

Who gets UI?

André Picard

In 1940, Canada introduced an income-support program for job-losers known as the Unemployment Insurance program or UI. While initially the UI program covered slightly more than 40% of workers, over the years coverage was extended. Since the major revision of the UI Act in 1971, the program has covered virtually all employees.

During the last two decades, the UI program has played an important role as a temporary income substitute for persons who are out of work because of layoff or other reasons. UI becomes particularly important during periods of recession, when the number of layoffs increases substantially. During the last two recessions (1981-82 and 1990-92), the number of beneficiaries soared.

This article looks at the changing profile of regular Unemployment Insurance beneficiaries (see [Data source and definitions](#)) during the past decade, with particular focus on their occupation. The 1980-83 and 1989-92 periods are closely examined in order to evaluate the impact of the last two recessions on the number of beneficiaries.

The number of beneficiaries rises during a recession ...

In 1992, more than 1.1 million individuals, on average, received Unemployment Insurance benefits. ⁽¹⁾ This level, only slightly below the 1991 record high, exceeded the previous peak registered in 1983. However, the proportion of beneficiaries relative to the total labour force ⁽²⁾ continued to be lower in 1992 (8.3%) than it was in 1983 (9.2%); similarly, the unemployment rate in 1992 (11.3%) compared favourably with that in 1983 (11.8%).

Between 1989, the year preceding the recession, and 1992, its end, the number of beneficiaries rose by 29%. This increase was much smaller than the 85% rise that occurred in the 1980-83 period. However, despite several years of economic growth during the 1980s, the number of beneficiaries in 1989 was 47%

higher than it was before the 1981-82 recession; during this same period, the labour force increased by only 17%.

... and men are more affected than women

Between 1989 and 1992, the relative increase in the number of beneficiaries was much greater among men than among women: 39% (to 682,000) versus 17% (to 466,000) ([Chart A](#)). In contrast, between 1980 and 1983, the difference was not as large (89% versus 80%).



Chart A **The number of beneficiaries* increases during recessions.**

Source: *Labour Division, Unemployment Insurance statistics*

* *Receiving regular benefits.*

During the following years of economic expansion, the decrease in female beneficiaries was much smaller than it was for males. This is, in part, due to the substantial number of women who entered the labour market during the 1980s, thereby increasing the population of women covered by the UI program. In fact, over this decade, women's share of the labour force increased by more than four percentage points, to 44.3%, while their participation rate [\(3\)](#) grew from 50.4% to 57.9%. In contrast, men's participation rate declined slightly from 78.4% to 76.7%.

The impact of a recession varies by age

Although more than one-half of the beneficiaries were between the ages of 25 and 44, those 45 and older registered the sharpest proportional rise between 1989 and 1992 ([Chart B](#)). This age group also experienced the largest increase in the length of unemployment during these years ([Corak](#), 1993 and [Dumas](#), 1994).



Chart B **During the recent recession, the number of older beneficiaries * rose significantly.**

Source: *Labour Division, Unemployment Insurance statistics*

* *Receiving regular benefits.*

The number of beneficiaries in the 15 to 24 age group (youths) increased slightly in 1991 and then declined in 1992 to a level approaching the 1989 trough. This might be explained by the fact that during the recession many young people withdrew from the labour force, and a fair number of them decided to return to or pursue their studies. Indeed, between 1989 and 1992, the labour force participation rate of youths shrank by more than five percentage points, to 65.1% while the number of full-time students continued to increase ([Sunter](#), 1994).

In the early 1980s, the number of beneficiaries aged 15 to 24 accounted for close to one-third of the total, compared with less than one-fifth in 1992. However, youths' share of the population aged 15 and over had fallen significantly as well, from 25% in 1980 to 18% in 1992. The aging of the population also explains why beneficiaries aged 25 to 44 were more prominent during the 1980s.

