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Evaluation of the Employment Insurance Pilot Projects Calculating Benefit Rate Based on Claimant's 14 Highest Weeks of Insurable Earnings and Providing Increased Access to Employment and Unemployment Benefits for New Entrants and Re-entrants

Final Report
November 6, 2015

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Final Report

***Evaluation Directorate
Strategic and Service Policy Branch
Employment and Social Development Canada***

November 6, 2015

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List of Acronyms

EI	Employment Insurance
ESDC	Employment and Social Development Canada
Best 14 Weeks	Calculating Benefit Rate Based On Claimant's 14 Highest Weeks of Insurable Earnings Pilot
NERE	New Entrant and Re-entrant

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Executive Summary

This report presents the evaluation of the Employment Insurance (EI) pilot projects on *Calculating Benefit Rate Based on Claimant's 14 Highest Weeks of Insurable Earnings (Best 14 Weeks)* and *Providing Increased Access to Employment and Unemployment Benefits for New Entrants and Re-entrants (NERE)*. These pilot projects were implemented for the purpose of testing:

- whether paying benefits based on calculating the rate of weekly benefits using the insurable earnings from a claimant's 14 highest weeks of insurable earning in the qualifying period would encourage claimants to accept all available work;
- the labour market impact of decreasing, for new entrants and re-entrants to the labour force who have access to employment programs established under Part II of the Act, the number of hours of insurable employment required for them to qualify for benefits.

The report summarizes findings from multiple lines of evidence, employing qualitative and quantitative methodologies.

Best 14 Weeks Pilots

The Best 14 Weeks pilot projects, in effect from October 2005 to April 2013, changed the way EI benefits were calculated by removing a potential disincentive for claimants to accept a week of employment with below-average earnings during the rate calculation period. The pilots were designed to test whether the modified approach to paying benefits would provide an incentive for individuals to accept all available work and whether employers facing labour shortages would have access to additional workers.

The pilots replaced the 26 week benefit rate approach with one based on claimants' best 14 weeks over the 52 week period preceding their claim, or since their last claim, whichever was shorter. The modified approach also removed the minimum divisor provision, which stipulated a lower bound to the number of weeks that were used to calculate claimants' average insured earnings. The minimum divisor varied according to the regional unemployment rate, ranging from 14 to 22 weeks (lower in high unemployment EI economic regions). The 26 week benefit rate approach also had a provision which excluded small weeks of earnings (under \$225) from the benefit rate calculation, provided that the minimum divisor had been satisfied.

These changes are estimated to have increased the benefit rate for approximately half of claimants in the designated pilot project EI economic regions and resulted in

approximately \$1.9B of additional benefits being paid to claimants over the course of the pilot projects (an average of \$250M a year from 2006 to 2012).

Many claimants in pilot regions had significant variation in weekly insured earnings, which resulted in higher benefit rates under the Best 14 Weeks pilot projects

Under the 26 week benefit rate approach, a week of below average earnings that occurred in the rate calculation period could result in a lower benefit rate. Under the Best 14 Weeks, an additional week of lower earnings would not impact the benefit rate, provided the claimant had already worked 14 “good” weeks. As such, the Best 14 Weeks pilots benefited claimants whose insured earnings varied from week to week and those who had higher average earnings in the 52 weeks preceding their claim than they did in the 26 weeks preceding their claim.

It is estimated that between 40% and 58% of claimants in pilot project regions benefited from the Best 14 Weeks pilot projects. While 58% were found to have a higher benefit rate under the Best 14 Weeks pilots, some of these claimants may have received the same rate under the small weeks rule. According to the EI Monitoring and Assessment Report, as many as 19% of claimants benefit from the small weeks rule over the time period of the pilots. Thus, a plausible range for the estimated number of pilot beneficiaries is 40% to 58%.

The average increase in the benefit rate among pilot claimants was between 15 and 21 dollars per week, depending on the year. Note that the national average regular benefit rate over that period was \$360/week. Women and youth were the most likely to benefit from the Best 14 Weeks pilots, while frequent claimants (seasonal or otherwise) were less likely to benefit from the pilot than first time claimants.

Changes to the rate calculation formula under the Best 14 Weeks Pilots had no statistically measureable impact on the hours worked prior to a claim

While one study that analyzed a rather narrow subsample of pilot claimants found that the insured hours of pilot claimants increased by 35 to 80 hours between 2006 and 2008 compared to non-pilot claimants, a similar study that used a somewhat broader sample of claimants found no statistically significant impact of the pilots on insured hours. Evidence from key informant interviews with claimants and employers on claimants’ insured hours and other measures of labour market attachment is also mixed. Claimants from pilot regions indicated that the pilots did not impact their decision to work additional weeks because they have always accepted all available work. However, employers noted some behavioural changes. They reported that workers were more willing to work partial weeks under the pilots. They also observed that the pilots increased the amount of work that would be taken, as employees looked to make a particular week one of their “best”

weeks. However, in some regions employers reported that the pilots decreased work effort among workers who had already worked 14 good weeks (i.e. weeks with typical or above typical earnings).

NERE Pilots

The NERE pilot projects, in effect from December 2005 to December 2010, reduced the number of hours, from 910 to 840, that a new-entrant or re-entrant to the labour market would need to accumulate in the qualifying period in order to receive EI benefits. The pilots also informed claimants of the availability of guidance and employment services. The objectives of the pilots were to improve employability and help reduce future reliance on EI benefits.

Over the course of the NERE pilot projects, it is estimated that the probability that a NERE qualified for EI benefits increased by over five percentage points, all else held constant. This resulted in approximately 6,500 claims per year qualifying for benefits with 840 to 909 insured hours. The estimated benefit cost, controlling for behavioural changes, was \$204M (approximately \$40M a year between 2006 and 2010). Beneficiaries of the NERE pilots were more likely to be a youth and had lower average household income than NEREs who qualified with over 910 insured hours.

Lowering the eligibility threshold for NERE claimants had a modest impact on the number of hours worked for NEREs targeted by the pilots

Lowering the required number of insured hours for a NERE to be eligible to receive benefits decreased hours worked in the qualifying period among a small proportion of NEREs. Statistical analysis shows that approximately 0.6% of NERE job separators in the pilot project regions worked fewer hours in their qualifying period in response to the NERE Pilot. The behavioural impact was among NEREs who would have qualified for EI benefits with over 910 hours, but worked fewer hours in accordance with the lower pilot eligibility threshold. This suggests that around 15% of pilot beneficiaries would have qualified for EI benefits regardless of the NERE pilots.

Training take-up rates were unchanged among NEREs

As part of the NERE pilots, letters were to be sent to NERE claimants in the range of insured hours affected by the NERE pilots encouraging them to access guidance and support services. However, Service Canada administrative data shows that only about 700 letters were sent between April 2006 and March 2008, out of approximately 9,000 claimants who were eligible under the NERE pilots. Consequently, very few pilot claimants were aware from this communication method that they were part of a pilot and the take-up rate for training did not change.

Management Response

Background

The Employment Insurance (EI) program provides temporary financial assistance to workers who have lost their job through no fault of their own while they look for work or upgrade their skills, and helps unemployed people across the country find employment. The EI program also provides assistance to workers who are sick, pregnant, or caring for a newborn, adopted, or critically ill child and to those caring for a family member who is gravely ill with a significant risk of death. In 2012-2013, \$10.1 billion of regular benefits and \$4.5 billion of special benefits were paid to 1.9 million claims, and \$2.0 billion was transferred to the provinces and territories under Labour Market Development Agreements to fund re-employment measures.

The Employment Insurance Act (EI Act) grants the Canada Employment Insurance Commission (CEIC) the authority to make regulations regarding pilot projects for testing amendments which would make the EI Act or Employment Insurance Regulations (EI Regulations) more consistent with current employment practices or trends, or would improve service to the public. The EI Act specifies that pilot projects can have a maximum duration of three years.

Three regional pilot projects, which were in effect from 2005 to 2013, calculated the rate of weekly benefits using claimants' 14 highest weeks of earnings. The pilot projects tested whether paying benefits using this approach would provide an incentive for individuals to accept work that would have previously lowered their benefits, as well as whether employers facing labour shortages would have improved access to workers.

Similarly, two regional pilot projects, which were in effect from 2005 to 2010, tested the labour market impact of decreasing the number of hours of employment new entrants and re-entrants (NERE) to the labour force required to qualify for EI regular benefits, from 910 to 840 hours.

Response to Findings

This evaluation provides valuable insight on the labour market impacts of the Best 14 Weeks and NERE pilot projects.

Best 14 Weeks Pilot Projects

Since 1996, various provisions have been implemented to address disincentives to accept partial weeks of work that could have decrease future EI benefits. A Small Weeks provision, first implemented in 1997, excluded some weeks of low earnings from the

calculation of EI benefits. The Best 14 Weeks pilot projects were implemented to improve upon the Small Weeks provision and provide an even greater incentive to accept all available work. Similarly, lessons learned from the Best 14 Weeks pilot projects provided much of the analytical base for the Variable Best Weeks (VBW) legislation now in place.

