Towards an Inclusive Economy:

Syncing EI to the Reality of Low-wage Work

Ricardo Tranjan

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Executive summary

Since 2015, the Government of Canada has made progress in improving the Employment Insurance (EI) program. The reduction in the waiting period from two weeks to one week was a long-overdue change. More flexible maternal, parental and caregiving benefits give families choice when planning care for children and ill family members. Extensions to fishing benefits and forestry work-sharing arrangements responded to industry-specific needs. The elimination of the higher eligibility requirement for new entrants and re-entrants to the labour market increased access to benefits, especially for youth, newcomers and people with weaker labour force attachment.

Reform must continue, and must now turn attention to the mismatch between EI eligibility rules and the reality of low-wage work in Canada.

This report presents an analysis of three commonly used EI coverage measures broken down by income level, which shows that low-wage workers have considerably less access to EI benefits than workers with higher wages. These three measures are:

The Beneficiaries-to-Unemployed (B/U) ratio, which shows the share of all unemployed workers—including workers who haven't contributed to EI in recent years and workers who quit without a cause acceptable to the program—who are eligible for EI benefits. This ratio typically hovers around 40%, but only 28% of all unemployed workers who earned $15 or less per hour qualified for benefits in 2017.

The Benefits-to-Unemployed Contributor ratio (B/UC), which shows the share of unemployed workers who contributed to EI, who are eligible for benefits. In 2017, this ratio was 67%, but just 45% of low-wage workers in this situation qualified for benefits.

The "eligibility rate", which shows the share of unemployed workers who contributed to EI and left their jobs for a reason acceptable to the program, who qualified for benefits. This ratio is usually above 80%, but this report found only 68% of unemployed low-wage workers in this situation received benefits in 2017.

This report also includes a comparison of the amount of EI premiums paid by workers who earned less than $30,000 (in 2015) with the amount paid by workers who earned more, which shows that lower-income workers contributed 1.8% of their employment income to EI while higher-income workers contributed 1.1% of their earnings.

If low-wage workers make substantive contributions to the EI program, in relation to their earnings, why do only a modest share qualify for benefits?

The explanation lies, at least in part, in a mismatch between EI eligibility rules and the reality of low-wage work.

More than half (52%) of low-wage workers are employed in two industries, namely, retail (30%) and accommodation and food services (22%). Both these industries are characterized by high incidences of part-time work (44% of accommodation and food services workers and 33% of retail workers) and short job tenure averages (22 and 59 months, respectively). As well, only 11% of low-wage workers are covered by a collective agreement, compared to 35% of workers earning more than $15 per hour.

In sum, more than half of low-wage workers are employed in industries characterized by the highest incidence of part-time work, the shortest job tenure averages and the lowest union density.

This reality makes it hard for low-wage workers to qualify not only for EI but also for all other work-related income supports that operate as insurance programs and tend to reward higher paying workers in long-tenure jobs. At the same time, low-wage workers earn enough not to qualify for most income-tested social supports. They are largely on their own.

EI should provide low-wage workers with a basic level of security, in recognition of their substantive contribution to the EI program and to the Canadian economy, as well as of the fact that their inability to accrue hours is due to economic processes beyond their control.
The good news is that making EI more inclusive is neither complicated nor costly.

Replacing the variable entrance requirement with a universal requirement of 420 hours would increase the share of unemployed workers eligible for EI by 6 percentage points; 60% of the new beneficiaries would be low-wage workers. The change would cost between $145 and $210 million, the equivalent of 1.2 and 1.7% of the total amount of EI benefits paid in 2016-2017.

Changing eligibility requirements to include people voluntarily leaving their jobs would increase the share of all unemployed workers who qualify for EI by 8 percentage points. In 2017, nearly 1 in 5 unemployed low-wage workers had made sufficient contributions to the EI program, but didn't have a valid job separation and could not access benefits. This change would cost close to $370 million a year, less than 3% of the total amount of EI benefits paid in 2016-2017.

Implementing an earnings-based eligibility requirement for low-wage workers—akin to the program for fishing industry workers—would increase the share of unemployed low-wage workers who qualify for EI by 7.5 to 9 percentage points. That change would cost between $90 and $160 million a year, or 0.7 and 1.3% of the total amount of EI benefits paid in 2016-2017.

EI began as a program targeting lower-wage workers and yet today it fails to support those very people. It's time to move beyond the narrow insurance logic that informs eligibility for most EI benefits. A reformed EI program could play a crucial role in the expanding of social security to working-age adults and in the building of an inclusive economy, where all workers and families are, at the very least, shielded from extreme hardship.

Introduction

Canada's social security system has gradually evolved to guarantee an income floor for seniors and children. Social assistance programs offer basic survival support to people with a certified disability and people with no or very little income. A patchwork of income-tested tax benefits, income supplement programs and fee subsidies assist individuals and families facing financial challenges related to illness, disability, caring for children or caring for ill family members.[1] In contrast, adults 18 to 64 years of age working low-wage jobs receive little in the way of social security support; at most, they qualify for ad hoc supports for limited amounts of time.