Ontario hard hit by recession

In 1989, Ontario's economy was booming with an unemployment rate (5.1%) well below the rate in other provinces. However, during the last recession, this province experienced by far the largest increase in the number of UI beneficiaries ([Chart C](#)). More than 155,000 additional beneficiaries were recorded in Ontario between 1989 and 1992, representing close to 60% of the total increase in Canada during that period. Not surprisingly, this rise corresponds to the many jobs lost in this province in 1990 and 1991. Despite the substantial increase, the number of beneficiaries in this province in 1992 was still lower than in Quebec. Thus Ontario, with 38% of the national labour force, accounted for only 28% of UI beneficiaries in 1992 while Quebec, with 25% of the labour force, made up 32% of all beneficiaries.



Chart C **Between 1989 and 1992, Ontario experienced the highest percentage increase in the number of beneficiaries.***

Source: *Labour Division, Unemployment Insurance statistics*

* *Receiving regular benefits.*

Elsewhere in the country, the number of beneficiaries registered a moderate increase between 1989 and 1992 (with the exception of the Northwest Territories). In the Atlantic provinces, the increases were less than 20%. However, during the economic expansion of the 1980s, the number of beneficiaries declined very little. The importance of the fishing industry in this region and its seasonal nature could, in part, explain the slight fluctuations in the number of beneficiaries throughout the business cycle.

Among the Prairie provinces, Alberta recorded the largest increase in the number of beneficiaries during the last recession (18%). However, this rise pales in comparison with that of the early 1980s when the increase in the number of beneficiaries was more than 500%. Because of the importance of the oil sector in this province, the drop in oil prices in 1979 had a greater impact on Alberta's economy than it did elsewhere.

UI beneficiaries in British Columbia rose only slightly between 1989 and 1992. In fact, the recession was hardly felt in this province, the only one to experience yearly employment gains from 1989 onwards. This economic performance mirrors British Columbia's net increase in interprovincial and international migration in recent years.

White-collar workers [\(4\)](#) were not spared ...

Between 1989 and 1992, [\(5\)](#) the number of white-collar workers receiving UI benefits grew by 33% compared with a 31% rise among blue-collar workers. (This appears to contradict the popular belief that white-collar workers are spared in economic downturns.) However, these increases did not occur in tandem. Among blue-collar workers, most of the rise occurred at the beginning of the recession, with the number of beneficiaries peaking in 1991 and subsequently declining. Among white-collar workers, the number of beneficiaries increased more slowly but continued to rise throughout 1992. This pattern reflects the nature of the last recession which started with job losses in manufacturing and construction, followed by losses in some parts of the service sector.

Among white-collar beneficiaries, those who were last employed in managerial and professional positions suffered the most ([Chart D](#)). The restructuring by large firms to eliminate middle-management positions in recent years may partly explain this trend. Although Ontario experienced the most substantial increase, Quebec continued to have the highest number of beneficiaries in this occupational category.



Chart D **Both white- and blue-collar workers were affected by the recent recession.**

Source: *Labour Division, Unemployment Insurance statistics*

The increase in UI beneficiaries among clerical workers also coincides with this group's employment decline in 1992. In sales, the number of beneficiaries also grew substantially as a result of job losses in retail trade in 1991.

Among blue-collar workers, those last employed in processing, machining and fabricating occupations registered the sharpest increases during the recent recession. In Ontario, where almost half of Canada's manufacturing is located, the number of beneficiaries nearly doubled. Workers in construction and transportation occupations also experienced significant increases.

... but blue-collar workers were more likely to be UI recipients

Although between 1989 and 1992 blue-collar workers on average accounted for only 41% of all paid workers, [\(6\)](#) they made up 60% of UI beneficiaries ([Chart E](#)). This overrepresentation of beneficiaries was found in most major blue-collar occupational groups in both 1992 and 1989 ([Table](#)). It was highest in construction, where the share of beneficiaries was almost three times that of paid workers. This could be explained by the seasonal nature of the construction industry in Canada.



