



January 17, 2013

The Honorable Bernard Valcourt
Member for Madawaska-Restigouche
Edmundston, NB

Mr. Valcourt,

This is to react your letter in which we expressed our concerns with regard to the announced cuts to the Employment Insurance program. Having read your comments, we are still troubled by the new rules. It is quite obvious that you and your government have a different view of democracy and this is why I see the need for setting the record straight.

1- First and foremost the question of democracy

Usually, changes to legislation are proposed in the form of specific bills. These are sent to a committee where committee members and the public may become acquainted with its content, discuss it and propose amendments. In this case, your government and yourself have obviously lacked the political courage to follow this path. You have instead hidden the cuts and changes to the Employment Insurance program by incorporating them in an Omnibus Bill which included hundreds of pages.

Indeed, the bill was adopted by Parliament where you hold the majority, but the process that you went through is troubling as it does not respect the spirit of democracy. If you remember the last major changes which were implemented in the mid 1990's, the then Minister of Employment and Immigration, Lloyd Axworthy, had drafted a document that all could read and react to its proposals. Ministers and MPs at the time had organized meetings and attended public forums to explain the cuts. Unlike you and your government, they did not stay on Parliament Hill nowhere to be found, but went to their constituencies to talk to workers and communities.

The cuts that were made to the EI program by yourself and your government were done without consultation with the two stakeholders who subsidize the EI program, i.e. labour and the business community. We argue that these cuts were made without proper consultation with workers and their communities.

You are right in claiming that you have complied with the formal parliamentary democratic process, but the spirit of democracy which assumes that our elected officials are there to consult and listen to the public before making decisions that will have a significant impact on their lives was left aside.

2 - Connecting Canadians with available jobs in their region

Mr. Valcourt, the matching between the jobs available and the EI claimants will take place in the region in which they reside and not within the community, as you mentioned in your letter. The region, according to the new definition in terms of suitable employment and reasonable job search, is defined as a radius of at least one hour from the place of residence of the claimant (which is also equivalent to a distance of 100 km). The community, which is usually a town or city, is certainly way beyond this range which means that claimants – who work in their community – will have to accept employment beyond the scope of their community.

Your government said it intended to connect the claimants to jobs in their region. This is commendable, but let's look at the figures. In New Brunswick, between September 2011 and September 2012, there were on an average 40,100 claimants per month while there were 4,700 jobs available for the same period. The monthly average of claimants was as follows per county: Westmorland, 5,911; Kent, 3,558; Northumberland, 5,380; Madawaska, 2,274; Restigouche, 2,818; Gloucester, 9,418. Can you explain then, Mr. Valcourt, how it will be possible to match jobs with claimants in their region if the jobs available are so scarce?

The tool that the Department will be using to make its matching is Job Alert. Twice daily, claimants will receive information on the jobs available in their region, but also available throughout Canada. If, as you say, the goal is to help claimants access jobs available in their community, why then would they need information on jobs outside their area?

We are certainly not opposed to a system whereby information on jobs made available across Canada is made accessible to everyone, but we want to emphasize the point that the intention with Job Alert is not, as you claim, to find jobs in the immediate region of the claimant. Instead, its aim is to inform claimants of jobs available across the country and encourage claimants to apply for these jobs everywhere in Canada. You will have to agree with me, Mr. Valcourt, that you are far away from your statement in your letter to the effect that the job matching which be restricted to the community of the claimant.

Let me quote from the document entitled "Regulation amending the Regulation on Employment Insurance" which reveals the intentions of your government concerning the matching process.

"Cost-benefit statement: It is expected that EI regular claimants will increase their job search effort, which will result in them finding suitable employment and returning to work more quickly in regions where there are suitable employment opportunities. In turn, their time on claim will be shortened.