Low-wage workers also have limited access to work-related income support programs such as pension plans, workplace injury insurance, disability benefits, sickness benefits, parental leave and unemployment insurance. These are all insurance-based programs, which means workers must meet contribution requirements to be eligible for benefits. This report shows that more than half of Canada's low-wage workers are employed in industries characterized by the highest incidence of part-time work, the shortest job tenure averages and the lowest union density. These working conditions limit how much low-wage workers can contribute to and benefit from insurance-based programs. Besides, Canada's work-related programs provide support only for workers who are no longer working, and since benefits are based on contributions, the highest benefits usually go to the people with the best jobs.[2] The Working Income Tax Benefit (WITB) is the only work-related program universally available for employed low-wage workers.

Unable to qualify for income-tested social security programs and individually penalized for labour market dynamics beyond their control, low-wage workers are largely on their own.

Among the income supports listed above, the Employment Insurance (EI) program is the obvious candidate to adjust in order to provide low-wage workers with some security. It was created in 1940, precisely to assist less secure, non-government workers earning up to $2,000 a year—roughly $35,000 in today's dollars—who were experiencing financial hardship for reasons beyond their control. EI soon expanded to cover other economically vulnerable groups, namely homecoming soldiers and self-employed fishers. Later it grew to provide near-universal coverage.[3]

The percentage of unemployed workers receiving EI benefits hovered around 80% from the 1960s to the early 1990s.[4] According to one source, 95% of workers were eligible for benefits in 1990.[5] In the mid-1990s, changes to eligibility requirements brought coverage down to around 40%, where it has remained ever since.

While it is widely known that less than half of unemployed workers qualify for EI, coverage rates for low-wage workers and other population groups are not readily available.[6] This report shows that while 42% of unemployed workers qualified for EI in 2017, the coverage ratio for workers earning $15 or less per hour was much lower—28%. Similar differences are found in other EI coverage ratios discussed in the next section.

EI began as a program targeting lower-wage workers. It became a program offering near-universal coverage, and yet today it fails to support most precariously employed, low-wage workers.

This is an unfortunate turn, not least because EI is an effective poverty reduction program. A 2019 study by Employment and Social Development Canada (ESDC) found that unemployed individuals who received at least $4,000 in unemployment insurance benefits are significantly less likely to experience poverty.[7] An earlier analysis found that EI halved the incidence of low income among recipients (from 14 to 7%). While EI provides a crucial safety net for all workers, it plays a crucial role in preventing low-wage workers from falling into poverty.

Individuals and families living on low wages seldom have enough income to save for a rainy day. If they lose their jobs and can't access EI, they first have to exhaust most of the limited savings they have. Then they have to apply for social assistance, which is a long and taxing process. By the time the first social assistance payment arrives, they are slipping into the poverty trap.

There is a social and a financial imperative for preventing this from happening. On the social side, the long-term effects of poverty can be devasting on children, adults, and families; it is not uncommon for these effects to be passed onto subsequent generations.[8] On the financial side, it is well known that upstream interventions that prevent poverty are less costly than fighting poverty.[9]

This report proposes changes to EI eligibility rules that would improve coverage for low-wage workers who substantively contribute to the Canadian economy but benefit little from it.

The first section presents EI coverage and contribution measures disaggregated by income levels. The second section describes the mismatch between EI rules and the realities of low-wage work in Canada. The third section proposes three policy changes: the elimination of variable-entrance requirements; extending coverage to job leavers; and the implementation of earnings-based entrance requirements for low-wage workers. This section also provides cost estimates for implementing these changes.

EI coverage by income levels

This section presents commonly used EI coverage ratios broken down by wage levels. It compares access and contributions to EI for workers earning $15 or less per hour (hereafter low-wage workers) to those earning more. It shows that low-wage workers have limited access to EI benefits, even though they contribute significantly to the program.

Women make up 59% of low-wage workers.

Measuring EI coverage

There are three common ways of measuring EI coverage.

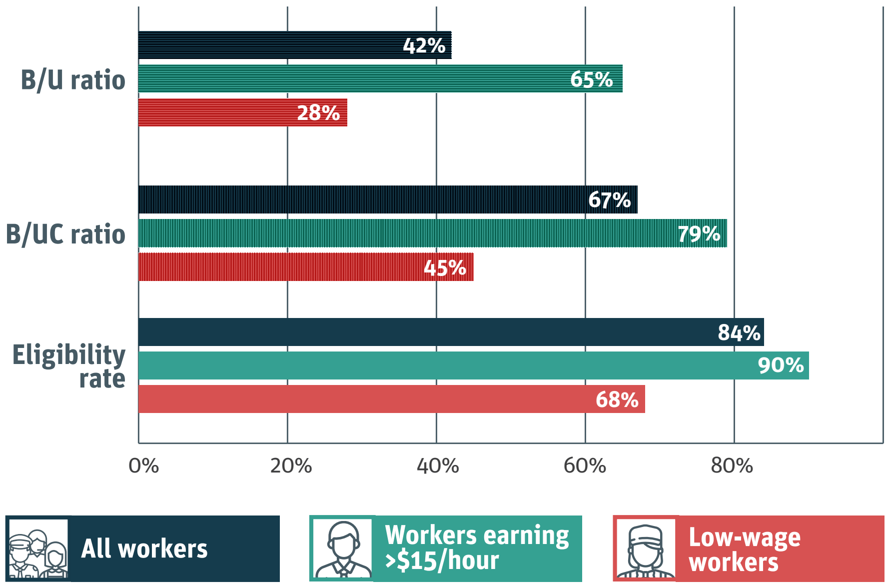
The **Beneficiaries-to-Unemployed (B/U) ratio** shows the share of unemployed workers who are eligible for EI benefits. A big-picture measurement, the B/U ratio includes all unemployed workers, including those in non-insurable employment and those who haven't worked in the previous 12 months.

