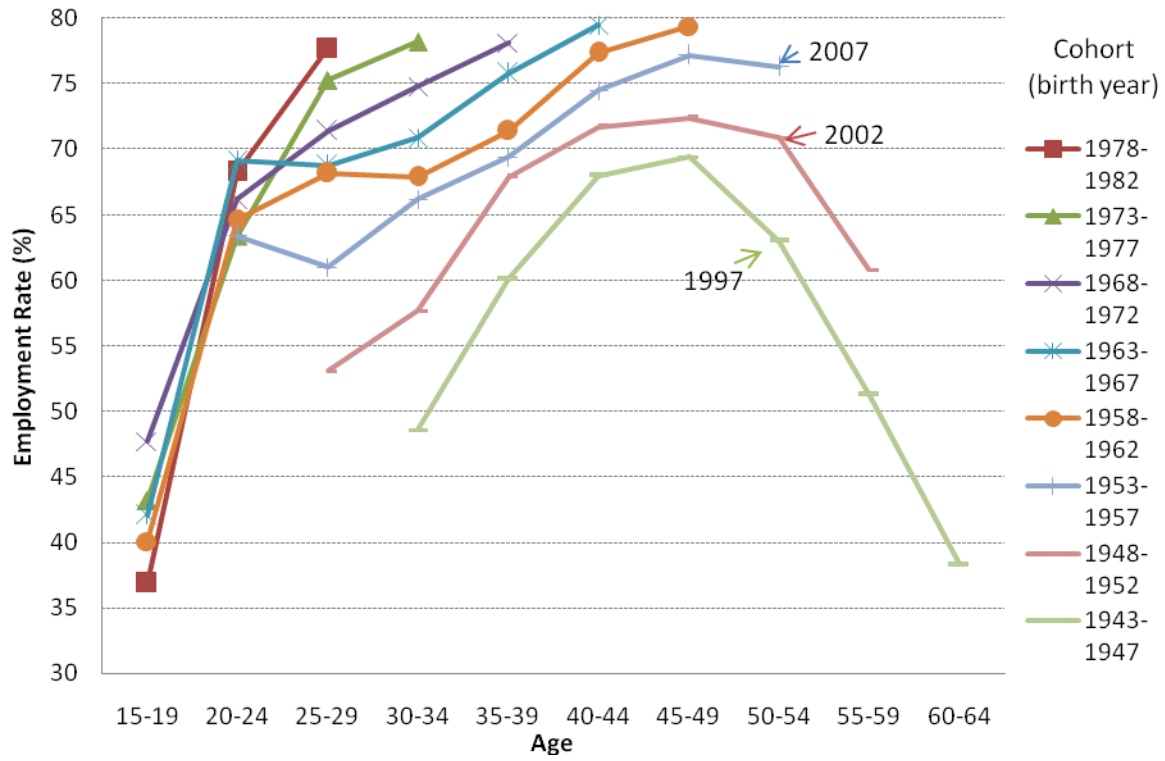


Figure 1: Women's employment rates by age for each 5-year birth cohort.

Changes in women's likelihood of working full time.

The following figure reports the percentage of employed women working in full-time positions, by age, for each 5-year birth cohort. The figure is also based on the Statistics Canada data (Cansim II Table 282-0002). Similar to the interpretation of employment rates in the previous figure, we can see that conditional on age, the likelihood of women working full time has increased each year.