Enhanced compliance measures to ensure claimants are fulfilling their responsibility to seek suitable employment will require an annual investment of approximately \$7.2 million per year for administrative costs, which includes the cost of processing appeals. It is expected that enhanced compliance measures will result in an estimated 8 000 claimants having their benefits temporarily discontinued until such time as they are able to demonstrate they are meeting their responsibilities under these regulations. These changes will yield program savings of approximately \$12.5 million in EI benefits in 2012–2013 and \$33 million in 2013–2014 and every year thereafter." (<http://www.gazette.gc.ca/rp-pr/p2/2012/2012-12-19/html/sor-dors261-eng.html>).

It is extremely distressing to read that at least 8,000 claimants are likely to see their EI benefits terminated in 2012-2013 and three times as much in 2013-2014 and the following years.

3 - Hourly wage

Mr. Valcourt, you wrote in bold in your letter that - *if a claimant was financially disadvantaged in going to work rather than drawing EI benefits because of the direct costs associated in taking the job (i.e. travel, child care), the said job will be deemed unsuitable and the claimant will not be required to accept it, and you emphasized that this was a gain for the claimants.*

However, when we analyze the average weekly benefit for New Brunswick, we find that it was \$ 335 in 2008 and \$ 359 in 2010-2011. These figures are amongst the lowest in Canada and even in the Atlantic provinces. Table 2 shows that in NB, workers receive lower benefits than the national average.

Table 2. Average weekly benefits for Atlantic Provinces

Average weekly benefits	2007-2008	2008-2009	2009-2010	2010-2011
TN-L	\$ 343	\$ 360	\$ 363	\$ 377
I.P.E	\$ 346	\$ 359	\$ 364	\$ 370
N.-E.	\$ 334	\$ 349	\$ 356	\$ 363
N.-B.	\$ 335	\$ 347	\$ 352	\$ 359
Canada	\$ 347	\$ 361	\$ 366	\$ 370

Source: Appendix 3.1 Total income benefits, EI Monitoring and Assessment Report 2011, CEIC.

Therefore, according to your quote taken verbatim from Myths and Facts of Service Canada, the average claimant in New Brunswick should accept a job with an income of \$359 per week, if no other costs are directly incurred in going to work, which does not even give him a salary of \$10 per hour for a 40 hour-work week. The claimant would not be in a position to refuse such a job unless he or she could show that there are costs associated with it. The first question we are entitled to ask is: Will the claimant's benefits be withheld until an EI officer determines if the reasons given are valid? Secondly, what documents will the claimant be required to submit to prove that there are additional costs for transportation, for day care, etc.?

In your letter, you wonder why the Common Front is opposed to the new rules since the claimants will end up getting a higher income than staying on EI. You go on to say that you *"can't believe that if the Common Front is in favor of reducing poverty, why then should it be opposed to a mother or a father, or a worker being financially advantaged by the initiative we have adopted to help our folks?" (our translation)*

Mr. Valcourt, let us be clear on that question. We have no issue with a claimant accepting a job which pays more than the entitled amount of benefits. I can't understand where you are coming from in making your statement.

That being said, we are certainly very much opposed to the changes whereby three categories of claimants will be established based on the number of weeks they have drawn EI benefits. They will now have to accept jobs at a salary of 10% to 30% lower than the wages of their previous job **or** a salary not less than the amount of their benefits **or** not less than the minimum wage in the province or territory in which they work.

In fact, Mr. Valcourt, your cuts will simply force claimants to accept low-paying jobs that will suit the companies that specialize in labor cheap. In reducing the income of claimants, the cuts will have a negative impact on their future benefits. Of course, this will only increase the poverty level of these individuals and their families.