A second, less commonly used, but important way of examining EI coverage is the **Benefits-to-Unemployed Contributor ratio (B/UC)**. It captures the share of EI contributors who are eligible for EI benefits, showing the portion of unemployed workers that couldn't access benefits because they contributed insufficient hours or didn't meet the "valid job separation" criteria.

The **Employment Insurance Coverage Survey (EICS)** eligibility rate is a narrower measurement. It calculates the percentage of EI contributors with a valid job separation who can expect to receive benefits.

Figure 1 below shows that low-wage workers fare worse than higher-income workers in all three measurements of EI access.

Figure 1| Access to EI benefits, by measurement type and wage level



Source: Employment Insurance Coverage Survey, Public Use Microdata Files, 2017, and calculations by the author.[31]

The B/U ratio is known to hover around 40% and the eligibility rate is commonly thought to be above 80%. These are averages, and as such, they conceal the experience of specific groups. Only 28% of all unemployed low-wage workers receive EI benefits, in contrast to 65% of workers who earn more than $15 per hour. Only 68% of low-wage workers in insurable jobs who meet the valid separation criteria receive EI benefits, against 90% of higher-income workers.

16% of low-wage mothers who contributed to the EI program in the past two years didn't qualify for maternity or parental benefits, compared to 6% of mothers earning more than $15 per hour who didn't qualify.

Measuring redistribution

In addition to the coverage measures discussed above, there are also measures of equity and redistribution.

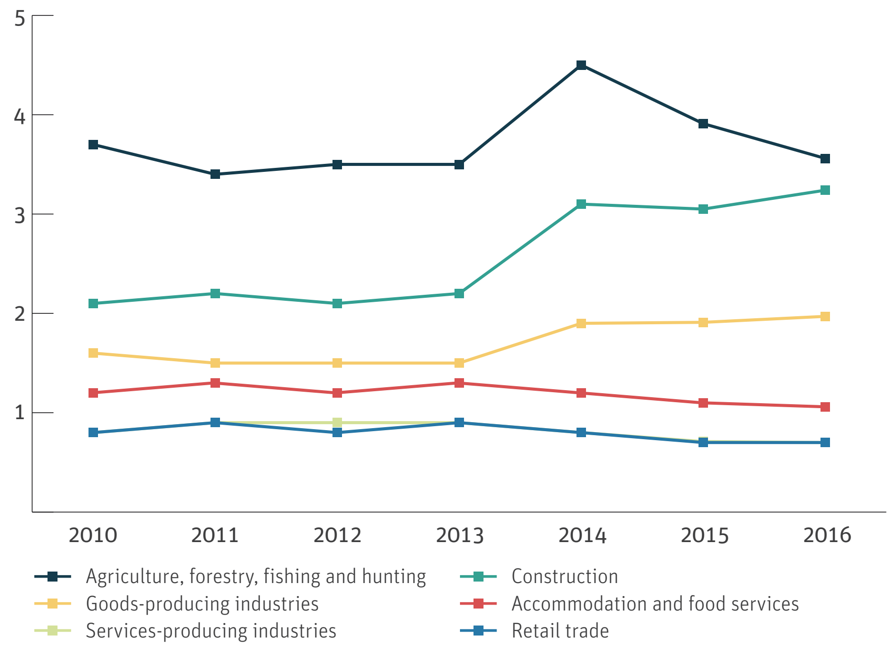
Benefits-to-Contribution (B/C) ratios are used to contrast the total amount of contributions made to the program—by economic regions, provinces, industries and demographic groups—with the amount of benefits paid to them. A ratio of 1.0 indicates a match between benefits and contributions; a ratio higher than 1.0 indicates the sub-population is a net beneficiary of the EI program (it draws out more than it pays in); a ratio below 1.0 indicates the sub-population is a net contributor (it pays in more than it draws out).

Views vary on what these ratios indicate. For experts who see redistribution as one of the goals of the EI program, imbalances between provinces and between income groups signal the program is fulfilling its mandate.[10] Other experts worry that redistribution has the unintended consequence of thwarting labour mobility and creating pockets of persistent unemployment.[11] Regional resentment between provinces who are net contributors and ones that are net beneficiaries is another reason for concern.[12]

Goods-producing industries historically have B/C ratios higher than service-producing industries; in other words, goods-producing industries draw out more in benefits than they pay into the EI program in contributions. The opposite is true for service-producing industries.