This evaluation finds that the pilot projects were most likely to increase benefits for female claimants and youth. Both of these groups are proportionally overrepresented in non-standard employment, which may be associated with earnings that are variable from week to week.

The evaluation also finds that changes to the rate calculation formula did not correspond to subsequent changes in hours worked prior to claim commencement. However, it should be noted that other studies of the Best 14 Weeks pilot projects found evidence of an increase in hours worked due to the pilot projects. The design of the VBW legislation strengthens work incentives as the number of weeks used for calculating the benefit rate ranges from 14 to 22, depending on the unemployment rate in a claimant's EI economic region (e.g., 14 weeks in regions with unemployment rates of 13.1% or higher versus 22 weeks for regions with unemployment rates below 6.1%). This limits the disincentive to accept work once 14 weeks of earnings are accumulated.

In addition, since the original pilot project regions were selected based on unemployment rates of 10% or higher, which then fluctuated over approximately eight years, the pilot parameters performance were observed as unemployment rates decreased in some regions. The VBW legislation introduced following the conclusion of the last Best 14 Weeks pilot project is national in scope and has systematic adjustments based on the EI regional unemployment rate.

By aligning the calculation of weekly benefits with the regional unemployment rate, the VBW approach builds on the strengths of the Best 14 Weeks pilot projects, making the program more responsive to local labour market conditions and increasing fairness in the EI program by ensuring that people living in regions with similar labour market conditions are treated in a similar fashion.

New Entrant and Re-Entrant Pilot Projects

The results of this evaluation indicate that the pilot projects increased the probability that NERE who lost their employment through no fault of their own would qualify for EI regular benefits. Reducing the entrance requirement for NERE by 70 hours increased their eligibility rate for regular benefits by more than five percentage points. The evaluation does not find evidence of a marked decrease in work effort in response to the lower entrance requirement.

The evaluation finds that although the pilot projects allowed an annual average of 6,500 NERE to receive EI regular benefits, very few NERE were notified about employment services for which they may have been eligible. Program Management acknowledges the importance of effective communication with clients, in particular NERE who may have limited knowledge of the EI program. Moving forward, the Government of Canada is exploring avenues to modernize EI service delivery and improve communication with clients.

The pilot projects also tested whether reducing the entrance requirement for regular benefits for NERE would reduce future reliance on EI benefits. This evaluation cites the 2011 Summative Evaluation of New Entrants and Re-Entrants, which found that the seasonality of the industry in which an individual works may be more of a determining factor on future frequent use of EI than being a NERE.

Conclusion

Since 2012, significant steps have been taken to improve the national consistency of the EI program by allowing regionally targeted pilot projects to sunset, such as the pilot projects relating to extended benefits and the Best 14 Weeks pilot project. Furthermore, the only pilot project in effect as of February 2015 (the Working While on Claim pilot project) is national in nature.

The Government of Canada is committed to ensuring that the EI program is fair, flexible and responsive to labour market conditions. Given that the Government is constantly monitoring the effectiveness of the EI program in addressing the needs of Canadian workers, their families and their employers, the findings presented in this evaluation will be taken into consideration. Further, the VBW legislation, which has been in effect since April 2013, has taken into account the findings of this evaluation regarding the impact of the Best 14 Weeks pilot projects on benefit rates and work effort.

1. Introduction

1.1 Evaluation Goals

This report presents the evaluation of Employment Insurance (EI) pilot projects referred to as *Calculating Benefit Rate Based on Claimant's 14 Highest Weeks of Insurable Earnings* (Pilots #7, #11, and #16) and *Providing Increased Access to Employment and Unemployment Benefits for New Entrants and Re-entrants* (Pilots #9 and #13). The objectives of the evaluation are to examine the relevance and performance of the pilots in relatively high unemployment rate EI economic regions in meeting the needs of non-standard and seasonal workers and encouraging greater labour market attachment.

1.2 Overview

Three pilot projects were implemented in the fall of 2005 to test changes to the EI program. The Pilots were expected to affect claimants with seasonal and non-standard work. The three pilots are:

- Calculating Benefit Rate Based on Claimant's 14 Highest Weeks of Insurable Earnings (Best 14 Weeks).
- Providing Increased Access to Employment and Unemployment Benefits for New Entrants and Re-entrants (NERE).
- Increasing the Allowable Earnings from Employment While a Claimant is Receiving Benefits (Working While on Claim).

The Best 14 Weeks Pilot concluded, after the pilot parameters were twice reintroduced and twice extended, on April 6, 2013. The NERE pilot concluded, after the parameters were reintroduced one time, on December 4, 2010.

A version of the Working While on Claim Pilot was reintroduced on several occasions with varied parameters. The Working While on Claim Pilots will be evaluated separately, since a Working While on Claim Pilot is still in effect.

1.3 Methodology

The methodologies used in this evaluation incorporated multiple lines of inquiry, consisting of both qualitative and quantitative studies. They are described in detail in Appendix B.

2. Description

2.1 Pilot Descriptions

On October 5, 2004, with the Speech from the Throne, the Government of Canada made a commitment to “review the EI Program to ensure it remained well-suited to the needs of Canada’s workforce.”¹ Consideration was given to how the legislated EI benefit rate may have been less responsive to regular beneficiaries in seasonal and non-standard employment, and may have created disincentives for some claimants to accept all available work.

Adjustments to the EI Program following Budget 2005² included the two pilots that are the subject of this evaluation. The pilots were implemented in EI economic regions where the unemployment rate was 10% or above in order to test the impacts of changes to the way that EI benefits are calculated (Best 14 Weeks Pilot) and to benefit eligibility for NERE claimants (the NERE Pilot). Specifically, the two pilots altered the legislated approach in the following ways:

Pilot Project #7: Calculating Benefit Rate Based On Claimant’s 14 Highest Weeks of Insurable Earnings (Best 14 Weeks)

This Pilot modified the benefit rate, compared to the 26 week benefit rate approach, by basing the rate on the claimant’s highest, or best, 14 weeks of earnings over the 52 weeks preceding their claim (or since the beginning of their last claim, whichever was shorter). The former legislated approach, which remained in effect in non-pilot regions, continued to calculate benefits using the claimant’s average earnings over the 26 weeks preceding their claim (or since the beginning of their last claim).³ The types of benefits included in the Pilot were regular, sickness, maternity, parental, and compassionate care benefits. The new benefit rate was meant to better reflect seasonal claimants’ typical insured earnings, and provide greater incentives for claimants to accept all available work. The

¹ “Speech from the Throne to Open the First Session of the 38th Parliament of Canada”. October 5, 2004. http://www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=aarchives/sft-ddt/2004_2-eng.htm

² Budget 2005, presented on February 23, 2005, announced that adjustments would be made to the EI program to “respond to the evolving challenges and circumstances facing unemployed workers,” which would be detailed in the future. Budget Plan 2005, <http://www.fin.gc.ca/budget05/bp/bptoc-eng.asp>

³ The 26 week rate calculation approach also contained a provision for weeks with small earnings, and a minimum divisor rule. These are described in detail in section 2.4.

Pilot was designed to test whether paying benefits using the modified approach provided an incentive for individuals to accept work that would have previously lowered their benefits, and whether employers facing labour shortages had access to additional workers.⁴

Pilot Project #9: Providing Increased Access to Employment and Unemployment Benefits for New Entrants and Re-Entrants (NERE)

This pilot allowed individuals who were new to the labour market, or who were returning after a significant absence, to qualify for EI benefits with 840 insured hours in the qualifying period, rather than the legislated NERE provision of 910 hours. It also informed claimants of the availability of guidance and employment services.⁵ The Pilot was intended to test whether these changes would improve employability and help reduce future reliance on EI benefits.⁶

Though the NERE and Best 14 Weeks pilots were to expire in the fall of 2008, insufficient evidence had been collected as to the effects of the program changes on the Canadian labour market. Therefore, the pilot parameters were reintroduced with modifications so that these changes to the EI parameters could be more thoroughly examined prior to proposing amendments to the legislation. Through the reintroductions, the pilot regions were modified to include EI economic regions with an unemployment rate of 8% or higher at the time of reintroduction. This resulted in two EI economic regions being excluded from the pilots, while four other EI economic regions were added (see appendix C for a list of pilot regions).⁷

- The Best 14 Weeks Pilot parameters were reintroduced as Pilot #11 from October 26, 2008, to October 23, 2010, and were subsequently extended by eight months until June 25, 2011. In the fall of 2008, the economy entered a recessionary period. The changing economic circumstances, and the Government's response through the annual Budgets, altered the environment in which to evaluate EI pilots. Therefore, the parameters of the Best 14 Weeks Pilot were reintroduced as Pilot #16 from

⁴ See rationale in Canada Gazette, available here: <http://www.gazette.gc.ca/archives/p2/2008/index-eng.html>

under the bookmark : Wednesday, September 17, 2008, vol. 142, no 19 SOR/2008-247 to 290 and SI/2008-93 to 107

⁵ A copy of the letters that were sent to NERE Pilot claimants are available in Appendix D.

