

TABLE 8

COMPARISON OF THE EFFECTS ON GOVERNMENT ACCOUNTS OF PAYING UNEMPLOYMENT INSURANCE OR A PUBLIC-SERVICE SALARY TO AN UNEMPLOYED PERSON, USING THE MULTIPLIER

(A)

**WHEN SMITH, THE AVERAGE UNEMPLOYED CANADIAN,
WAS EMPLOYED**

(a) Smith's employment income in private industry	\$15,640
(b) GDP generated by Smith's employment income, \$15,640 times the multiplier of 1.7	\$26,588
(c) Governments' net balance, 34.4% of \$26,588	+\$ 9,146

(B)

SMITH LOSES HIS JOB AND GOES ON UNEMPLOYMENT INSURANCE

(d) Smith's unemployment insurance benefits, a net loss for governments	-\$ 9,023
(e) GDP generated by Smith's unemployment benefits \$9,023 times the multiplier of 1.7	+\$15,339
(f) Tax revenues for all levels of government, from GDP generated by Smith's U.I. benefits, 34.4 per cent of \$15,339	+\$ 5,277
(g) Reduction in tax revenue for all levels of government because Smith lost his job [(c) - (f)]	-\$ 3,869
(h) Increase in government red ink [(d) + (g)]	-\$12,892
(i) Interest on (h), which government must borrow	-\$ 1,450
(j) Change in governments' net balance [(h) + (i)]	-\$14,342

(C)

LET US PAY A PRIVATE FIRM \$7,820 TO HIRE SMITH AT \$15,640

(k) Smith's employment income	\$15,640
(l) GDP generated by Smith's income [1.7 X line (k)]	\$26,588
(m) Tax revenues for all levels of government, [34.4 per cent of line (l)]	\$9,146
(n) Government contribution to Smith's salary	-\$7,820
(o) Net government balance, [(m) - (n)]	+\$1,326

Note: Eighty-six per cent of the increases or decreases in spending in Table 8 affect the federal government; 14 per cent affect the provincial and municipal governments.