Chart E **On average, blue-collar workers were overrepresented among beneficiaries.***

Source: *Labour Division, Unemployment Insurance statistics and Labour Force Survey*

* *1989-1992 average.*



Table **Paid workers and Unemployment Insurance beneficiaries by occupation, 1989 and 1992**

Source: *Labour Division, Unemployment Insurance statistics*

The situation was reversed among white-collar workers where the managerial and professional group's share of total beneficiaries was less than half its proportion of all paid workers. This may be due to the fact that many persons in these occupations provide essential services in the areas of health, education and other social services, where the demand for workers remains strong throughout the economic cycle. In addition, this group's educational level was the highest of all occupations (40% had a university degree in 1992), a fact which reduced the likelihood of unemployment (only 3% of blue-collar workers had a university degree). In 1992, for example, the unemployment rate among managers and professionals was 5.9% compared with 14.5% among blue-collar workers.

The shares of both beneficiaries and paid workers were similar in clerical occupations. On the other hand, sales occupations recorded proportionally fewer beneficiaries, perhaps because a higher share of these persons work part time and might therefore be ineligible for UI benefits.

Summary

Like most labour market indicators, the number of Unemployment Insurance beneficiaries fluctuates with the economic cycle. However, during the last decade, this number has remained high despite several years of economic growth. Nevertheless, the rise in the number of beneficiaries during the 1990-92 recession was much smaller than it was during the recession of the early 1980s: 29% and 85% respectively.

This increase, between 1989 and 1992, was particularly high among men, persons aged 45 and over, and those living in Ontario. Contrary to public opinion, white-collar workers were also affected by the recession, as the number of both white- and blue-collar beneficiaries rose in similar proportions (33% and 31% respectively).

At the end of the expansionary cycle of the 1980s, the number of beneficiaries remained close to 50% higher than it had been before the 1981-82 recession, although the labour force had grown by only 17%. But, this time around will the number of beneficiaries drop to a level similar to that preceding the 1990-92 recession, given that preliminary data for 1993 show a slight decline?

Data source and definitions

Data on Unemployment Insurance beneficiaries are administrative data provided by Human Resources Development (formerly Employment and Immigration Canada). The count of beneficiaries is based on the number of people receiving benefits during a specific week in the month.

Some important changes were made to the Unemployment Insurance program in 1990 including, among others, the modification of benefit eligibility rules. For example, effective November 1990, individuals have to work 10 to 20 weeks, depending on the unemployment rate in their region, instead of 10 to 14 weeks as was the case previously.

This study deals only with those beneficiaries who received regular benefits, that is, persons who experienced an interruption in earnings but who were ready and able to work. These accounted for 83% of all beneficiaries in 1992. Beneficiaries receiving special benefits, for example, sickness or maternity

benefits, are excluded.

The definition used for recipients of regular benefits is similar to the concept used by the Labour Force Survey to estimate the unemployed. It is important to note that although there are some similarities between the concepts of "Unemployment Insurance beneficiaries" and the "unemployed," there are also some important differences. For example, a recipient of regular benefits must have a minimum number of weeks of insurable employment and a minimum level of insurable earnings. He must be ready and able to work, and may receive benefits for up to 50 weeks only. An unemployed person, on the other hand, will be classified as such as long as he or she is ready to work and is seeking work.

For further details concerning the concepts related to Unemployment Insurance beneficiaries and the unemployed, see [*Unemployment Insurance Statistics, Annual Supplement*](#), Catalogue 73-202S and *The Labour Force*, Catalogue 71-001.

Notes

Note 1

The figures and percentages in this article are 12-month averages for the reference year.

Note 2

The concept of the labour force is used in this article to estimate the population covered by Unemployment Insurance. The labour force includes members of the non-institutionalized civilian population aged 15 and over who had a job or were unemployed during the reference week of each month.

Note 3

The participation rate is defined as the number of people working or looking for work expressed as a percentage of the population aged 15 and over.

Note 4

White-collar workers have managerial, professional, clerical, or sales occupations; blue-collar refers to all other occupational groups.

Note 5

Data on Unemployment Insurance beneficiaries by occupation have been available only since 1984, when the expansionary cycle was already underway. This analysis will therefore focus on the 1989-92 period.

Note 6

Paid workers exclude the self-employed and unpaid family workers who are not covered by the UI program.

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Source

Perspectives on Labour and Income, Summer 1994, Vol. 6, No. 2 (Statistics Canada, Catalogue 75-001E). This is the fourth of seven articles in the issue.