⁶ Canada Gazette, available here: <http://publications.gc.ca/gazette/archives/p2/2008/2008-09-17/pdf/g2-14219.pdf>

under the bookmark : SOR/DORS/2008-257

⁷ Ibid.

June 26, 2011 to June 23, 2012, and subsequently extended until April 6, 2013.⁸ On April 7, 2013 a new Variable Best Weeks approach to the benefit rate calculation was implemented nationally via permanent legislation.

- The NERE Pilot parameters were reintroduced as Pilot #13 from December 7, 2008, to December 4, 2010.

Box 1: Summary of Pilot Projects and Extensions

Pilot Project #7: Calculating Benefit Rate Based On Claimant's 14 Highest Weeks of Insurable Earnings (Best 14 Weeks).

- Replaced by Pilot Project #11, running from October 26, 2008 to October 23, 2010. Further extended for 8 months.
- Replaced by Pilot Project #16 from June 26, 2011 to June 23, 2012; and extended from June 24, 2012 to April 6, 2013.

Pilot Project #9: Providing Increased Access to Employment and Unemployment Benefits for New Entrants and Re-Entrants (NERE).

- Replaced by Pilot Project #13 from December 7, 2008 to December 4, 2010

2.2 Other Pilots and Temporary Provisions

Many of the same EI economic regions that participated in the pilots were, at the same time, under additional temporary measures. The Working While on Claim pilots (Pilot #8, Pilot #12, Pilot #17, and Pilot #18) increased the limits on a claimant's employment earnings while on claim before benefits were clawed back. In fact, Pilot #8 was in effect in the same EI economic regions as the Best 14 Weeks pilot and the NERE pilot until being replaced by Pilot #12 beginning on December 7, 2008, which was national in scope. Pilot #17 reintroduced the parameters of Pilot #12, and Pilot #18 introduced a modified approach to Working While on Claim. Pilot #18 is scheduled to expire on August 1, 2015.

Additionally, Pilot #6 and Pilot #10 extended benefit entitlement by five weeks (while leaving the maximum benefit entitlement of 45 weeks unchanged). Pilot #6 ran from

⁸ For further details of extensions and reintroductions see Canada Gazette:
<http://www.gazette.gc.ca/rp-pr/p2/2010/2010-10-27/html/sor-dors214-eng.html>,
<http://www.gazette.gc.ca/rp-pr/p2/2011/2011-07-06/html/sor-dors127-eng.html>
<http://canadagazette.gc.ca/rp-pr/p2/2012/2012-07-04/html/sor-dors128-eng.html>

June 6, 2004 to June 4, 2006 in 24 EI economic regions where the unemployment rate was 10% or greater. Likewise, Pilot #10 ran from June 11, 2006, to February 28, 2009, in 21 EI economic regions where the unemployment rate was 10% or greater. In March 2009 Pilot #10 was replaced by Bill C-10, which extended benefit entitlement by five weeks to all EI economic regions of the country, while also extending the maximum benefit entitlement to 50 weeks. Bill C-10 was in effect until September 11, 2010. Pilot #15 ran from September 12, 2010, to September 15, 2012, and extended benefit entitlement by five weeks in 21 designated EI economic regions.

The list of EI economic regions participating in one or more pilots is given in Appendix C.

2.3 Expected Impact of Pilots on Claimants' Incentives to Accept All Available Work

Best 14 Weeks

The Best 14 Weeks Pilots changed the incentives for claimants to accept weeks of work with below-average employment earnings in the qualifying period. The expected impact on incentives is through two main channels: first, the exclusion of weeks of earnings on the benefit level if those weeks are not among the claimant's 14 highest weeks of earnings; and, secondly, the removal of the minimum divisor provision. To understand the significance of the changes, first consider how benefits were calculated in non-pilot regions at the time of the Best 14 Weeks pilots (i.e. before the legislative change introduced in 2014 with the Variable Best Weeks).

The former legislated rate, referred to as the 26 week benefit rate approach,⁹ was equal to 55% of a claimant's average weekly insured earnings in the 26 weeks preceding the claim (or since the beginning of the previous claim, whichever was shorter). However, the small week rule excluded weeks with earnings below \$225 from the claimant's average if the claimant had enough weeks of work to satisfy the minimum divisor rule. The minimum divisor rule set a lower bound to the number of weeks that would be included in the average weekly insured earnings. The minimum divisor varied according to the regional unemployment rate, ranging from 14 to 22 weeks (lower in high unemployment EI economic regions). Thus, if a claimant did not have enough weeks of earnings above \$225 to satisfy the minimum divisor, then a small or even zero earnings week would be

⁹ See Appendix E for the depiction of the rate calculation formula under the 26 week and the Best 14 Weeks schemes.

included in their average earnings. Thus the minimum divisor created a strong incentive for claimants to have insured earnings in at least as many weeks as the minimum divisor. Under the 26 week benefit rate approach, a claimant would lower their benefit rate by having a low earnings week of work under the following conditions: i) The week was within the rate calculation period, ii) the claimant had already worked enough weeks to satisfy the minimum divisor, and iii) the week in question was lower than their average insured earnings, but greater than \$225. It was believed that this disincentive prevented some claimants from accepting all available work. Thus, by basing the benefit rate on claimants' 14 highest weeks of earnings, the Best 14 Weeks pilots were expected to result in a greater number of weeks worked among claimants with variable weekly hours and non-standard work arrangement.

Moreover, the Best 14 Weeks pilots could result in a higher benefit rate for claimants whose insured earnings varied from week to week, or claimants who had higher average earnings in the 52 week qualification period than they did in the 26 week rate calculation period. For claimants who had constant earnings over the qualification period, or who were already at the maximum benefit rate, it would leave the benefit rate unchanged. No claimant could have a lower benefit rate as a result of the pilots.

The incentives under the Best 14 Weeks pilots are explored further in Section 3.2 below.

New Entrants and Re-Entrants

Regulations for New Entrants and Re-Entrants (NEREs) have been in place since amendments to the EI Act in 1978. The original intent of the provision was to discourage repeat usage of EI for entrants into the workforce and to strengthen the attachment of workers to the labour force. A new entrant or re-entrant is a claimant who is in the work force for the first time, or is re-entering the work force after an absence or reduced participation. Strictly speaking, they are EI claimants who, in the 52 weeks preceding the claim qualifying period (also known as the pre-qualifying period), had fewer than 490 hours of labour force attachment.¹⁰

The provision requires identified NEREs to have a minimum of 910 hours of insurable employment in the qualifying period in order to establish a claim for regular benefits, rather than the typical 420 to 700 hours required under the regional variable entrance requirement. The aims of the NERE provision are to discourage a cycle of reliance on EI benefits, ensure that workers make a reasonable contribution to the system before

¹⁰ Workforce attachment hours include hours of insurable employment, weeks of EI benefit receipt, or other prescribed hours related to employment (e.g. workers' compensation, training, or labour disputes).

collecting benefits, and to strengthen the relationship between work effort and benefit entitlement. An evaluation of the NERE provision conducted in 2011 found that the provision was not sufficient to achieve these outcomes.¹¹

The NERE Pilots tested the labour market impacts of reducing the number of hours required for NEREs to be eligible for EI benefits from 910 hours to 840 hours in regions with an unemployment rate of 10% or higher (changed to 8% or higher in 2008). In addition, NERE claimants with between 840 and 909 insured hours in the qualifying period were to be sent a letter encouraging them to contact an employment service agency or employment centre to access supports (see Annex D).

The incentives under the NERE pilots are much simpler than under the Best 14 Weeks. By lowering the threshold for claimants to be eligible for EI benefits, the NERE pilots provided some incentives for claimants to reduce their hours worked in the qualifying period in line with the lower threshold. Conversely, workers who would not have met the 910 hour threshold may have been able to increase their hours worked to meet the new threshold. Thus the pilots were expected to increase work incentives for claimants who would have had fewer than 840 insured hours, and decrease work incentives for claimants who would have had more than 840 insured hours. However, as with non-NERE claimants in this range of hours worked, reducing the number of insured hours would result in fewer weeks of benefit entitlement.

¹¹ NERE Evaluation can be found here:

http://www.esdc.gc.ca/eng/publications/evaluations/skills_and_employment/2011/november.shtml

3. Relevance

3.1 Need for Program

Q-1a: What are the factors underlying the EI support for part-time workers or temporary workers, particularly those workers with variable work hours?

The NERE and Best 14 Weeks pilot projects represent a policy response to concerns over the adequacy of EI income support in some regions of the country. This may have been especially the case in rural and remote regions.

The design of the pilots recognized the high degree of variation in the circumstances of workers with limited work alternatives, which often result in sporadic work patterns. The pilots increased the support that non-standard workers received.

Non-standard workers are more commonly women, youth, and those with less experience or education. Non-standard work is typically thought of as less optimal for workers; however, some non-standard workers may choose a non-standard work arrangement out of convenience (Gunderson, 2005). Moreover, some evidence indicates that considerable transitioning from non-standard to standard employment can happen over time, suggesting that standard and non-standard employment are not permanent states (Kapsalis and Tourigny, 2005).

