Unemployment Insurance Act

GOVERNMENT ORDERS

[*English*]

UNEMPLOYMENT INSURANCE ACT, 1971

MEASURE TO AMEND

The House resumed, from Wednesday, June 18, consideration of the motion of Mr. Axworthy that Bill C-3, to amend the Unemployment Insurance Act, 1971, be read the second time and referred to the Standing Committee on Labour, Manpower and Immigration.

Mr. Lyle S. Kristiansen (Kootenay West): Madam Speaker, as we came to six o'clock yesterday, I indicated that I would be changing my tack from the cataloguing of various administrative and regulatory problems within the department which I discussed yesterday. I began my remarks yesterday by saying that one of our main reasons for opposing Bill C-3 is that the UIC program has come more and more to be one in which the people who have the least end up paying the most and receiving the least benefits, particularly in recent years.

I would like to refer to some figures which will demonstrate rather clearly how this is happening within the administration and the effect it is having on our unemployment insurance system. The figures to which I will be referring are based on 1978 statistics, so there may be some minor discrepancies, but basically the message will hold true. For example, for someone who had an earned income in 1978 of $6,000, the required contribution was $90. Of course, because of the income level, such an individual does not receive any deductions from taxable income because he does not have a taxable income. Therefore, the net contribution is $90, and should he become unemployed he would receive a weekly unemployment insurance benefit of $76.92.

For someone who earned $50,000 a year, the required contribution was $187.20. The tax savings received as a result of the deductions based on those contributions was $97.04. Basically the net contribution would have been $90.16 in order to be eligible for benefits. The benefits which he then received were $160 per week. Therefore, someone earning $6,000 would pay $90 to get $76.92, while the individual who earns $50,000 would make a net contribution of $90.16 in order to receive benefits of $160 instead of $77 per week.

Another example concerns an individual who earns $10,000. The net contribution would be $111.12 for the year which would then entitle that individual to $128.21. That figure is compared to someone who earns $20,000 and who makes a net contribution after taxes of $119.81 to receive $160. In other words, the lower a person is on the income scale, the more they pay, but the less the benefit to which they are entitled. The benefit evens out at annual earnings of approximately $15,000 a year, but there is an obvious inequity in such a system.

● (1530)

Any time we consider drawing up a social insurance plan or a means of redistributing income—and this is more properly an insurance plan—whether it is family allowance, UIC or anything else, members of this House would normally feel that people should pay according to their ability and not that the poorest pay the most to get the least.

Rather than pursuing the direction set by this bill, the government would be better advised to reduce dramatically all premiums and then not allow them as a deduction from income. I know that the minister cannot take such action on his own, but in order to overcome the inequities in the unemployment insurance system perhaps it would be wise to reduce the premiums and not make them deductible from income. This would make for a more fair distribution and a greater degree of equity in the unemployment insurance system, as those earning the most would pay accordingly; and in the event of becoming unemployed they would receive appropriate compensation. Because of the problems experienced in applying exemptions and deductions as opposed to tax credits, almost all our income redistribution and social insurance programs have suffered.

In 1971, when the hon. member for Lincoln (Mr. Mackasey) was minister, he introduced what most people in the country and in this House considered to be a rather good package. Since then, the government which saw fit to give has also seen it as their prerogative to take away. As the years pass they have been taking more and more away. Premiums were slightly reduced at the beginning of 1978, but at the same time it was decreed that, instead of unemployment insurance benefits being set at 66⅔ per cent of normal earnings, they should be reduced to 60 per cent. Premiums have risen since then, so we are now paying more and receiving less.

The bill before us provides that in future the administrative costs of the national employment service will not be paid out of general revenue but rather will be covered through increases in employer-employee contributions. I fail to see the rationale for this, other than that it brings more revenue into the government's coffers. There is certainly no rationale in terms of equity or social cost accounting. Other items that come under the unemployment insurance program such as maternity leave, sick leave, etc., and which have gone beyond the bounds of the initial concept of unemployment insurance, should really not be paid for through employer-employee premiums. They are not related to the experience of any particular industry. On actuarial grounds it is difficult to justify such payments coming out of premium income rather than out of the general revenue of the government.

I should like to turn now to some examples of individual problems or localized issues which occur in the administration of the system. Yesterday I decried the backlash which sometimes occurs in the country and also in this House in times of high unemployment when people attempt to attack the unemployed instead of unemployment. We hear phrases like, "The unemployed are lazy and do not want to work"; or "They are freeloaders who have it too soft and can live better on UIC than on wages". This is an ironic commentary in itself on income levels in this society, Mr. Speaker. Statistics on unemployment issued within the past couple of months have predicted a growing problem for the next few years. If the usual line