 HIGHLIGHTS

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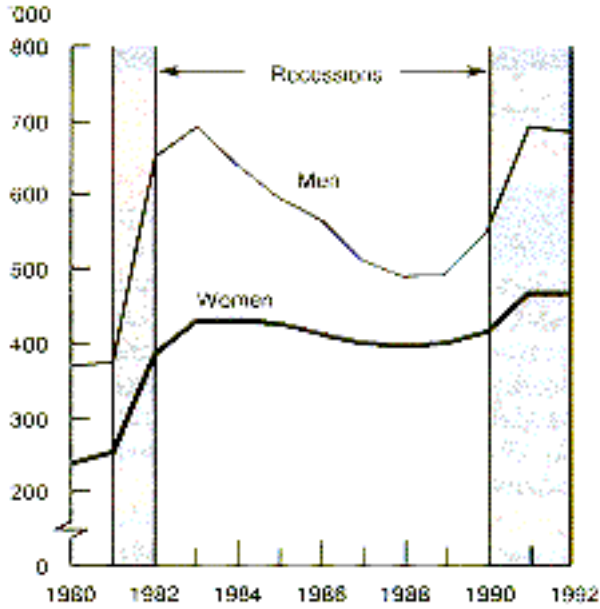
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Chart A

The number of beneficiaries* increases during recessions.



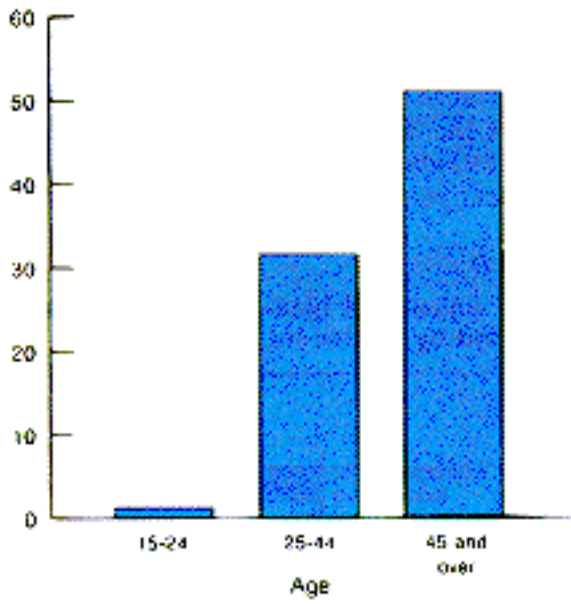
Source: Labour Division, Unemployment Insurance statistics

* Receiving regular benefits.

Chart B

During the recent recession, the number of older beneficiaries * rose significantly.

% change between 1989 and 1992

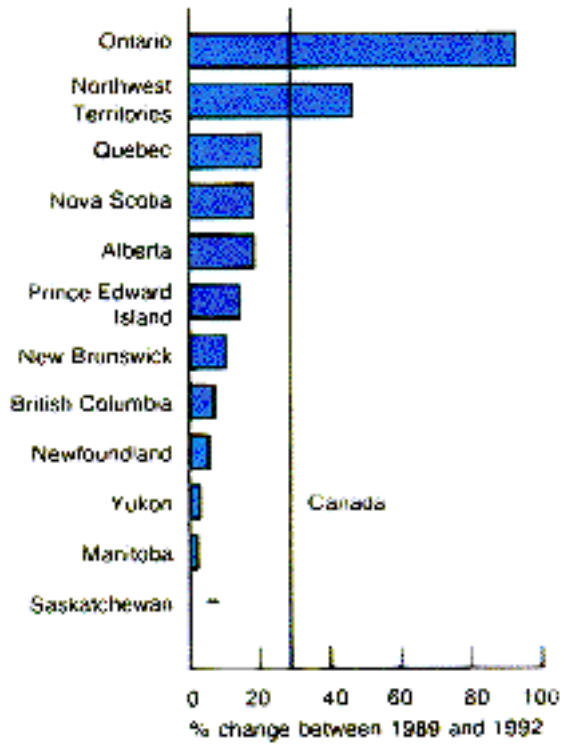


Source: Labour Division, *Unemployment Insurance Statistics*

* Receiving regular benefits.