Q-1b: Were workers turning down overtime or small weeks of work before the Best 14 Weeks pilots were implemented?

Interviews were conducted with employers in key industries in the EI economic regions participating in the pilots. In addition, focus groups were conducted with pilot claimants. From these analyses, it appears that some claimants may have been turning down smaller-earning weeks prior to the pilots. For instance, employers noted that prior to the Best 14 Weeks pilots some workers would request to be laid off at the end of a full week, rather than have a partial week (with lower earnings) in their rate calculation period, and that under the pilots employees were more often available for partial weeks of employment and large hourly-weeks, or overtime. However, the behaviour does not appear to have been widespread. Moreover, the majority of focus group participants indicated that they almost always accepted all available work. This question is taken up further in section 4.

Q-1c: What were the underlying issues regarding the EI rules for NEREs?

The NERE provision was introduced to discourage dependence on EI and to induce greater levels of work effort before claiming EI. However, according to the 2011 Summative Evaluation of New Entrants and Re-Entrants,¹² frequent EI use appears to be strongly correlated to industry of employment, the seasonality of the occupation, and the regional unemployment rate, rather than the number of hours worked prior to a claimant's first claim. That is, the NERE provision does not seem to influence future frequent use of EI. However, the NERE provision does encourage greater levels of work effort for new entrants to the labour market by restricting access to EI benefits for NEREs with a smaller number of insured hours.

3.2 Do the design features of the pilots support the needs of non-standard workers and encourage greater labour market attachment?

Q-2a: Do the new design features of the Best 14 Weeks pilots encourage workers to accept more work?

The Best 14 Weeks rate calculation formula impacted work incentives differently depending on the specific circumstances of the claim.

To see this consider the example of two claimants with identical work histories, but facing slightly different scenarios depending on the EI economic region they reside in and the value of the minimum divisor. Both claimants have already worked 14 weeks earning \$500 per week, and have the choice to work in a 15th week and earn \$300. The claimants know that they will be laid off following the 15th week and be eligible for EI benefits. Table 3.2.1 shows what the claimant's benefit rate would be if they did or did not work the 15th week. In the first scenario, the claimant resides in a region with a minimum divisor equal to 14 weeks. If the objective of the claimant is to maximize their benefit rate, they would be better off financially not taking all available work prior to their claim.

In contrast, the second claimant resides in a region where the minimum divisor is equal to 16 weeks. In this scenario, it is clear that the claimant is better off working the 15th week.

¹² ESDC, 2011. Summative Evaluation of New Entrants and Re-Entrants.

Table 3.2.1 Benefit Rate under the 26 week Rate Calculation

Scenario 1: 26 week Benefit Rate: Minimum Divisor =14	
Claimant does not work in 15th week $BR = 55\% * \left(\frac{\$500 * 14}{14} \right)$ = \$275 per week	Claimant does work the 15th week $BR = 55\% * \left(\frac{\$500 * 14 + \$300}{15} \right)$ = \$268 per week
Scenario 2: 26 week Benefit Rate: Minimum Divisor =16	
Claimant does not work in 15th week $BR = 55\% * \left(\frac{\$500 * 14}{16} \right)$ = \$241 per week	Claimant does work the 15th week $BR = 55\% * \left(\frac{\$500 * 14 + \$300}{16} \right)$ = \$251 per week
Best 14 Weeks Pilots	
Claimant does not work in 15th week $BR = 55\% * \left(\frac{\$500 * 14}{14} \right)$ = \$275 per week	Claimant does work in 15th week $BR = 55\% * \left(\frac{\$500 * 14}{14} \right)$ = \$275 per week

Under the Best 14 Weeks pilots there is no minimum divisor rule. As such, regardless of the region in which they lived, or if they worked or did not work the 15th week, the claimant's benefit rate under the pilot would be \$275 per week. Thus, in the first scenario, the Best 14 Weeks pilots removed the disincentive associated with working the 15th week. However, in the second scenario, the Best 14 Weeks pilots removed the incentive to work the 15th week (though the usual incentive to work, i.e. getting paid, is, of course, unaffected).

Q-2b: Who were the people working in the 840-909 hour range? What are their characteristics compared to the characteristics of other EI clients?

Analysis of job separators from 1995 to 2005 (a period of time prior to the NERE pilots) showed some key differences between NEREs in the 840 – 909 hours range, NEREs in

the 910+ hours range, and non-NEREs. NEREs in the 840 – 909 hour range are more commonly youth, less likely to be married or in a common law relationship, or to have children. On average, NEREs in the 840 – 909 hour range had lower household income than both non-NEREs and NEREs with 910+ insured hours. Compared to non-NEREs, NEREs in the 840 – 909 range were more likely to be female.

Table 3.2.2 Profile of NEREs and Non-NEREs, 1995 to 2005¹³

Hours	NERE	Non-NERE	NERE			Non-NERE		
			840-909	0-839	910+	840-909	0-839	910+
Part-time job at layoff	26.6	13.0	20.9	33.6	14.1	19.7	17.5	11.0
Youth	49.9	16.6	52.5	57.0	36.5	22.5	19.0	15.5
Prime	45.5	73.1	43.3	38.7	58.5	66.2	71.5	74.0
Older	4.6	10.3	4.3	4.4	5.0	11.3	9.6	10.5
Male	50.2	57.1	52.2	48.7	52.8	55.9	58.3	56.7
Female	49.8	42.9	47.9	51.3	47.2	44.1	41.7	43.3
Married/Common Law	34.9	58.5	30.6	30.6	43.2	58.7	54.6	59.9
With children under 15	30.8	36.8	29.0	30.6	31.3	36.7	35.6	37.2
Monthly Household Income (\$)	3,078	3,374	2,889	2,972	3,254	3,042	2,913	3564

Data: Canadian Out of Employment Panel- job separators from 1995 to 2005. All estimates weighted.

3.3 Alignment with Government Priorities

Q-3: Is the objective of the Best 14 Weeks and NERE pilots consistent with government priorities and ESDC's strategic outcomes?

The Best 14 Weeks and NERE pilots are consistent with ESDC's strategic outcome 1: A skilled, adaptable and inclusive labour force and an efficient labour market. The Best 14 Weeks pilots are designed to encourage greater labour market participation among EI claimants, while the NERE pilots were created with the aim of making skills training more accessible.

¹³ Source: Report on the NERE Pilot Project: Distribution of Hours for New Entrants and Re-entrants (Prepared for the Monitoring and Assessment Report 2007).

3.4 Alignment with Federal Roles and Responsibilities

Q-4: Are the Best 14 Weeks and NERE pilots consistent with federal roles and responsibilities?

The Federal Government, under the provisions of the *Employment Insurance Act*, has the authority to provide EI Part I benefits to persons who have lost their job through no fault of their own. Therefore the Best 14 Weeks and NERE pilots are consistent with federal roles and responsibilities.

4. Performance

4.1 Achievement of Expected Outcomes

4.1.1 Short-Term Outcomes

Q-5a: How many workers were better off under the Best 14 Weeks pilots? What was the average increase in benefits?

It is estimated that approximately half of claims in the Best 14 Weeks pilot regions benefited from the pilots (i.e. had a higher benefit rate than they would have had in the absence of the pilots). Computing the number of claims that benefited from the Best 14 Weeks pilots was accomplished by comparing the claim benefit rate to what the benefit rate would have been under the 26 week benefit rate approach. Claims were counted as having benefited from the pilots if (i) the claim was in a pilot region during the period of the pilots, (ii) one of the eligible benefit types had been paid on the claim¹⁴, and (iii) the claim had a benefit rate that was greater than the estimated 26 week benefit rate. With this methodology, approximately 58% of claims in pilot regions during the course of the pilots benefited from the Best 14 Weeks pilots (see Table 4.1.1).

However, the usefulness of the estimated 26 week benefit rate is limited since it did not apply the small weeks rule to the calculation of the benefit rate. Accordingly, the estimated 26 week benefit rate likely undervalues the true counterfactual benefit rate, which in turn may inflate the estimated number of claims that benefited from the Best 14 Weeks pilots. EI Monitoring and Assessment Reports¹⁵ state that from 2008 to 2012 the small weeks rule impacted between 15.9% and 19.3% of claims. Therefore, a plausible range for the proportion of claims that benefited from the Best 14 Weeks pilots is 40% to 58%.

For the reason outlined above, the estimated 26 week benefit rate cannot be used to accurately determine what the average increase in the benefit rate was. Therefore, the increase in the benefit rate was estimated for pilot claimants using a difference-in-differences regression model. Using this method, the average increase among all pilot claims (not just claims that benefited from the pilots) was estimated to be between 14.9

¹⁴ The Best 14 Weeks Pilot applied to regular, sickness, maternity, parental, and compassionate care benefits.

¹⁵ Various reports from 2009 to 2012-2013.

and 20.9 dollars/week, depending on the year in question.