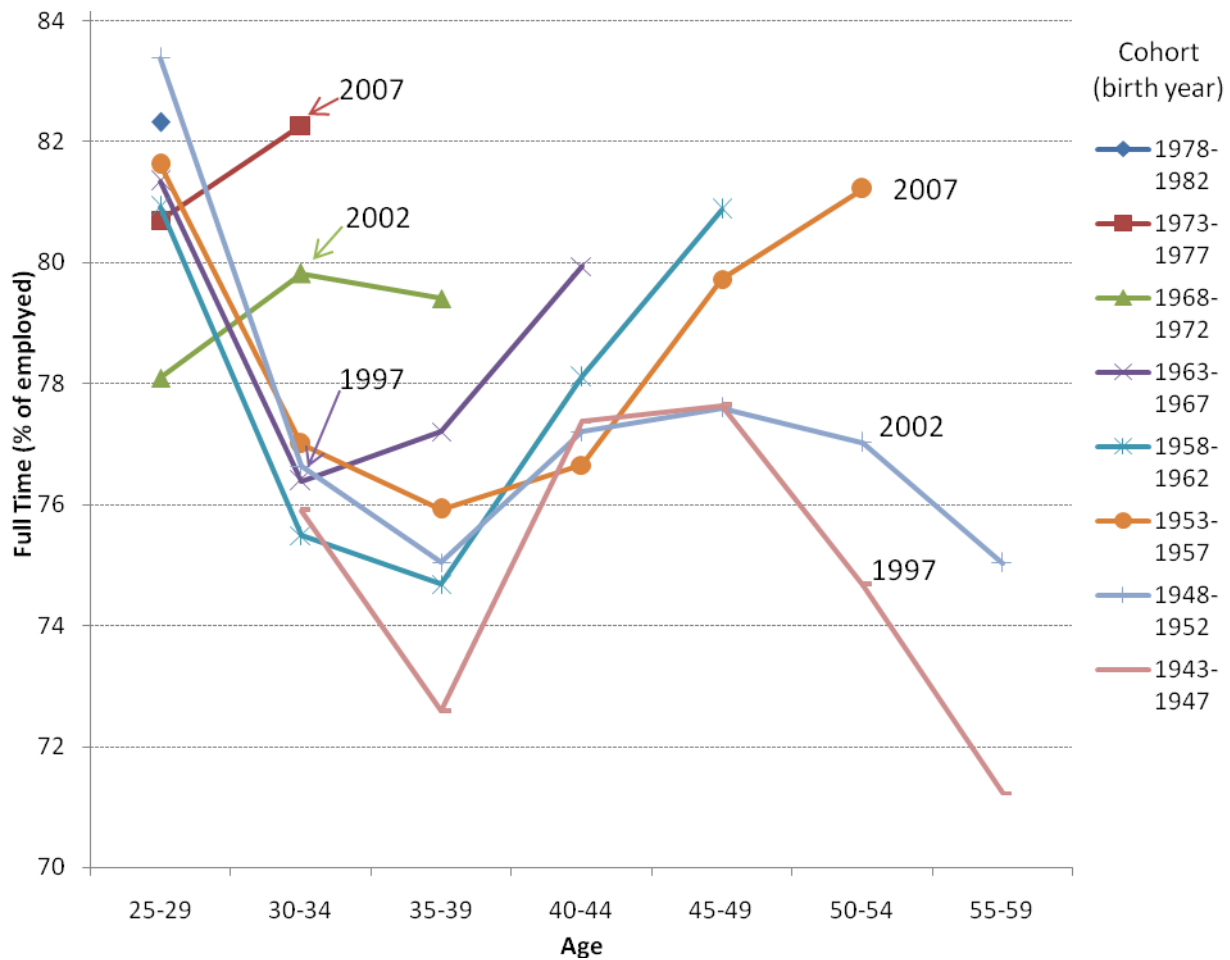


Figure 2: Women working full time, by age group, for each birth cohort.

Why do women work part time?

In my discussion of EI access, I mention the *choice* to work part time. I put together the following tabulations from the February 2009 Labour Force Survey (public use files). The sample only includes those age 25-44, employed part-time. The tabulations based on 30 or 10 hours are referring to the individuals' actual total hours at all jobs.

Reported reasons for working part-time, February 2009.

	Women		Men	
	<30 hours	<=10 hours	<30 hours	<=10 hours
Own illness/disability	2.7	3.1	6.2	7.6
Caring for own children	38.2	40.4	2.8	2.4
Other personal or family responsibilities	5.4	5.8	2.1	1.4
Going to school	8.5	12.7	24.9	33.0
Personal preference	15.9	12.2	12.6	11.4
Business conditions or could not find FT, looked for FT*	9.3	9.5	18.7	16.3
Business conditions or could not find FT, did not look for FT	19.3	15.6	31.6	26.8
Other reasons	0.6	0.8	1.2	1.1
Sample size	2392	752	700	241

*A person looked for FT work if they looked for work with 30 or more hours during the past four weeks. This is the group considered involuntarily part-time by LFS definitions.

Unemployed workers' reasons for job separation

I generally refer to the involuntarily unemployed as the relevant unit for analysis given the objectives of EI. The following tabulations are based on a sample of all unemployed individuals, age 25-44 from the February 2009 Labour Force Survey. I exclude those not in the labour force.

Reason for job separation

	Women	Men
<i>Left job</i>		
Other reasons	6.15	1.9
Own illness or disability	4.74	1.58
Caring for own children	1.3	0.15
Pregnancy	0.86	-
Other personal or family responsibilities	2.28	1.12
Going to school	2.02	1.01
Dissatisfied	9.73	6.31
Business sold or closed down (self-employed)	1.48	0.51
<i>Lost job</i>		
End of seasonal job (employee)	9.93	16.17
End of temporary or casual (employee)	11.56	10.14
Company moved or out of business (employee)	5.16	3.45
Business conditions (employee)	39.33	51.03
Dismissal or other reasons	5.47	6.63
Sample size	594	1129

Measuring Access to EI benefits

There exists a wide variety of statistics describing access to EI benefits. Each should be interpreted carefully, as each has different implications. I provide a sample of measures I calculated here, based on public-use microdata files.

Data	General Sample	Numerator	Denominator	Women	Men	Notes
EICS 2000 - 2006	Age 25-44, exclude job leavers and unpaid absence, mothers with infants, self-employed	Unemployed individuals who received EI benefits since their last job	All those currently unemployed	68%	75%	Reflects whether job losers were able to get any EI benefits. We do not know why they lost their job.
EICS 2000- 2006	Age 25-44, excluding mothers of infants	All jobless individuals who received EI benefits since their last job	All those currently jobless	31%	39%	This would include individuals not seeking employment.
EICS 2000- 2006	Age 25-44, excluding mothers of infants	All jobless individuals who currently receive EI benefits	All those currently jobless	17%	30%	This only includes individuals receiving benefits at the time of the interview.
EICS 2000- 2006	Age 25-44	All jobless individuals who currently receive EI benefits	All those currently jobless	29%	30%	In part reflects access to maternity leave benefits
SLID 2005	Age 25-44, positive contributions made to EI and spent part year employed, part year unemployed	All individuals with positive EI benefits in 2005	All in general sample	45%	54%	Reflects EI receipt by those in the labour force all year and had some insurable hours. We do not know why unemployed.