4 - Job Search

Mr. Valcourt, claimants have always had the obligation to do a job search while receiving benefits. This is not new. What is new is this:

*"You will need to look for a job every day that you receive regular or fishing benefits. Document all your job search efforts throughout your period of benefits. Take note of the date, the name and address of the employers that you have contacted the type of work sought and the results of your efforts. Keep this information in a safe place." What is also new but only in the English version is this: **"We may ask you to provide us with this information within six years of your claim."** (Service Canada, Appropriate and reasonable steps towards job search, under Working conditions and job search) (2012-12-17).*

5 - Pilot Project for an additional five weeks

Mr. Valcourt, the pilot project consisting of five additional weeks existed since 2004 and not only since September 12, 2010 as you mention in your letter. I suggest you read the following: "Pilot Project for the extension of EI benefits" published by Human Resources and Skills Development Canada, December 17, 2012 for the details. The Pilot Project was in place in 21 high unemployment regions and has been renewed at least four times since 2004. It was scheduled to end on September 15, 2012, but your government did not renew it, even if the employment situation in those regions had not improved, especially in our province. Two of these regions are Restigouche-Albert and Madawaska-Charlotte, which are both in your riding.

The pilot project extended by five weeks the benefit period for those who had regular benefits for a maximum of 45 weeks. The pilot project prevented workers from being without an income each spring, a situation which is commonly called the "black hole." I suggest that you read the EI Monitoring and Assessment Report 2011 of the Canadian Employment Insurance Commission. It is interesting to refer to section 4 entitled "Pilot Project for the extension of EI benefits" which reads as follows:

"Canada - Between September 2010 and March 2011, 313,030 claimants have benefited from the pilot project for the extension of EI benefits, which accounted for 34.3% of all regular claimants in this period. (161). As Table 12 shows, frequent claimants, and to a lesser extent, workers aged 55 and over were more likely to take advantage of the pilot project. In addition, the project could be much less profitable for the occasional claimants and somewhat less profitable for the young and middle-aged workers."

It is clear to us that the disappearance of this pilot project will have a dramatic impact for claimants in two of the three regions in NB, namely Madawaska-Restigouche-Albert and Charlotte. In these regions, which are part of your own riding, hence where your "folks" are, as stated in your letter, the claimants will suffer the negative impacts of this measure by experiencing a no-income period in the spring.

6 – Board of Referees

Mr. Valcourt, you seem to be annoyed by the fact that the Common Front opposes the disappearance of the EI Boards of Referees which will be replaced by a Social Security Appeal Tribunal.

As you know, the EI Boards of Referees system was composed of a workers' representative and an employer representative (both parties who subsidize the Employment Insurance program) and the Chair who was appointed by the federal government. This system was flexible and allowed, in a non-bureaucratic way, unemployed workers to explain their case. The workers knew that at least one third of the Board would listen carefully to their explanations. The Boards of Referees were composed of people from the community who were aware of the employment situation and the economy of the region. Workers in our province had direct access to the Boards of Referees, since there were five of them in the province.

You and your government have abolished a system that worked well and have replaced it with a highly centralized and bureaucratic structure. In Canada, the Boards of Referees heard almost 27,000 appeals in 2010-2011 involving approximately 900 part-time representatives. Your government wants to replace these people by setting up a Social Security Tribunal with 78 decision makers paid between \$ 90,800 and \$ 107,900 per year; 39 of whom will be assigned to EI files. It is clear that with the new system, claimants will not have the same easy and personalized access as before. It will be almost impossible to have face to face hearings as most appeals will be heard by telephone or videoconference. There will be delays in decisions. Furthermore, in the future, the officials of this

Tribunal will have the power to dismiss an appeal if they believe that the claimant has no chance of winning his case.

Mr. Valcourt, those were some of the reasons why we are against the abolition of the EI Boards of Referees.

7 - Impact of the abolition on April 6, 2013 of the Pilot Project based on the best 14 weeks of earnings

Mr. Valcourt, following the cuts which were implemented in 1996-1997, the federal government realized it had done wrong with regard to regions with high unemployment. It then set up a pilot project to assist claimants in those regions. Two of those regions were located in New Brunswick, i.e. the Madawaska-Charlotte and the Restigouche-Albert regions. The third area, the Fredericton-Moncton-Saint-John was excluded because it has a low unemployment rate.

The pilot project allowed workers to use their best 14 weeks of earnings out of the last 52-week period for the calculation of their benefits. The project hence excluded from the calculation the "small weeks" income which would have normally reduced the amount of their benefits. With this pilot project, even if the regional unemployment rate went down below 13%, the divisor still remained 14.