The most recent Employment Insurance Evaluation and Assessment Report (hereafter EI Evaluation Report) explains that "the greater reliance of workers from the goods-producing sector on EI regular benefits relative to those from the services-producing industries can be connected to the larger share of seasonal employment, which is associated with construction, agriculture, forestry, fishing and hunting industries."[13] This standard explanation overlooks two key facts: the gap between the goods-producing and services-producing sectors has been widening; and the B/C ratios for low-wage industries have been steadily decreasing.

Figure 2. Adjusted benefits-to-contributions ratios, by selected industries, Canada, 2010-2016



Source: Canada Employment Insurance Commission. Employment Insurance Monitoring and Assessment Report, 2013, 2014, 2016, 2017, 2018, and 2019. There is a three-year window for the reporting of B/C ratios by industry.

Figure 2 shows that from 2010 to 2016, the B/C ratio for goods-producing industries went from 1.60 to 1.97, whereas the ratio for services-producing industries dropped from 0.80 to 0.70. The ratio for agriculture, forestry, fishing and hunting started the period at 3.70, peaked at 4.50 in 2014, then fell to 3.56. Construction's ratio went from 2.10 in 2010 to 3.24 in 2016. On the services side, the ratio for the retail industry dropped from 0.80 to 0.70. Accommodation and food services experiences the steepest drop, from 1.20 to 1.06.

At $14 an hour, the median hourly wage for accommodation and food services is the lowest wage of all industries, nearly 40% lower than the median hourly wage for all industries ($23.08), and 45% lower the median hourly wage for the goods-producing sector ($25.48).[14] The industry benefits more than it contributes to EI—with its B/C ratio barely above 1—but it draws considerably less support from the program than other, higher-wage industries.

The situation is worse for workers in retail. With the second-lowest median hourly wage ($16.50) of all industries, nearly 30% below the median for all industries and 35% below the median wage in the goods-producing sector, retail workers contribute more than they draw from the program. And it's getting worse: the B/C ratio for the industry has decreased in recent years.

Few studies have compared the benefits-to-contribution ratios of income groups.

An analysis of 2007 premiums and contributions found that lower-income families received 34% of all EI benefits and paid 18% of all premiums.[15] A second study looked at 2007-2009 data and concluded that the redistributive impact was higher during the Great Recession.[16] Both studies support the argument that the EI program has an income redistribution impact.[17]

Using Statistics Canada's Social Policy Simulation Database and Model, we compared the total amount of EI premiums paid by workers who earned less than $30,000 (in 2015) with the total amount paid by workers who earned more. While the results generally confirmed the income redistribution effect, it is notable that lower-income workers contributed 1.8% of their total employment income to EI while higher-income workers contributed 1.1% of their employment earnings.[18] This is because EI premiums are regressive; since all workers pay the same rate, up to a maximum, the levied amount represents a higher share of the earnings of low-wage workers.

To summarize: low-wage workers make substantive contributions to the EI program in relation to their earnings, but they are considerably less likely to receive benefits.

The reality of low-wage work

This section discusses mismatches between EI program rules and low-wage work in Canada, which explain, at least in part, why only a modest share of low-wage workers qualify for EI benefits.

The EI program has three streams.

The **regular benefits** stream functions as an insurance policy; workers regularly pay premiums and claim benefits if bad luck strikes and they lose their jobs through no fault of their own.

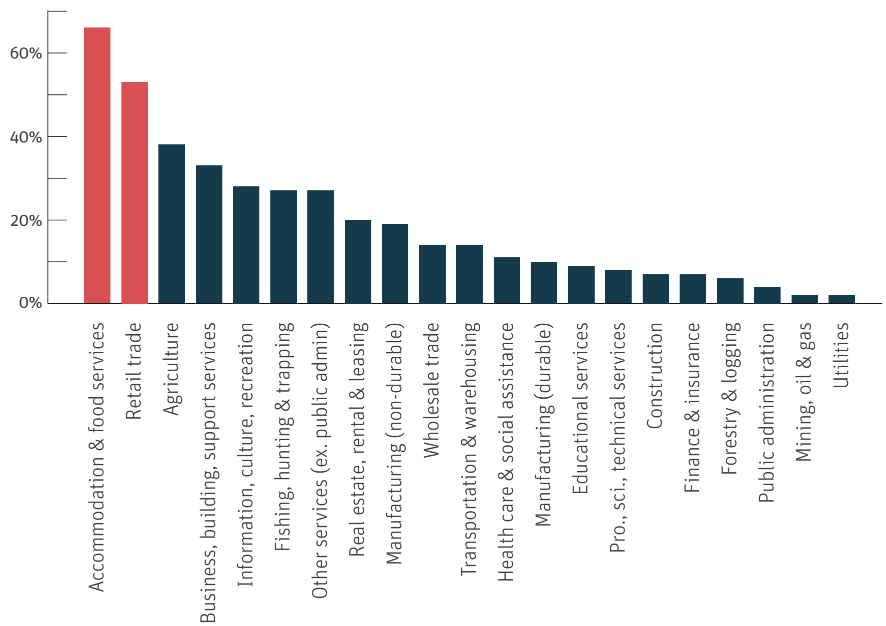
The **special benefits** stream is also an insurance policy, but paid leave is available for other reasons, namely illness, caring for children, or caring for the ill.

The **seasonal industries** stream functions as an income supplement program; fishing industry workers receive benefits in months of reduced earnings, provided they meet minimum earning requirements during the rest of the year.