Table 4.1.1 Number of Best 14 Weeks Pilots Beneficiaries and Average Increase in Benefit Rate

	Number who Benefited	Proportion of Claimants Benefited (%)	Average Increase in Benefit Rate (\$/week)
2005	113,370	46.1	-
2006	342,980	59.2	14.9
2007	339,850	58.9	15.7
2008	352,640	57.2	15.0
2009	388,020	56.4	15.3
2010	359,370	60.0	18.8
2011	378,830	59.5	20.9
2012	353,140	59.1	-
2013	69,430	60.5	-
Total	2,697,630	58.0	-

Data: Estimates are from a 10% sample of EI administrative data. Average increase in benefit rate refers to all pilot claimants, and not just those who benefit. It was estimated using a difference-in-differences regression model. Not all years were available.

Q-5b: Who are the people that are affected by the Best 14 Weeks pilots and what are their characteristics compared to the characteristics of other EI clients?

While the Best 14 Weeks pilots increased the benefit rate for many pilot claimants, there was no change to the maximum benefit rate. Thus, for any claimant that was already receiving the maximum benefit rate, the Best 14 Weeks pilots would not be beneficial. This led to certain demographic groups being more likely to benefit from the pilots. Female claimants were more likely to benefit than were male claimants. From 2006 to 2011 between 76% and 78% of female claimants benefited from the pilots. This compares to between 45% and 51% of male claimants over the same time period. The average increase in the benefit rate for women was between 19 and 29 dollars/week, while for men it was between 11 and 16 dollars/week.¹⁶

Younger claimants were more likely to benefit from the Best 14 Weeks pilots. From

¹⁶ As before, pilot beneficiaries were identified using the estimated 26 week benefit rate. No adjustment was made for the potential impact of the small weeks rule. The estimated increase in the benefit rate is from difference-in-differences regression models.

2006 to 2011 between 70% and 74% of claimants under the age of 25 benefited. This compares to between 56% and 61% of claimants aged 25 to 35, and 52% to 60% of claimants over the age of 35.

Those with less stable work were less likely to benefit from the pilots. While between 59% and 69% of claims initiated by first time claimants benefited from the Best 14 Weeks pilots, between 49% and 57% of claims by frequent claimants benefited, depending on the year. There was almost no difference in the proportion that benefited between frequent claimants whose claims were seasonal and frequent claimants whose claims were non-seasonal.¹⁷ However, frequent seasonal claimants had the smallest average increase in the benefit rate amongst all claimants.

Q-5c: How many more claimants have received EI benefits under the NERE pilots? Are there more NERE workers claiming EI?

Claimants were counted as having benefited from the NERE pilots if they were in a pilot region during the period of the pilots, were a new or re-entrant to the labour force (that is, had fewer than 490 insured hours in the pre-qualifying period), and had insured hours between 840 and 909 in the qualification period. Accordingly, approximately 34,600 claimants benefited from the NERE pilots, an average of about 6,700 claimants per year between 2006 and 2010. NERE pilot beneficiaries represent about 1.3% of the claims in the pilot regions.

Statistical analysis of the NERE pilots found that the probability that a NERE qualified for EI benefits increased by over five percentage points as a result of the pilots, all else held constant.

Q-5d: Are NEREs applying for EI Part II training? Was there increased participation in part II Measures?

Focus group participants indicated that awareness for Part II measures was very low. They indicated that the lack of publicity about the NERE pilots, and their resulting inability to take advantage of what it offered in terms of training, were the main drawbacks of the pilots. However, they also said that the NERE Pilots were a good way to encourage those claimants to upgrade their skills.

¹⁷ For the purpose of this report, frequent claimants were defined as having had three or more claims in the previous five years. Frequent seasonal claimants have had three or more claims in the previous five years with those claims occurring around the same time of the year.

Statistical analysis showed that the pilots did not have an impact on either the take-up rate of training programs by NEREs or the number of weeks spent in training by NEREs.

One potential explanation for the low take up of training was that very few letters were sent to NERE claimants to advise them of the eligibility to receive guidance and support services. Service Canada administrative data indicate that only about 700 claimants received letters between April 2006 and March 2008, even though almost 9,000 new EI claims were made under the NERE pilot projects during that period.

4.1.2 Changes in Claimants' Behaviour

Q-6a: Were Best 14 Weeks pilot claimants more willing to pick up “low income” weeks of work? What is the average additional insured hours worked prior to claim?

Evidence on the impact of the Best 14 Weeks pilots on claimants' insured hours and other measures of labour market attachment is mixed. Claimants from pilot regions indicated that the pilots did not impact their decision to work additional weeks because they have always accepted all available work. However, employers noted some behavioural changes. They reported that workers were more willing to work partial weeks under the pilots. They also observed that the pilots increased the amount of work that would be taken, as employees looked to make a particular week one of their “best” weeks. However, in some regions employers reported that the pilots decreased work effort among workers who had already worked 14 good weeks (i.e. weeks with typical or above typical earnings). Key informant interviews with employers indicated that the primary objective of workers who anticipated a job separation was to secure enough insured hours to be eligible for benefits. The same level of attention was not given to arranging hours worked in order to maximize the benefit rate.

Statistical analysis of the impact of the Best 14 Weeks pilots on insured hours using EI administrative data is not conclusive. For instance, one study that analyzed a rather narrow subsample of pilot claimants¹⁸ found that insured hours increased by 35 to 80 hours between 2006 and 2008 as a result of the Best 14 Weeks pilots. However, a similar study that used a somewhat broader sample of claimants¹⁹ found no overall impact of the pilots on insured hours. The results may stem from the fact that incentives under the pilots varied depending on the claimants' particular situations. The impact of the pilots

¹⁸ Regular claimants who worked fewer than 26 weeks in the 26-week period preceding the separation date and whose claim was supported by a single ROE.

¹⁹ Regular claimants who worked fewer than 52 weeks in the 52-week period preceding the separation date, for claims established between 2006 and 2011.

may also vary according to the business cycle. However, the design of the pilots is not well suited to address how changes in the business cycle may have impacted claimant behaviour under the Best 14 Weeks pilots.²⁰

Q-6b: How has the Best 14 Weeks affected the weekly variability in earnings? Have hours become more volatile for seasonal workers and workers overall? Is there a shift towards bunching work into the best 14 weeks?

The changes to the rate calculation formula initiated by the Best 14 Weeks pilots presented claimants with mixed incentives with respect to the number of weeks they chose to work during the rate calculation period. On one hand, the pilots removed the disincentive to accept a below-average-earnings week of employment in the 26 weeks preceding a job separation. However, on the other hand, a claimant could potentially achieve a higher benefit rate if they were able to “bunch” the same number of hours into smaller number of weeks. Moreover, claimants in EI economic regions that used to have a minimum divisor that was greater than 14 weeks no longer had as strong an incentive to work beyond 14 weeks prior to their claim.

Statistical analysis found that, in fact, the number of weeks worked during the Rate Calculation Period declined as a result of the pilots. The effect ranged between 0.6 weeks and 0.9 weeks between 2006 and 2011. The effect was even larger among claimants in EI economic regions where the minimum divisor had been 17, 18, or 19 weeks, ranging from 1.2 to 1.8 weeks, except in 2006 when it was only 0.2 weeks. These results suggest that the removal of the minimum divisor had an impact on behaviour related to the number of weeks worked. However, it is important to recall that there was no evidence of a decline in insured hours overall.

Some employers noted that under the Best 14 Weeks pilots employees were more willing to accept hours in order to make a particular week one of their 14 best. However, there is no direct empirical evidence specifically on the number of hours worked each week. Thus, there appears to have been some “bunching” of hours under the pilots, but the extent of its prevalence is unknown.

Q-6c: Are workers changing their work behaviour as a result of the NERE pilots? Was there a shift away from less than 840 insured hours into the 840-909 range of insured

²⁰ This is because the counterfactual to pilot claimants is provided by claimants in non-pilot regions. However, since pilot regions were selected based on a high-unemployment rate, changes in the general economic conditions are likely to impact claimants in the pilot regions differently than in non-pilot regions, making the comparison difficult.

hours? Was there a shift away from 910-1000 range of insured hours towards 840-909 range of insured hours?

There were three possible behavioural changes that could have been expected as a result of the NERE pilots. These are:

- i. NERE claimants who would have otherwise worked more than 910 hours deciding to work between 840 and 909 hours.
- ii. NERE claimants who would have otherwise worked fewer than 840 hours deciding to work between 840 and 909 hours.
- iii. An increase in the number of NEREs.

The third response would involve potential EI claimants altering their work behaviour in the pre-qualification period (between 52 and 104 weeks prior to initiating a claim) because EI benefits are marginally easier to qualify for as a NERE. Statistical analysis of EI administrative data found no evidence of this behaviour (i.e. there was no change in the proportion of NEREs among job separators as a result of the NERE pilots).

