

to adjust contributions more in line with benefits—not in the sense that there would be a complete adjustment to the firm or to the industry, but in the sense that there would be an adjustment so that the deficit of \$43 million for construction would not fall on all the other industries. but that construction would bear a larger burden of that \$43 million, and conversely the manufacturing industry would benefit from the fact that it has better experience.

All this scheme of experience has been made conditional by statements that the minister has made on consultation with the industry through the advisory committee, and the gradual period of phasing in. All of this is based on the experience which we would accumulate between now and 1973. The principle of experience rating would permit making these adjustments based on accumulated experience and discussions with representatives from industry. The principle is here. The mechanics will be worked out in future.

**Senator Smith:** From what the witness has said, I take it that as far as the ratio of benefits to payments is concerned, the seasonal self-employed fishermen segment is 10 to one. In terms of the proportion of that \$225 million which it cost last year, it is very small. This scheme has been going on for roughly 20 years. The amount mentioned, divided by 20, is a very small amount of money. I am wondering whether any new scheme will produce the same social benefit that this has produced for fishermen.

Everybody runs down the scheme as though it is a horrible thing. I think it has been a most worthwhile scheme in most parts of the country. One of the provinces where it does the most good is in Senator Carter's area. In my own particular area, when we do not have freeze-ups, it can be criticized with good reason. Fishermen intentionally do not wish to go on the larger draggers. On the north shore of New Brunswick it saves them from being deprived of a great many necessities of life. I have been informed that it saves merchants from going under, it keeps the children supplied with food, it pays the grocery bills.

I hope that someone from your commission will be on any study group carrying on discussions leading to what we hope will at least be equivalent to what we have in terms of social benefits. It is not all bad. It has corrected a great deal of social hardship.

**Mr. DesRoches:** The White Paper does not in any way condemn the system. I think the statement I made earlier was that if it is to be condemned it is because it really does not cover the situation adequately.

I think the flaws that have been in the system from the financing point of view are beside the point. This is why the Government is willing to pick up the tab, to get this financial argument out of way. The financial argument was made by the Gill Committee and by a number of other people. I admit it is perhaps difficult to administer this area because it creates a legal figment. I think this is the criticism we have had, that it creates a legal figment of making a sale equivalent to employment, and it does not cover the situation where the sale does not occur because of mercury pollution, or a catch lost a sea, or these other situations that are not covered, and a sale

does not take place. I think it is on those grounds that a new scheme would have to be developed. The policy of the Government embodies in the White Paper is that nothing would be done, and that the benefits would be continued as they are now until such a scheme is developed.

**Senator Flynn:** In the meantime it has to be recalled that if there is any abuse, since the benefits are taxable that would be a correction. Seasonal workers who have a very profitable season and collect unemployment benefit will have to pay income tax on that. There is a sort of recovery anyway.

**The Acting Chairman:** Will the Unemployment Insurance Fund go out of existence and be incorporated in a consolidated fund, or will it still have a separate existence?

**Mr. DesRoches:** It will have a separate existence under the term "Unemployment Insurance Account". The fund is now part of the Consolidated Revenue Fund, and the Unemployment Insurance Account will also be part of the Consolidated Revenue Fund. This is more an accounting device for locating it in order that money can flow in and out. The main difference will be that it will not be an accumulated fund. In other words, where an excess of contributions is raised in anticipation of an excess of benefits later on, this feature will not be there. There will be an account, the money which is now in the fund will be poured into this account, and then revenues and expenditures will be made out of this account, but on a pay-as-you-go basis. The main difference is not so much in the disappearance of the accounting method as in the disappearance of an excess of contributions, if you like, in anticipation of an excess of benefit later on.

**The Acting Chairman:** Will these new revenues that are collected when this bill becomes law go into the Unemployment Insurance Fund?

**Mr. DesRoches:** Yes.

**The Acting Chairman:** Or into the Consolidated Revenue Fund?

**Mr. DesRoches:** They will go into the Unemployment Insurance Account, which is part of the Consolidated Revenue Fund. The present fund is part of the CRF, it is purely an accounting device.

**Senator Connolly (Ottawa West):** I understand there is about \$350 million in the fund now. Would you tell the members of the committee what will happen to that balance?

**Mr. DesRoches:** The balance is slightly lower than that.

**Senator Connolly (Ottawa West):** It may be.

**Mr. DesRoches:** It is somewhere around \$244 million at the moment. It will be transferred to the Unemployment Insurance Account, which is a new term, which has not got this funding idea, so it is a separate account. As the fund is a separate account the money will continue, if there is excess, to be invested by the Department of Finance with the Bank of Canada at a rate of interest