Chart C

Between 1989 and 1992, Ontario experienced the highest percentage increase in the number of beneficiaries.*

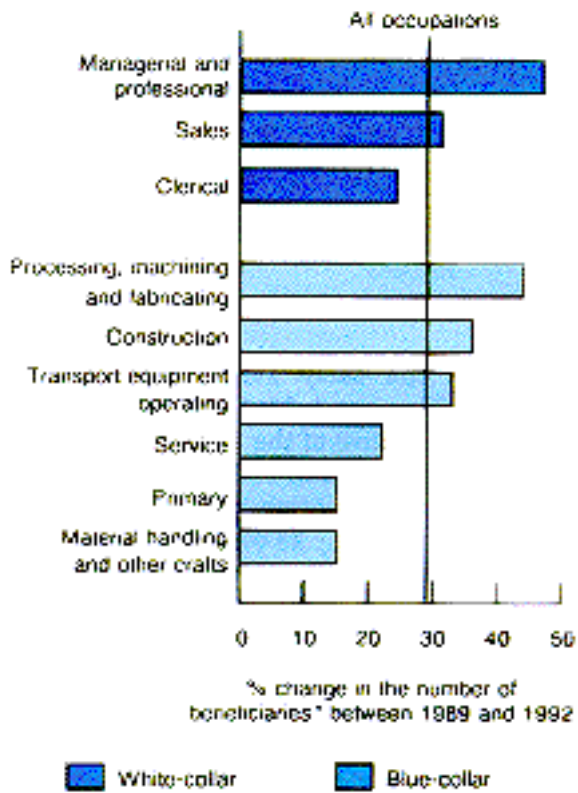


Source: Labour Division, Unemployment Insurance statistics

- * Receiving regular benefits
- ~ The estimate is too small to be shown.

Chart D

Both white- and blue-collar workers were affected by the recent recession.

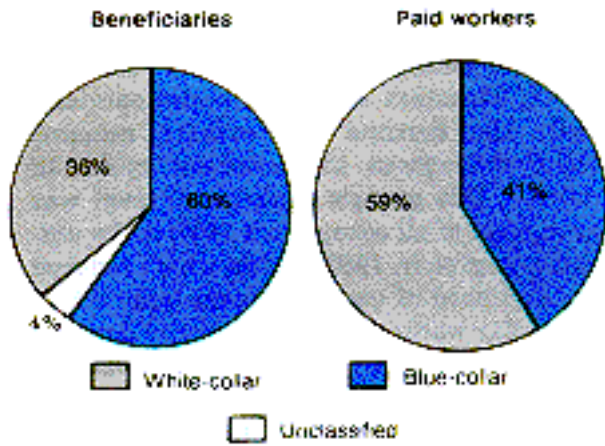


Source: Labour Division, Unemployment Insurance statistics

* Receiving regular benefits.

Chart E

On average, blue-collar workers were overrepresented among beneficiaries.*



Sources: Labour Division, Unemployment insurance statistics and Labour Force Survey
* 1969-1992 average.

Paid workers and Unemployment Insurance beneficiaries by occupation, 1989 and 1992

	1989		1992	
	Paid workers	Beneficiaries	Paid workers	Beneficiaries
All occupations ('000)	11,309	889	10,993	1,148
	%			
Managerial and professional	30.5	12.2	33.5	13.8
Clerical	18.2	17.3	17.7	16.7
Sales	8.7	6.7	9.2	6.8
Service	12.7	11.5	13	10.9
Primary occupations	2.5	6.3	2.6	5.6
Processing, machining and fabricating	14.3	14.1	12.2	15.7
Construction trades	5.5	15.9	4.7	16.7
Transport equipment operating	3.7	4.5	3.6	4.6
Material handling and other crafts	3.8	6.3	3.6	5.6
Unclassified	...	5.3	...	3.6

Sources: Labour Division, Unemployment Insurance statistics, and Labour Force Survey