It is much more likely that a potential claimant would change their behaviour in the qualification period in response to the change in policy. This was in fact observed in the data. Results from difference-in-differences regression analysis showed that there was a decrease in the proportion of NERE claimants in pilot regions with between 910 to 944 hours of 0.3 percentage points and a decrease in the proportion of NERE claimants with between 945 and 979 of 0.3 percentage points. At the same time there was an increase in the proportion of NEREs with between 840 and 875 hours by 0.7 percentage points, and in the proportion of NEREs with between 875 and 909 hours by 0.3 percentage points. Essentially there was a shift whereby claimants who would have otherwise worked just enough hours to qualify for benefits in the absence of the pilots worked fewer hours, while still qualifying for benefits. Moreover, this shift is significant considering that only 3.3% of NEREs had between 840 and 909 insured hours during the pilot.

There was little evidence of a change in the proportion of NEREs who worked between 770 and 839 hours. That is, NEREs who would have worked between 770 and 839 hours in the absence of the pilots did not increase their hours in order to qualify for benefits under the lower cut-off. Therefore, there was a significant shift of claimants down into the new range of hours for benefit eligibility (i.e. behaviour i), but there was not a corresponding shift by claimants up into that range (i.e. behaviour ii).

4.1.3 Employers' Behaviour

Q-7a: Are the pilot rules affecting the hiring and lay-off behaviours of employers?

According to key informant interviews, employers were split on whether or not they considered EI rules when assigning work. Typically smaller firms did consider EI eligibility, but they did not consider the implications of weekly earnings on their employees' benefit rates. Employers who did consider EI rules indicated that their priority was to see that all employees worked sufficient hours to qualify for benefits, and would assign more work to a particular employee if they were short.

A few focus group claimants noted that their employers would adjust work schedules to allow employees to have at least 14 weeks of higher income, but this was not common.

Some employers reported in key informant interviews that workers were more willing to work partial weeks under the Best 14 Weeks pilots. They also noted that the increase in the benefit rate under the pilots made it easier to attract workers to seasonal employment. There was minimal awareness of the NERE pilots among employers.

Q-7b: Did employers find that filling out the new section of the ROEs for the Best 14 Weeks pilots was burdensome?

When the Best 14 Weeks pilot was first implemented, Service Canada had recently launched the ROE Web, which allowed employers to create and submit a 53-week ROE electronically. Employers who were already using the ROE Web had no additional reporting requirements due to the Best 14 Weeks pilots.²¹ However, for many employers, the greater reporting requirements under the pilots coincided with shifting their reporting to the 53-week ROE from the 26 week ROE. Thus findings pertaining to the reporting burden from the Best 14 Weeks pilots are closely tied to employers' impressions of the ROE web.²²

For employers who were using older reporting methods, the Best 14 Weeks pilots imposed on them greater reporting requirements, which were often described as burdensome, time consuming, and expensive.

Employer associations noted that weekly earnings reporting on ROEs was a burden for employers and was perceived as unnecessary in many cases, since only a proportion of ROEs are used to establish an EI claim. Weekly reporting was especially difficult for

²¹ This evidence was collected in July, 2008. From 2005 to 2008 the proportion of ROEs submitted through the Internet increased from 13% to 40%. By 2013, 88% of ROEs were submitted over the Internet.

²² An audit of the ROE-Web was conducted by HRSDC in 2008.

employers who operate on a two-week pay cycle.²³ According to association representatives, employers who report on a two-week pay cycle account for 80% of businesses in Canada. However, they also noted that filling out the 53-week ROE was less time consuming than fielding requests to look back over the year to find the highest paid 14 weeks.

4.2 Efficiency and Economy

Q-8a: What are the estimated benefit costs of the Best 14 Weeks pilots? How does the cost compare with the costs associated with Small Weeks rule?

Costs for the Best 14 Weeks pilots were estimated by counting the additional benefits paid to claimants as a result of the pilots. No administrative or operational costs were considered. Two methods were used. The first utilised the estimated 26 week benefit rate as a counterfactual to what was actually paid under the pilots, and adjusting for the impact of the small weeks rule.²⁴ The second method utilizes estimates from difference-in-differences regression analysis to account for the impact of behavioural changes. The two methods are described below.

The first method relies on estimates of pilot claimants' benefits had they been under the 26 week benefit rate approach. However, as discussed previously, the estimated 26 week benefit rate will undervalue the true counterfactual benefit rate for two reasons: 1) it does not account for the small weeks rule, and 2) it does not account for how claimants may have changed their behaviour in response to the pilots. For instance, if a claimant had taken on a below average week of work in response to the pilot, the estimated 26 benefit rate would have been smaller than what the claimant would have actually received in the absence of the pilot. Likewise, if a claimant had worked fewer weeks because the minimum divisor was removed, the estimated 26 week rate would again be lower than what the claimant's benefit rate would have really been. For these reasons, it is expected that cost estimates using the estimated 26 week benefit rate as a counterfactual will overestimate the benefit costs of the pilots. Estimates from this method have the cost of the Best 14 Weeks pilots at approximately \$2.4B over all years (see Table 4.2.1), an average of \$317M a year, excluding the partial years of 2005 and 2013.

This estimate can be refined by accounting for the absence of the small-weeks rule in the

²³ Note that this evidence pertained to employers prior to May, 2008. On March 15, 2009, changes to Regulation 19(3) allowed employers who submitted an ROE online to align the issuance of electronic ROEs more closely with their payroll cycles.

²⁴ See Section 4.1 – Q1 and Appendix E for a description of the 26 week benefit rate.

estimated 26 week benefit rate. A simple estimate of the potential cost of the small-weeks rule in pilot regions was computed by applying the impact of the rule in non-pilot regions during the same period of time. On average, between 2008 and 2012, the small weeks rule affected 17.7% of claims and led to an increase in their benefit rate of \$18.60. Applied to pilot region claimants, these estimates suggest that the small weeks rule would have increased benefits by an average of approximately \$49M a year (excluding 2005 and 2013) had the pilots not been in effect. Adjusting the first estimate for the potential impact of the small-weeks rule reduces the estimated cost of the Best 14 Weeks pilots to \$2.0B over all the years of the Pilot (an average cost of \$268M a year from 2006 to 2012).

Table 4.2.1 Estimated Benefit Cost of the Best 14 Weeks Pilots Compared to the 26 Week Rate Calculation Approach

	Number of claimants benefited	Average benefit per claim, those who benefited (\$)	Total benefits (\$ millions)	Estimated cost of small weeks rule (\$ millions)	Estimated cost after adjusting for small weeks rule (\$ millions)
2005	113,370	726	82.3	19.6 *	62.7
2006	342,980	748	256.7	45.2 *	211.5
2007	339,850	782	265.6	45.0 *	220.6
2008	352,640	860	303.3	33.5	269.8
2009	388,020	951	369.1	49.4	319.7
2010	359,370	950	341.3	61.4	279.9
2011	378,830	972	368.2	57.7	310.5
2012	353,140	904	319.3	53.9	265.4
2013	69,430	757	52.6	7.5 *	45.1
Total	2,697,630		2,358.4	373.2	1,985.2

Note: * indicates that the effect of the small weeks rule in pilot region has been estimated using numbers from non-missing years (2008 to 2012).

The second method for estimating the benefit costs of the Best 14 Weeks pilots utilizes the estimates from the difference-in-differences regression model of the impact of the pilots on the benefit rate. The model compares the average benefit rate in pilot regions during pilot years to i) the average benefit rate in pilot regions prior to the implementation of the pilot, and ii) the difference in the average benefit rate in non-pilot regions before and during the pilot years. Unlike the previous approach, this method accounts for behavioural changes among claimants that render the estimated 26 week benefit rate inaccurate. Furthermore, with this methodology there is no need to adjust for the application of the small weeks rule. As such, this is the preferred method for

estimating pilot costs. Results suggest an estimated benefit cost of the Best 14 Weeks pilots of \$1.9B over all the years of the pilots, or an average yearly cost between 2006 and 2012 of \$251M (see Table 4.2.2).

Table 4.2.2 Estimated Benefit Cost of the Best 14 Weeks Pilots Controlling for Impact of Behavioural Changes

	Estimate change in benefit rate, all pilot claims (\$)	number of pilot claims	Average number of weeks of benefits received	Estimated cost of Best 14 weeks pilot (\$ millions)
2005	16.8 *	246,040	24.2	100.0
2006	14.9	579,520	23.7	204.6
2007	15.7	576,670	23.7	214.6
2008	15.0	616,870	24.4	225.8
2009	15.3	688,110	25.8	271.6
2010	18.8	598,760	25.3	284.8
2011	20.9	636,280	24.0	319.2
2012	16.8 *	597,880	23.7	238.1
2013	16.8 *	114,730	19.8	38.2
average total	16.8			1,896.8

*Note: * indicates the estimated change in the benefit rate was unavailable for this year and has been imputed as the average. For this reason, the 2012 cost estimate should be treated with caution.*

Q-8b: What were the benefit costs of the NERE pilots?

Estimating the benefit costs of the NERE pilots is relatively straight forward, compared to the Best 14 Weeks pilots. Since the Pilot provided eligibility for NEREs who would not have qualified for regular benefits, any NERE claim with between 840 and 909 insured hours can be considered a cost of the pilots. Under this method the cost of the pilots was approximately \$249M (an average of \$49M a year from 2006 to 2009).