To qualify for regular benefits, applicants must have accumulated between 420 and 700 hours of insurable employment (depending on their place of residence) in the preceding 52 weeks.[19] Special benefits require 600 hours. For more than half of low-wage workers, these requirements are not easy to meet, given that they work in industries with a high incidence of part-time work and a fairly low average job tenure.

Fifty-two per cent of low-wage workers are employed in accommodation and food services (22%) or retail (30%). Figure 3 shows that 66% of accommodation and food services workers and 52% of retail workers earn $15 or less per hour, well above the share in most industries and the average for all other industries, which is 13%.

Figure 3. Share of workers earning $15 or less per hour, by industry, Canada, 2018



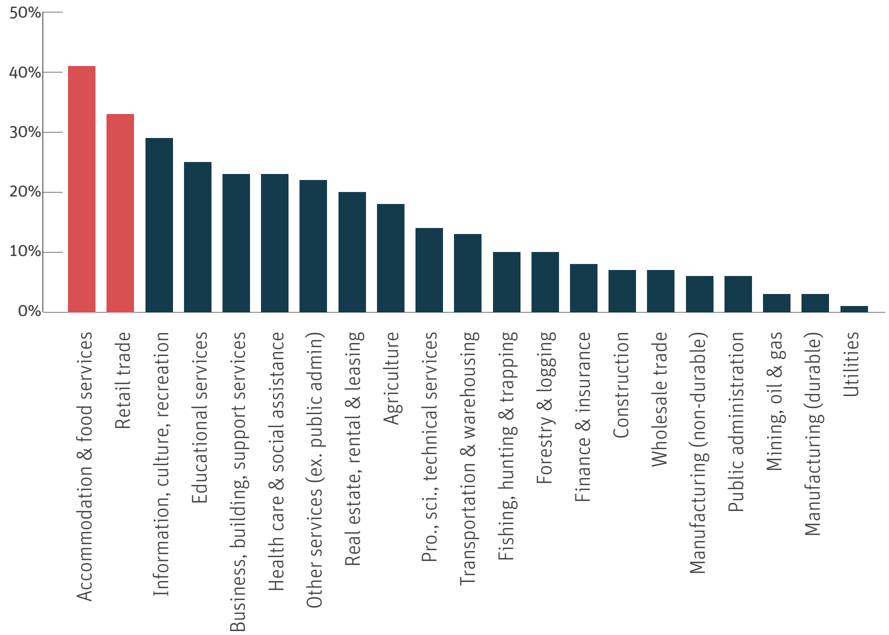
Source: Labour Force Survey, Public Use Microdata File, January to December 2018, and calculations by the author.

Figure 4 shows that 41% of accommodation and food services workers and 33% of retail workers have part-time jobs, well above the share in most industries and the average for all other industries, which is 15%.

Overall, 44% of low-wage workers have part-time jobs, in contrast to 10% of workers earning more than $15 per hour.

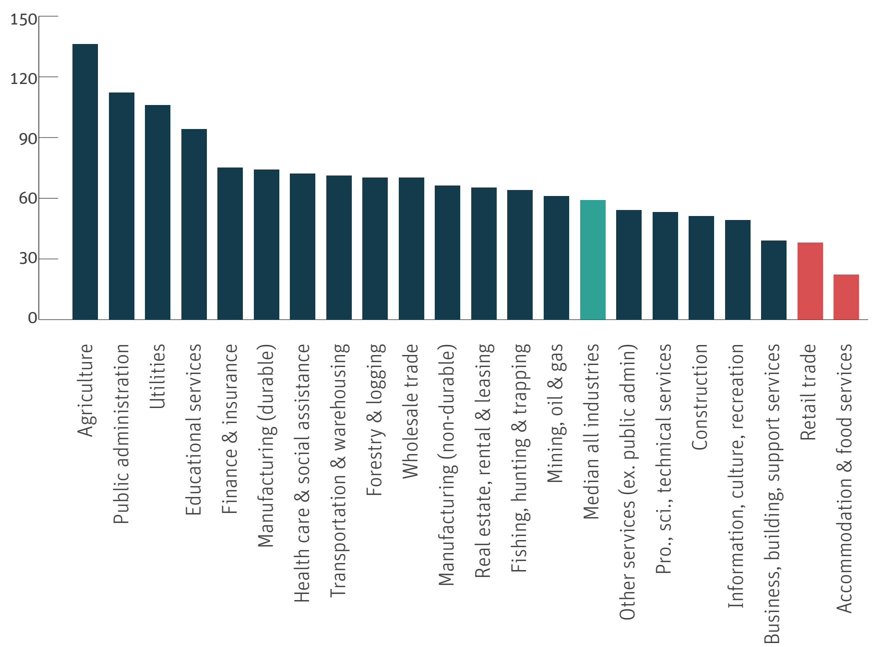
These industries also have the least job stability. Figure 5 shows that the median job tenure for accommodation and food services workers is 22 months. For retails workers, it is 38 months. For all industries, it is 59 months. The median job tenure for low-wage workers is 17 months, compared to 69 months for workers earning more than $15 per hour. Low union density is another indication of the structural disadvantages faced by low-wage workers. It is well documented that union density is positively correlated with higher wages, having benefits and control over schedules.[20]

Figure 4. Share of workers in part-time jobs, by industry, Canada, 2018



Source: Labour Force Survey, Public Use Microdata File, January to December 2018, and calculations by the author.

