

PROCEEDINGS ON ADJOURNMENT MOTION

[English]

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

CONSUMER AND CORPORATE AFFAIRS—JOBS LOST THROUGH BANKRUPTCIES—WAGE CLAIMS OF EMPLOYEES

Mr. F. A. Philbrook (Halton): Mr. Speaker, on March 12 I posed a question to the Minister of Consumer and Corporate Affairs (Mr. Allmand) on the so-called bankruptcy bill, S-14, which was reintroduced from the Senate on the basis of a previous bill. I have a particular concern about this bill and there is a special reason for it; I am afraid I reacted rather suddenly and strongly.

● (2200)

A couple of Christmases ago I happened to be working in my office on Christmas eve, late in the afternoon, and suddenly I found I had a group of very distressed workers on my hands. They had just been told their company had gone bankrupt; they had expected their Christmas pay and they had nothing to go on. They were very upset and uncertain about what to do. I have never forgotten that experience. Fortunately, the Unemployment Insurance Commission came up rather nobly. The men helped each other to a certain extent, and though it promised to be a bleak Christmas, especially for the children, they managed to make it through. That sort of thing leaves an indelible impression.

I should like to make it clear at the start for the benefit of the minister, a good-hearted man who has the interest of the workers and ordinary men at heart, that by and large there is a good deal in this bill which is of merit. But there is one particular area with which I am particularly concerned.

I pointed out at the time I asked the question that the bankruptcy of companies for which they work means a serious loss every year to the workers of this country. Something like \$4 million in wages is lost in this way every year. Such losses concern people who are least able to protect themselves.

Parts of the bill which have merit include the provisions for the consolidation of our bankruptcy laws, clarifying existing law, and dealing with both consumer and commercial interests within the framework of one piece of legislation. Provision is also made for delegation of responsibility to the provinces, and for the imposition of a personal liability on directors in certain circumstances. Other parts of the bill relate to receiverships and the position of insurance companies.

Then we come to the part which concerns the protection of various elements in a company. This is what is of most concern to me and, I believe, to many others. It would reduce the preferred claims of the Crown, that is, the tax man, with a view to increasing the return to ordinary, unsecured creditors. That is good. It also grants to wage earners a priority over unsecured creditors up to \$2,000 in unpaid wages, plus an

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additional \$500 for various fringe benefits. That is not bad, though it could be improved.

What concerns me is that it gives preference for first claims on assets to secured creditors ahead of ordinary workers. Although there is an important place for secured creditors when businesses do not work out well, the people who need protection most, those who are least resourceful, are the ordinary workers. I have considerable sympathy for unsecured creditors, many of whom represent small companies, whereas secured creditors are often bigger firms such as bankers and security companies which arrange the principal financing.

● (2205)

Workers have no control over the business of their employers. They have no control over what happens to them or their jobs. They often have few cash reserves and a great deal of primary responsibility for their homes and for the welfare of their children. One thing which also concerned me about the Christmas eve incident was the fact that the workers went to their union and asked for help, and the union did not seem to show much interest or offer support or even consolation. I do not think that is typical, but it certainly can happen, and it was very unfortunate.

Since I raised this subject I have noticed a great deal of support for my position. This support has come from my colleagues in all parties. A former minister, the hon. member for Windsor West (Mr. Gray), originally put in the provision that workers would be served first.

Mr. Orlikow: What happened to that?

The Acting Speaker (Mr. Turner): Order, please. I regret to inform the hon. member that his allotted time has expired.

Miss Aideen Nicholson (Parliamentary Secretary to Minister of Consumer and Corporate Affairs): Mr. Speaker, I want to thank the hon. member for Halton (Mr. Philbrook) for his question. I share his concern that workers be able to recover their just wages.

In the earlier version of the bankruptcy bill, Bill C-60, which was introduced in this House on May 5, 1975, wage earners were accorded a priority for wage arrears up to \$2,000 over the claims of secured creditors. The subject matter of Bill C-60 was referred to the Senate Committee on Banking, Trade and Commerce, which received briefs and heard witnesses. Groups from business and the professions objected to the proposed wage earner priority on the ground that commercial lending and financing would become uncertain if secured creditors were deprived of their protection. It was pointed out that this provision, if enacted, would make it difficult for small, labour-intensive firms to get financing to stay in business and to continue to offer employment. So the Senate committee recommended that that provision be deleted.

Bill S-14, the bill now before the Senate, however, does give wage earners the status of preferred creditors, that is, their claims of up to \$2,000 in wages and up to \$500 in pension and