However, adjusting for claimants who would have worked more than 909 hours if the pilots did not exist provides a more accurate estimate. Since these claimants would have been paid EI benefits regardless of the NERE pilots, they should not be counted as a pilot cost. The proportion of NERE job separators who worked fewer than 910 hours as a result of the NERE pilots was estimated to be 0.6% (or about 18% of pilot beneficiaries). Adjusting for these claims reduces the estimated cost of the NERE pilots to approximately \$204M over all years of the NERE pilots, an average of about \$40M a year from 2006 to 2010 (see Table 4.2.3).

Table 4.2.2 Estimated Benefit Cost of the NERE Pilots under Two Methods

	Number of pilot beneficiaries	Average weeks of benefits received	Total cost of claims that benefited (\$ millions)	Total cost adjusted for behavioural change (\$ millions)
2005	890	23.8	5.6	4.6
2006	6,930	24.4	44.8	36.7
2007	6,700	24.0	43.0	35.2
2008	6,580	25.8	48.4	39.7
2009	7,460	27.1	59.5	48.8
2010	6,050	26.8	47.9	39.3
Total	34,610		249.3	204.4

5. Conclusion

The Best 14 Weeks pilots and NERE pilots responded to concerns over the adequacy of EI income support in some regions of the country. These pilots tested the labour market effects of changes to various EI parameters. Initially, there were 23 EI economic regions selected for the pilots based on an unemployment rate of 10% or greater.

The pilots provided a valuable opportunity to study the impacts of changes to the EI system, while also increasing benefits for those with variable weekly earnings under the Best 14 Weeks pilots, and increasing access to benefits for the unemployed under the NERE pilots.

Best 14 Weeks pilots

The parameters of the Best 14 Weeks pilots were in effect in select regions from October 2005 to April 2013. Claimants benefited from the Best 14 Weeks benefit rate in approximately 40% to 58% of the claims in pilot regions (about 360,000 claims a year between 2006 and 2012). By design, no claimant had a benefit rate that was lower than what they would have received under the 26 week benefit rate approach. On average, benefit rates were between 15 and 21 dollars per week greater under the pilots. These changes cost an estimated \$1.9B of additional benefits to claimants, an average annual cost of about \$250M between 2006 and 2012.

NERE Pilots

The parameters of the NERE pilots were in effect in select regions from December 2005 to December 2010. About 1.3% of regular claims in the pilot regions benefited from the NERE pilots (about 6,500 a year). As a result, the probability that an unemployed NERE in a pilot region qualified for EI benefits increased by over five percentage points, all else held constant.

The NERE pilots are estimated to have had a benefit cost of \$204M (an average of about \$40M a year between 2006 and 2010). As with estimates of the Best 14 pilots' costs, these estimates only include dollars that were transferred to EI claimants in the form of higher benefit rates or increased access. No attempt was made to account for administration or operational costs.

Changes to the rate calculation formula had little or no impact on the hours worked prior to claim commencement; however, changes to the eligibility threshold for NERE claimants did have a modest impact on behaviour.

Some employers, typically smaller firms, indicated that they would consider EI rules when assigning work; however, their priority when doing so was to ensure that all employees had sufficient hours to be eligible for benefits. Employees, on the other hand, stated that they did not typically have control over their work schedule, and even if they did, would choose to accept all work available. Statistical analysis of the impacts of the Best 14 Weeks pilots on the overall number of hours worked prior to a claim is inconclusive. Thus it appears that there were few opportunities for the Best 14 Weeks pilots to affect hours worked.

However, statistical analysis of the NERE pilots showed that a small number of NERE claimants worked less than 910 insured hours in response to the pilots. Together, the evidence suggests that changes to eligibility requirements may be more likely to initiate a behavioural change among EI claimants than are changes to how benefits are calculated.

Changing the benefit rate to a best weeks approach resulted in a higher benefit rate for between 40% and 58% of claimants in pilot regions. Moreover, it was most likely to increase benefits for female claimants and youth.

Between 40% and 58% of claimants in pilot regions received a higher benefit rate under the Best 14 Weeks pilots than they would have received under the 26 week benefit rate approach. This shows that a large number of claimants in the pilot regions had employment earnings that varied from week to week. Moreover, women and youth were the most likely to benefit from the Best 14 Weeks pilots, as were first time claimants.

Training take-up rates were unchanged under the NERE pilots due to low awareness of the available opportunities.

One of the goals of the NERE pilots was to encourage greater participation in EI Part II training measures with a view to enhancing the skills and improving their job prospects. However, analysis of EI data found that there was no significant effect of the pilots on training take-up rates. Focus group participants were generally unaware that they were part of a pilot project or that there were training opportunities available to them. Only a fraction of NERE pilot claimants received a letter from Service Canada that explained the conditions of the pilot projects and invited them to seek out skills development opportunities.

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Appendix A: Evaluation Matrix

	Cost Estimates	Labour Supply and Best 14 Weeks	Impacts of Best 14 Weeks Pilot	Impacts of Increased Access for NERE	NERE Pilot Summary of Results (M&A 2009)	Distribution of Hours Among NERE (M&A 2007)	Statistical Profile of Pilot Beneficiaries	Key Informant Interviews	Focus Groups	Literature Review
<i>Q-1a: What are the factors underlying the EI support for part-time workers or temporary workers, particularly those workers with variable work hours?</i>										x
<i>Q-1b: Were workers turning down overtime or small weeks of work before the Best 14 Weeks pilots were implemented?</i>									x	
<i>Q-1c: What were the underlying issues regarding the EI rules for NEREs?</i>										x
<i>Q-2a: Do the new design features of the Best 14 Weeks pilots encourage workers to accept more work?</i>			x							

Cost Estimates	Labour Supply and Best 14 Weeks	Impacts of Best 14 Weeks Pilot	Impacts of Increased Access for NERE	NERE Pilot Summary of Results (M&A 2009)	Distribution of Hours Among NERE (M&A 2007)	Statistical Profile of Pilot Beneficiaries	Key Informant Interviews	Focus Groups	Literature Review	
					x					Q-2b: Who were the people working in the 840-909 hour range? What are their characteristics compared to the characteristics of other EI clients?
									x	Q-3: Is the objective of the Best 14 Weeks and NERE pilots consistent with government priorities and ESDC's strategic outcomes?
									x	Q-4: Are the Best 14 Weeks and NERE pilots consistent with federal roles and responsibilities?
x	x									Q-5a: How many workers are better off under the Best 14 Weeks pilots? What is the average increase in benefits?

Cost Estimates	Labour Supply and Best 14 Weeks	Impacts of Best 14 Weeks Pilot	Impacts of Increased Access for NERE	NERE Pilot Summary of Results (M&A 2009)	Distribution of Hours Among NERE (M&A 2007)	Statistical Profile of Pilot Beneficiaries	Key Informant Interviews	Focus Groups	Literature Review	
		x								<i>Q-5b: Who are the people that are affected by the Best 14 Weeks pilots and what are their characteristics compared to the characteristics of other EI clients? What are the shares of seasonal, non-seasonal workers that are better off with the Best 14 Weeks pilot projects?</i>
x			x							<i>Q-5c: How many more claimants have received EI benefits under the NERE pilots? Are there more NERE workers claiming EI?</i>
			x	x				x		<i>Q-5d: Are NEREs applying for part II training? Was there increased participation in part II Measures?</i>
	x	x					x	x		<i>Q-6a: Were Best 14 Weeks pilot claimants more willing to pick up “low income” weeks of work? What is the average additional insured hours worked and insured earnings prior to claim?</i>

Cost Estimates	Labour Supply and Best 14 Weeks	Impacts of Best 14 Weeks Pilot	Impacts of Increased Access for NERE	NERE Pilot Summary of Results (M&A 2009)	Distribution of Hours Among NERE (M&A 2007)	Statistical Profile of Pilot Beneficiaries	Key Informant Interviews	Focus Groups	Literature Review	
	x						x			<i>Q-6b: How has the Best 14 Weeks affected the weekly variability in earnings? Have hours become more volatile for seasonal workers and workers overall? Is there a shift towards bunching work into the best 14 weeks?</i>
			x							<i>Q-6c: Are workers changing their work behaviour as a result of the NERE pilots? Was there a shift away from less than 840 insured hours into the 840-909 range of insured hours? Was there a shift away from 910-1000 range of insured hours towards 840-909 range of insured hours?</i>
							x	x		<i>Q-7a: Are the pilot rules affecting the hiring and lay-off behaviours of employers?</i>
							x			<i>Q-7b: Are employers finding that filling out the new section of the ROEs for the Best 14 Weeks pilots is burdensome?</i>

Cost Estimates	x	x
Labour Supply and Best 14 Weeks		
Impacts of Best 14 Weeks Pilot		
Impacts of Increased Access for NERE		
NERE Pilot Summary of Results (M&A 2009)		
Distribution of Hours Among NERE (M&A 2007)		
Statistical Profile of Pilot Beneficiaries		
Key Informant Interviews		
Focus Groups		
Literature Review		
	<p><i>Q-8a: What are the estimated costs of the Best 14 Weeks pilots? How does the cost compare with the costs associated with Small Weeks rule?</i></p> <p><i>Q-8b: What were the costs of the NERE pilots?</i></p>	

Appendix B: Lines of Evidence

The following lines of evidence were collected to answer the evaluation questions:

Literature Review

A literature was conducted that focussed on seasonal and other forms of non-standard work. The review summarized existing research to show how the EI program has impacted seasonal and non-standard workers, and if the determination of benefits met the needs of workers in non-standard employment.