Table 3 shows the unemployment rates for both regions covered by this pilot project. We note that without the pilot project, there would have been periods during which workers would have had a divider over 14. In Madawaska-Charlotte region, for instance, the divisor would have been 16 in 2009, and at times, 17 in 2010. The consequences would have translated into a significant reduction in weekly benefits for thousands of unemployed.

Table 3. Percentage of unemployment rate in two regions of New Brunswick where there was a pilot project implemented by the federal government (1).

Pilot Project Region	June 2009	Sept. 2009	Dec. 2009	March 2010	June 2010	Sept. 2010	Dec. 2010	March 2011
Madawaska-Charlotte	11.5%	11.8%	11.2%	11.0%	10.4%	11.2%	12.0%	10.8%
Restigouche-Albert	14.3%	15.1%	12.7%	12.9%	13.0%	13.9%	15.5%	14.0%

Appendix 2.1 Unemployment rates by Employment Insurance regions. EI Monitoring and Assessment Report 2011.CEIC.

We can have an idea of the impact of the elimination of the pilot project on workers' income when you read the following section from the EI Monitoring and Assessment Report 2011 of Canadian Employment Insurance Commission.

"Administrative data indicate that 367,840 claimants benefited by receiving higher weekly benefits from the Best 14 Weeks pilot project in 2010/11. Claimants benefiting from the pilot project represented 58.0% of all claimants in the EI pilot regions in 2010/11, up from 56.3% and 53.7% in 2009/10 and 2008/09, respectively. Women were significantly more likely to benefit from the pilot; 74.6% of women in the pilot regions benefited from the pilot, compared with 46.9% of men.

Had the pilot project not been in place, the average weekly benefit of affected claimants in 2010/11 would have been \$290, instead of \$337.¹⁵² This suggests that claimants who benefited from the Best 14 Weeks pilot project received a weekly benefit rate that was, on average, \$47 higher than it would have been had the pilot project not been in place".

(http://www.hrsdc.gc.ca/eng/employment/ei/reports/eimar_2011/chapter6_3_1.shtml)

8 – New Working While on Claim Pilot Project

Mr. Valcourt, another aspect of the cuts is the change brought to the calculation of the amount you can keep from employment income when one is receiving EI benefits, i.e. the 50% rule. We are not against this new rule, but we do not understand why claimants who choose to keep the 40% rule should be penalized. From the information we were able to gather from the Department, if they decide to keep the 40% rule, they will not have the choice to report their bi-weekly income by phone or computer, as is the case with other claimants. They will have to do it through mail and the calculation of their benefits will be done manually, which will cause unnecessary delays in the receipt of their benefits. This method is simply punitive. We cannot believe that in our highly computerized world, the Department cannot have the proper software to do the necessary calculation, whether the earnings are 40% or 50%.

9 - Conclusion

Mr. Valcourt, we take exception to two other points in your letter.

First of all, you infer that the Common Front for Social Justice is siding with the position of the NDP or Liberal parties on this issue. The Common Front is an apolitical organization and your suggestion is simply playing small politics.

Secondly, we certainly do not think that either yourself or your government can give us any advice with respect to how we should do our work in terms of the eradication of poverty in this province. You will remember that back in 1992, when you supported the withdrawal of federal contributions to fund the unemployment insurance and your reduction from 60% to 57% of the benefit rates, this resulted in leaving less money in the pockets of EI claimants, thus increasing their level of poverty. The cuts that your government and yourself are making now in this program will have similar effects.

We, at the Common Front, have always argued that the employment insurance program is an essential social tool that workers have given themselves to protect them and their families from falling into poverty when they lose their jobs. We will continue to take a public stand in defense of that program and propose amendments to improve it, when we see it fit, so that it protects as many workers as possible.

Please accept, Mr. Valcourt, our most sincere greetings.

Jean-Claude Basque
Provincial Coordinator

Cc

Members of the Common Front for Social Justice

Unemployed Workers's Committees

MLA's and MP's

Media