

Fewer than half of Canada's jobless eligible for unemployment benefits

François Legras
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Canadian politicians, corporate executives and newspaper editorialists are debating how the unemployment insurance (UI) fund, which provides financial assistance to the jobless, should be redesigned now that it has accumulated a massive surplus.

In this debate, there is barely a mention of the fact that Canada continues to be plagued by mass unemployment. According to the government's own figures, 8.4 percent of all workers are currently jobless. Last November was the first time that Canada's monthly unemployment rate fell below 9 percent in more than six years.

The UI surplus, which is expected to exceed \$20 billion by year's end, is the result not of a return to the relatively low unemployment levels of the 1950s and 1960s, but of the dismantling of Canada's unemployment insurance program and its transformation into a regressive tax scheme.

In 1997 only 42 percent of the jobless were able to collect unemployment benefits, as compared with 83 percent in 1989 and 90 percent in 1971. For youth the situation is even worse. In 1997, only 26.1 percent of unemployed youth were able to collect jobless benefits.

From a social 'safety net' to a 'trampoline'

Canada's first unemployment insurance scheme was established in 1940, just as the Second World War was putting an abrupt end to the mass unemployment of the Great Depression. During the post-war boom, UI benefits—which were supported by employer and employee contributions (a mandatory payroll tax) and an annual grant from federal government coffers—became a pillar of the social 'safety net.'

Benefits were extended to seasonal workers and to

those on maternity leave, the number of weeks of work required to draw benefits was reduced, ultimately to 8 weeks, and benefit levels were repeatedly raised, peaking under the 1971 UI reform at two-thirds of a worker's regular wage.

Following the 1981-83 economic slump, during which unemployment rose as high as 12 percent, big business began pressing for sweeping cuts in UI. Corporate Canada and its political representatives charged that the cost of supporting masses of jobless was exorbitant. But their principal argument in favor of a radical redesign of the UI program was that UI was itself contributing to Canada's unemployment crisis by fostering a culture of 'dependency.'

Behind this moral posturing was big business's outrage that unemployed workers had the option of living on UI benefits until they could find a job commensurate with their previous employment in terms of pay and skill. The campaign against UI 'dependency' was aimed at rendering the jobless destitute, so that they would be totally dependent on capital for their livelihood and have no choice but to accept a low-wage job.

During the 1980s, first the Liberal government, then its Tory successor, only tinkered with UI because they feared the political reaction to a wholesale assault on jobless benefits. But in the 1990s, the Mulroney Tory and Chretien Liberal governments have overhauled Canada's unemployment benefits program four times.

Under the last 'reform,' introduced in 1996, the Liberals renamed UI 'Employment Insurance' so as emphasize that the aim of the redesigned program was not to provide social support—along the lines of a 'safety net'—but to facilitate labor market transition. The image they now use for jobless benefits is that of a trampoline which helps the jobless 'bounce back' into the

workforce. Obscured is the fact that if there are masses of unemployed it is because big business is systematically seeking to squeeze more production out of fewer workers, using speed-up and new technology to expel workers from their jobs.

As a result of the changes made to UI in 1990, 1993, 1994 and 1996 workers who quit their jobs or are fired 'with just cause' can no longer draw any benefits. The period during which a jobless worker can collect UI benefits has been reduced by eight weeks and the amount of working time needed to qualify for jobless benefits has been increased by a factor of three.

One of the changes that has most impacted on the lives of the unemployed is the 1996 modification in how jobless benefits are calculated. Previously, the jobless received a percentage of their weekly wage; now they are given between 50 and 55 percent of the weekly average of their employment income over the preceding 26 weeks, irrespective of whether they were employed during all of those weeks or not. In many cases, unemployed workers are being awarded benefits of less than a \$100 per week and in some cases as little as \$10 per week.

Scamming both jobless and employed

In 1990, the federal government ended its contribution to UI, claiming that it wanted the program to be autonomous. This withdrawal of government support led, under conditions of the huge increase in claimants that came with the 1990-92 slump, to the rapid accumulation of a multi-billion deficit in the UI fund. This deficit was then cited by government and big business spokesman as justification for the gutting of UI benefits. At the same time, Ottawa hiked the mandatory contributions that both employers and workers make to UI so as to meet the shortfall.

The dramatic drop in UI claimants, the reduction in their benefits and a slight easing of the unemployment crisis over the past two years have now resulted in the rapid accumulation of a surplus. While technically this surplus is credited to the UI fund, the federal government, in violation of its 1990 decision to withdraw financial support for UI and make it autonomous, has added the surplus to the federal accounts.

Thus, while the unemployed have been stripped of their benefits, the employed have seen the money they pay into the fund, that purportedly exists to provide them financial support should they lose their jobs, expropriated by the government. Put bluntly, UI (or to use government's new lingo Employment Insurance) has become a hidden tax, and it is a regressive tax to boot-as premiums are based on one's employment income, not total income.

And what of the debate over the UI surplus? It is a dispute between various sections of big business over whether the government should continue to use unemployment insurance as a hidden tax. The Liberals favor such an approach, because they want to maintain a fiscal margin of maneuver in the event of a new slump.

The Reform Party, Ontario's Tory government and much of the corporate elite, on the other hand, are pressing for a cut in UI premiums for employers and workers. They believe a tax cut would stimulate the economy. More importantly, they want to ensure that the federal government continues to face a fiscal crisis and thus remains under pressure to impose further cuts in social programs.

During the 1981-83 and 1990-92 slumps, as many as 1 in 3 Canadian families had a member drawing jobless benefits. The gutting of UI and provincial social assistance programs means the next slump will bring with it the specter of mass breadlines-an evil most Canadians had thought was banished forever after the Hungry Thirties.

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