Figure 5. Median job tenure in months, by industry, Canada, 2018



Source: Labour Force Survey - Public Use Microdata File, January to December 2018, and calculations by the author.

Only 11% of low-wage workers are covered by a collective agreement, compared to 35% of workers earning more than $15. A meager 6% of accommodation and food services workers and 14% of retail workers have union coverage, in contrast to 30% of workers in all industries.[21]

Finally, less than 13% of workers earning $15 or less per hour are full-time students. Thus, these findings cannot be explained away by the illusory notion that low-wage workers are teens going to school and living with their parents. And even if they were, once they have entered the labour force, there is no rationale or excuse for excluding them from legislated labour rights.

Less than 3%
of the Canadian workforce lives in areas where 420 hours is sufficient to qualify for EI.

85% need 630 hours or more to qualify.

In sum, more than half of Canada's low-wage workers are employed in industries characterized by the highest incidence of part-time work, the shortest job tenure, and the lowest union density. While low-wage workers are individually penalized for not accumulating the hours required to receive EI benefits, there is clear mismatch between EI rules and working conditions in their industries.

In the case of the fishing industry, where a mismatch also existed, the solution was to adapt program rules so that this important sector of Canada's labour force would be covered by EI. Workers in fishery are eligible for EI benefits if they earn between $2,500 and $4,200 within 31 qualifying weeks. These criteria make the program extremely accessible.

In 2018, the federal government extended the benefit limit for seasonal workers in 13 economic regions by five weeks. The rationale for the measure: “workers in seasonal industries are an important part of Canada’s growing economy.”[22]

61% of low-wage workers in accommodation and food services are women.

They certainly are. But so are low-wage workers in contract, part-time, and on-demand service economy jobs, on whose labour large and prospering industries heavily rely on. Most of them systematically fails to qualify for benefits, despite their substantive contribution to the EI program and to the Canadian economy.

Increasing EI coverage for low-wage workers

Since 2015, the Government of Canada has improved EI in a number of important ways. The reduction in the waiting period from two weeks to one week was a long-overdue change. More flexible maternal, parental, and caregiving benefits give families choice when planning care for children and the ill. Extensions to fishing benefits and forestry work-sharing arrangements limits showed that EI can be responsive to individual industries. The government also eliminated the higher eligibility requirement (920 hours) for new entrants and re-entrants to the labour market, which was a barrier for youth, newcomers, and people with weaker labour force attachment.

This reform must continue, and attention must turn to the fundamental mismatch between EI rules and today's labour market. While labour legislation has a tremendously important role to play in protecting decent work, there is compelling evidence that work is becoming increasingly different from what it looked like when EI was first created. The best way to protect individual workers and families is to couple enhanced labour legislation with substantive changes to EI.

The EI policy changes implemented since 2015 focused largely on making the program more flexible for and supportive of people who were already eligible for it. The ideas proposed below focus on inclusion—more specifically, increasing eligibility for low-wage workers.

1. Universal entrance requirement

Canada is the only OECD country where eligibility requirements vary across regions.[23] In the country's unique Variable Entrance Requirements (VER), applicants need between 420 and 700 hours of insurable employment to qualify for benefits, depending on unemployment rates in the regions they live. Where unemployment rates are lower, eligibility levels are higher, and vice-versa. The rationale for VER is to balance access to benefits across regions with different labour conditions.[24]

There is a broad consensus of opinion opposed to VER. In recent years, the CCPA, the Mowat Centre, the Institute for Research on Public Policy, the C.D. Howe Institute, the Atkinson Foundation, and Public Policy Forum have all published studies criticizing this feature of the EI program.[25] Michel Bédard and Pierre Fortin concisely summarize the core problem with VER:

> We find [VER] to be discriminatory since everyone who involuntarily loses a job experience the worsening of their individual or family financial situation, regardless of the unemployment rate in the region they live.[26]

VER is particularly discriminatory against workers in the retail and the food and accommodation industries who live in urban centres with low unemployment rates. They work in industries that rely heavily on part-time and on-demand service economy work; they receive wages well below average, which buy even less in urban centers where life is expensive; yet they must meet high eligibility requirements because their regions are doing well economically, even if they personally are not.

The estimated cost to eliminate VER and establish a universal 420 hours eligibility requirement is between $145 and $210 million annually. (See appendix for details).

A universal entrance requirement of 420 hours would increase the share of all unemployed workers who qualify for EI benefits by approximately 6 percentage points. In 2017, 60% of these workers would have been low-wage workers earning $15 or less per hour. The estimated cost of this policy change represents between 1.2 to 1.7% of the total amount of EI benefits paid in 2016-2017 ($12.7 billion).

2. Extending coverage for job leavers

EI is traditionally seen as an insurance policy, so the idea that someone could receive benefits after voluntarily leaving a job may sound odd. This is largely because government programs exist in silos, and within the EI silo, currently, there is little debate about what would happen if workers could rely on a basic level of income support. Would they make decisions that improve their productivity, economic stability and well being? A couple of doors down, in the social assistance silo, basic income is an extensively discussed idea.