Focus Group Study

Focus group sessions were conducted with participants of four pilot projects, including the Best 14 Weeks and NERE pilots. There were 20 focus groups held in five cities, conducted in both English and French. The focus groups provided qualitative evidence of how the pilots have impacted the behaviour of claimants in accepting all available work, and other behaviours that may have changed as a result of the pilots.

Key Informant Interviews

Interviews were conducted with 60 experts who had experience with the pilots and could explain how the pilots have affected the groups that they represent. Interviewees included business people, union representatives, business associations and HRSDC officials. The interviews provided qualitative evidence of how the pilots have impacted claimants and businesses.

Statistical Analysis

Several technical studies were conducted with EI administrative data (Status Vector and Record of Employment). The studies are:

Statistical Profile of Pilot Beneficiaries

This study used EI Administrative data to profile claimants who benefited from the pilots in comparison to claimants who did not benefit. The methodology is descriptive.

Impacts of the Best 14 Weeks Pilot

This technical study examined how insured earnings and insured hours were affected by the Best 14 Weeks pilots. The study used a difference-in-differences methodology.

Labour Supply and Impacts of the Best 14 Weeks Pilot

This study updated the previous work on the Best 14 Weeks pilots with more recent data

and somewhat revised methodology. The report also used a difference-in-differences methodology.

Distribution of Hours for NEREs

This study maps out the distribution of hours worked for NEREs and for other workers before and after the implementation of the pilot projects. The study was conducted for the 2007 EI Monitoring and Assessment Report.

NERE Descriptive Study

This study examines the proportion of claimants in various ranges of hours worked. It was written for the 2009 EI Monitoring and Assessment Report. The analysis is descriptive.

Impacts of Increased Access to Benefits for NEREs

This study looks at how the NERE pilots impacted the hours worked for NEREs. In particular, it focuses on the proportion of NEREs who had insured hours in various ranges associated with EI eligibility and non-eligibility. The study uses a difference-in-differences methodology.

Cost studies

Two cost studies were complete, one for each of the pilots.

Appendix C: Pilot EI Economic Regions

	Extended EI Pilots			Best 14 Weeks Pilots			Working While on Claim (WWOC) Pilots				New Entrants and Re-Entrants (NERE)	
Pilot Project Number	Pilot Project No. 6	Pilot Project No. 10	Pilot Project No. 15	Pilot Project No. 7	Pilot Project No. 11	Pilot Project No. 16	Pilot Project No. 8	Pilot Project No. 12	Pilot Project No. 17	Pilot Project No. 18	Pilot Project No. 9	Pilot Project No. 13
Start Date	June 6, 2004	June 11, 2006	Sept. 12, 2010	Oct. 30, 2005	Oct. 26, 2008	June 26, 2011	Dec. 11, 2005	Dec. 7, 2008	August 7, 2011	August 5, 2012	Dec. 11, 2005	Dec. 7, 2008
End Date	June 4, 2006	February 28, 2009	Sept. 15, 2012	Oct. 25, 2008	June 25, 2011	April 6, 2013	Dec. 6, 2008	August 6, 2011	August 4, 2012	August 1, 2015	Dec. 6, 2008	Dec. 4, 2010
Number of Participating Regions	24	21	21	23	25	25	23	all	all	all	23	25
Unemployment Rate of Participating Region	10	10	n/a	10	8	8	10	n/a	n/a	n/a	10	8
Participating Regions												
1. St. John's	x	x	x*	x	x	x	x	nationwide	nationwide	nationwide	x	x
2. Newfoundland/Labrador	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
3. Prince Edward Island	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
4. Eastern Nova Scotia	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
5. Western Nova Scotia	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
8. Madawaska-Charlotte	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
9. Restigouche-Albert	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
10. Gaspésie-Îles de la Madeleine	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
12. Trois-Rivières	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x

	Extended EI Pilots			Best 14 Weeks Pilots			Working While on Claim (WWOC) Pilots				New Entrants and Re-Entrants (NERE)	
17. Central Quebec	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
18. North Western Quebec	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
19. Lower St. Laurence and North Shore	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
21. Chicoutimi-Jonquière	x	x	x*	x	x	x	x	nationwide	nationwide	nationwide	x	x
26. Oshawa					x	x		nationwide	nationwide	nationwide		x
31. Niagara					x	x		nationwide	nationwide	nationwide		x
32. Windsor					x	x		nationwide	nationwide	nationwide		x
34. Huron					x	x		nationwide	nationwide	nationwide		x
36. Sudbury	x	x	x*	x			x	nationwide	nationwide	nationwide	x	
38. Northern Ontario	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
41. Northern Manitoba	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
45. Northern Saskatchewan	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
48. Northern Alberta	x			x	x	x	x	nationwide	nationwide	nationwide	x	x
50. Southern Interior BC	x							nationwide	nationwide	nationwide		
54. Southern Coastal BC	x			x			x	nationwide	nationwide	nationwide	x	
55. Northern BC	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
56. Yukon	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
57. NWT	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x
58. Nunavut	x	x	x	x	x	x	x	nationwide	nationwide	nationwide	x	x

* Pilot Project No. 15 ceased to apply in: St. John's on September 24, 2011; Chicoutimi-Jonquière on March 24, 2012; and Sudbury on June 23, 2012.

Appendix D: Letters Sent to NERE Pilot Claimants

One of the following two letters was sent to NERE Pilot claimants, depending on if the service provision was provincial discretion or if it was co-managed.

N-10-00-01 – Invitation to contact an employment service provider – employment services co-managed.

The Department of Human Resources and Skills Development Canada (HRSDC) has implemented a three-year pilot project in which Employment Insurance claimants who are new to the work force or returning to the work force after an extended absence and who live in regions of high unemployment now qualify for Employment Insurance benefits at a reduced number of hours (840 hours instead of 910 hours).

According to your application, you have qualified for Employment Insurance benefits based on the pilot project criteria. Qualifying for Employment Insurance allows you to access employment services and benefits which are designed to address your employment needs and help you return to work.

As part of your participation in this pilot project you are being invited, by means of this letter, to contact an employment service agency (see attachment) where you can receive help to determine your employment needs and guidance in developing a plan for you to return to work. The employment service agency may advise you on information about the labour market and services such as counselling, career decision making and possible referral to an employment benefit such as training. In addition, they may offer employment assistance programs such as Job Finding Clubs, résumé writing, job search skills and other employability supports.

If you are unable to visit an employment service agency (see attachment), you may wish to contact an official at your local Service Canada Centre (SCC) who will be able to advise you of alternatives to receive the help you need to return to work.

For your convenience, we are providing the web-link to HRSDC services where you can locate the SCC office nearest you:

<http://www.hrsdc.gc.ca/en/home.shtml>

Yours sincerely,

Att.: Employment Service Agency

**N-10-00-02 Invitation to contact an employment service provider
- employment services totally transferred to the
provinces/territories.**

Human Resources and Skills Development Canada (HRSDC) and Service Canada have implemented a three-year pilot project in high unemployment regions under which Employment Insurance (EI) claimants who are new to the work force or are returning to work after an extended absence now qualify for EI benefits at a reduced number of hours (840 hours instead of 910 hours).

According to your application, you have qualified for Employment Insurance benefits based on the pilot project criteria. Qualifying for Employment Insurance allows you to access provincial or territorial employment programs which are designed to address your employment needs and help you return to work.

As part of your participation in this pilot project, you are being invited, by means of this letter, to contact a provincial or territorial local employment center (see attachment) where you can receive help to determine your employment needs and guidance in developing a plan for you to return to work. Your provincial or territorial local employment center may also assist you with information on the labour market and available employment services, including counseling, career advice, and training.

If you are unable to visit one of the provincial or territorial local employment centers identified on the attached list, you may wish to contact your provincial or territorial government to learn about alternatives to receive employment assistance to help you return to work.

Yours sincerely,

Att: List of Employment Service Centres or offices

Appendix E: Rate Calculation Formulas

The 26 week benefit rate calculation, which was replaced in pilot regions by the Best 14 Weeks formula and was in effect in non-pilot regions until April 2013, is given by:

$$\text{Benefit Rate} = 55\% * \frac{\text{Insured Earnings in the RCP}^t}{\text{greater of } \left\{ \begin{array}{l} \text{Number of weeks worked } t \\ \text{or} \\ \text{Minimum Divisor} \end{array} \right.}$$

t excluding small weeks, which are weeks with earnings below \$225, unless they are required to satisfy the minimum divisor.

The rate calculation formula under the Best 14 Weeks Pilot is given by:

$$BR = 55\% * \frac{\sum \text{The 14 Highest Earning Weeks in the QP}}{14}$$