

Supply

[English]

Mrs. Georgette Sheridan (Saskatoon—Humboldt, Lib.): Mr. Speaker, as a western Canadian, I welcome the opportunity to take part in this debate on the motion of the opposition party concerning our government's plans to reform the old system of unemployment insurance in Canada.

So far most of the discussion that has taken place since the Minister of Human Resources Development introduced the new act on Friday last has focused on the impact in the eastern parts of the country, in Quebec and Atlantic Canada in particular. It is important to keep in mind, however, that these reforms will impact in all parts of Canada. Canadians in every province will be potentially better off because of them.

A number of respected and knowledgeable Canadians, including several from western Canada, have already spoken publicly in support of the new legislation. There is broad support for the new program all across the country.

• (1555)

It is important that members of the House should assess the new employment insurance act in terms of what it will do for unemployed Canadians, not on how it fits with one political ideology or the other. It is also essential that we use this opportunity to help Canadians to better understand the new act, and especially to clarify some of the misconceptions that have arisen in some of the public discussion in the past few days.

The first thing that needs to be clarified is the question of the reserve, how the reserve that is expected to accumulate in the insurance fund will be used. I raise this because there has been concern expressed that any surpluses that may accumulate will be used to pay down the government's debt or reduce the operating deficit.

Let me be perfectly clear on this. Surpluses in the insurance fund will not be used to reduce the government's debt or deficit. The unemployment insurance fund has operated under a separate set of accounts in the past, and that will not change with the new law. The federal government acts as a lender of last resort for the account when it is in deficit, which by the way must be repaid with interest. Alternatively, when the account accumulates a surplus it will earn interest.

Since 1986, following the recommendation of the auditor general of the day, the unemployment insurance account has been part of the government's consolidated account. This is simply to provide an integrated report of the government's financial operations.

As with the unemployment insurance account, the employment insurance account will be separate from the government's consolidated revenue fund. It cannot be used for purposes other than those designated in the legislation. Thus, should there be

any surpluses in the employment insurance fund, which is self-financed out of employer and employee contributions, it will stay in the EI account. To make it abundantly clear, EI premiums will not be used to pay down the debt.

It is true that the unemployment insurance fund is currently in a small surplus position. It is true that the minister has said it is the government's intention to increase the reserve in the account. The reason for this is quite apart from issues of deficit and debt reduction. The reason for this is to ensure the stability and long term sustainability of the EI program itself.

Members of the House may remember that during the last recession the unemployment insurance program was in serious financial difficulty. Benefit claims were climbing sharply, contributions were not covering the increased payouts, and the unemployment fund operating deficit was growing at an alarming rate. As everyone knows, for an insurance program a growing deficit between claims and premiums spells disaster.

The government of the day, in reaction to this impending disaster, was forced to raise premiums and then to raise them again. In a two-year period premiums increased by about 25 per cent. In fact over a five-year period premiums rose by 36 per cent, from \$2.25 to \$3.07.

The bad news is that these hefty increases in premiums, which I would remind hon. members are paid by the employers and the employees, were not enough to balance the account. At the end of the day, the fund eventually ran up a cumulative deficit of \$6 billion.

People are tired of these big numbers. They are getting very used to them. I put this in perspective. The impact of a \$6 billion deficit on a fund like this means hardship for the employers and the employees. In the first place, employers were faced with higher payroll taxes at a time in the economic cycle when they could least afford it. In effect, this served as a drag on job creation. Some estimates suggested that the premium increases killed as many as 40,000 jobs.

As for the workers, they too were faced with paying higher premiums, which meant they had less money in their pockets after deductions. The increased premiums reduced their after tax income at a time when the economy needed stimulation in the form of more consumer spending.

Fortunately, the system is now back in equilibrium. As I said earlier, we have a small but positive surplus in the account. The financial disaster in the UI fund was averted. No one wants that kind of situation to happen again. That is why it is extremely important that we build a surplus in the EI fund.

Should we get into a position where the reserve is judged to be sufficient, it will allow us to consider whether further premium reductions may be possible. The review of the adjustment to the reforms, which the legislation itself requires must take place by December 1998, will provide us with an opportunity to reassess