It is beyond the scope of this paper to review the basic income debate.[27] Suffice to note there are two broad ways to conceive a universal basic income: as a single program covering everyone in a province or country; or as a number of accessible income support programs, that, when combined, cover everyone. Both approaches have merits and limitations.[28] In Canada today, seniors and children have a de-facto basic income floor. Extending EI coverage for job leavers is a small but simple step towards a basic income floor for working-age adults.

The estimated cost of extending coverage to job leavers is $370 million a year. (See appendix for details).

This program change would increase the share of all unemployed workers who qualify for EI by approximately 8 percentage points. In 2017, 19% of unemployed low-wage workers had made sufficient contributions to the EI program but didn't have a valid job separation. That was also the case of 9% of workers earning more than $15 per hour.

This change would also have a positive gender equity impact. Earlier studies have found that 82% of the women who voluntary left their jobs left for family reasons, which is not a valid job separation.[29] In 2017, the share of unemployed women without a valid job separation (15%) was higher than that of men (11%). In the same year, women accounted for 79% of workers who left their job for "personal responsibilities or family responsibilities" and 60% of workers who left for "other reasons." The latter group likely includes women who endured workplace harassment without identifying the reason for leaving.[30]

The estimated cost for this policy change equals less than 3% of the total amount of EI benefits paid in 2016-2017 ($12.7 billion).

3. Earnings-based requirement

EI has a benefit stream tailored for workers in the fishing industry. From time to time, EI rules have been adapted to the needs of particular industries, the recent example being work-sharing arrangements in forestry.

Similar efforts could be made to adjust EI to the conditions of low-wage, part-time, contract and on-demand service economy work. This could be done in a number of ways. Perhaps the simplest approach would be to extend the earnings-based requirements used in the fishery sector to workers earning below a national or provincial wage threshold. It has worked for the fishing industry, where coverage rates are very high.

The estimated cost of extending EI benefits to low-wage workers with earnings between $2,500 and $4,000, regardless of the number of insurable hours, is between $90 and $160 million a year. (See appendix for details).

An earnings-based requirement would significantly increase the share of low-wage workers who qualify for EI benefits: depending on program design, between 56 to 65% of low-wage workers who didn't meet the entrance requirement in 2017 would qualify under this change. This represents between 7.5 and 9% all of unemployed low-wage workers in the same year. The estimated cost for this change represents between 0.7 and 1.3% of the total amount of EI benefits paid in 2016-2017 ($12.7 billion).

The people behind the numbers: A lived experience story

You may already have met Glenda. She warmly greets everyone who approaches her register, especially the children. The smile lines around her eyes tell you Glenda is not a student in a temporary low-wage job.

She was once a university student, it's true. She graduated and got a job in the financial sector, which she held for many years, until the day she got downsized. But as her sinewy arms show, she hasn't had a desk job in a while. The white hair suggests she's in her 50s, and that's correct: she's 56.

Nine years ago, Glenda started working for one of Canada's largest grocery store chains. A few years into the job, it was still impossible to get more than 15 hours of work per week. So she went and got a second job, as a mother's helper to twins with special needs. She loved the work; she loved the kids. But the three days a week with the kids meant she got fewer shifts at the store, where employees must be available around the clock if they want more hours. She picked up additional night and weekend shifts, but her earnings still dropped. She picked up more babysitting jobs, even though it meant more schedule juggling—and less sleep.

She went back to prioritizing work at the store. Her smarts got her more responsibilities and additional hours, but nothing close to full-time work, which is what she needed. So she did what she had to do: accepted an overnight job at the store—working from 11:45 p.m. to 8:15 a.m. "It was the only way to become full-time," she told me when we spoke earlier this year. That one year of overnight work was extremely taxing on a 54-year-old woman, mother of three, wife. She was either not home or at home trying to sleep. Her doctor urged her to quit.

She was transferred to another store, for shorter, daytime shifts, but working conditions there made her health further deteriorate rather than improve. Twenty-five pounds, countless nightmares, and a few anxiety attacks later, she decided to apply for Employment Insurance (EI) sick leave. She estimated the months working overnight would make her eligible. The irony—to count on the shifts that made her sick to qualify for sick benefits.

Her claim was denied.

She had to put up a fight, go back and forth between EI caseworkers (whom she describes as "absolutely fabulous") and her employer, who had made a mistake in filling out her Record of Employment. She is now on sick leave.

In the past nine years, applying for EI never crossed Glenda's mind. She assumed it wasn't for her. Sadly, she was right.

In the first years at the store she wouldn't have met entry requirements, given she lives in an urban centre where unemployment rates are low and eligibility requirements are high. She performs well at her job, and the grocery store chain has no reason to dismiss her. It's possible to leave a job and claim a just cause for quitting—e.g. workplace harassment—but the burden of proof is on the employee. Sick leave is only available down the road, once health impacts become visible. The upshot: Glenda had to work herself sick to qualify for EI.

Here is a 56-year-old woman who spends all her time, day and night, working low wage jobs, constantly looking for more work, and taking care of other people's children. **If EI is not for her, then who is it for?**

Conclusion: Towards an inclusive economy

Low-wage work in Canada is increasingly coupled with irregular working hours and short-term employment. This is particularly true in the retail and the food and accommodation industries, where 52% of low-wage workers are employed, and also where the incidence of part-time work is the highest, job tenure averages are the shortest, and union density is the lowest. These are poor working conditions. But that's not the end of it.

Low-wage workers receive little in terms of social security support, both while employed and during unemployment. Canada's social security programs largely overlook working-age adults. Work-related income supports are insurance-based programs, as such they cover workers who are no longer able or available to work, and they offer better benefits to higher-wage workers who make larger nominal contributions. Low-wage workers are largely on their own.

EI can provide a basic level of security to precariously employed, low-wage workers. In fact, that was the original purpose of the program. Instead, analysis of the common EI coverage measures show that low-wage workers have significantly less access to EI benefits than workers who earn more.

The good news is that making EI more inclusive is neither complicated nor costly.

Replacing the variable entrance requirement with a universal requirement of 420 hours would increase the share of unemployed workers eligible for EI by 6 percentage points; 60% of the new beneficiaries would be low-wage workers. The change would cost the equivalent of between 1.2 to 1.7% of the total amount of EI benefits paid in 2016-2017.

Changing eligibility requirements to include job leavers would increase the share of all unemployed workers who qualify for EI by 8 percentage points. Almost 1 in 5 unemployed low-wage workers had made sufficient contributions to the EI program but didn't have a valid job separation and could not access benefits in 2017. This change would cost close to 3% of the total amount of EI benefits paid in 2016-2017.

Implementing an earnings-based entrance requirement for low-wage workers—akin to the program for fishing industry workers—would result in increasing the share of unemployed low-wage workers who qualify for EI by 7.5 to 9 percentage points. That change would cost between 0.7 and 1.2% of the total amount of EI benefits paid in 2016-2017.

EI began as a program targeting lower-wage workers and yet today it fails to support those very people. It's time to move beyond the narrow insurance logic that informs eligibility for most EI benefits. A reformed EI program could play a crucial role in the expanding of social security to working-age adults and in the building of an inclusive economy, where all workers and families are, at the very least, shielded from extreme hardship.

Appendix: Cost calculations

Universal entrance requirement

Between 2008 and 2017, an average of 6% of all unemployed workers had between 420 and 700 hours of insurable employment by the time they lost their jobs. The majority lived in areas where more than 420 hours were required to qualify for benefits. The group had below average annual earnings; they would have qualified for only between 21 and 26% of the average weekly benefits for the year, with the average for the ten-year period at 22.5%. There are two ways of estimating duration of benefits. The geographical distribution of the group is even across the period, so one way is to spilt the group into provinces and use the provincial average actual duration of benefits. This leads to the lower estimate of close to $145 million, using 2017 total unemployment numbers and 2017-2018 average weekly benefits. The second way is to presume EI rules would change, since VER is gone, and claimants with between 420 and 700 hours of insurable employment would be eligible for the maximum number of weeks that anyone with that many hours could be eligible for in today's rules, that is, 35 weeks. Assuming they would exhaust their benefits—which is often not the case—this leads to the higher estimate of close to $210 million a year, using 2017 unemployment numbers and 2017-2018 average weekly benefits. These estimates do not include additional administration cost, some of which could be at least partially offset by savings related to the simplification of program rules.

Extending coverage to job leavers

Between 2008 and 2017, an average of 7.7% of all unemployed workers quit their jobs without a cause acceptable to the EI program, not including workers who left to go to school. Across the ten-year period, an average of 25% of these workers had accumulated less than 420 hours of insurable employment before quitting their jobs, and therefore would not benefit from this change. Average annual earnings for this group are higher than for the group with between 420 and 700 hours of insurable employment; they would have qualified for between 50 and 66% of the average weekly benefits for the year, with the average for the ten-year period at 59%. The geographical distribution of the group is even across the period, so potential claimants were split into provinces and the provincial *average actual duration of benefits* was used to estimate benefit duration. Using 2017 unemployment figures and 2017-2018 average weekly benefits, it would cost close to $370 million a year to extend benefits to this group. These estimates don't include additional administration cost, some of which could be offset by savings related to the simplification of program rules. Estimates also don't include the impact of a potential increase in the number of workers who leave their jobs.

Earnings-based requirement

In 2017, 65% of the close to 45,000 low-wage workers who didn't qualify for EI due to insufficient insurable hours earned more than $2,500 in the reference period; 56% earned more than $4,000. Weekly fishing benefits are calculated by dividing total employment income by a divisor between 14 and 22, depending on the employment region, and multiplying the result by 0.55. The duration of benefits is 26 weeks. In the lowest-cost scenario, the eligibility threshold is set at $4,000 and the 22 divisor is applied to claims. The estimated cost in this case is close to $90 million. In the highest-cost scenario, the threshold is set at 2,500 and the 14 divisor is applied to all claims. The estimated cost in this case is close to $160 million. These estimates use only one year of EICS microdata, instead of the ten-year averages used in the previous scenarios. Precision is lower as a result.

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