

Unemployment Insurance Act

by employers and employees of approximately 40 per cent each. The federal government contributed 20 per cent of the over-all cost of unemployment insurance benefits at that point in time.

In the 1971 legislation these financial provisions were modified as part of the over-all revision of the benefit structure. That is something my colleague before me was very much instrumental in bringing about. The private sector under the 1971 amendments financed a share of the initial regular benefits up to the point where the unemployment rate reached 4 per cent. Beyond that the government picked up the cost of benefits, beyond the 4 per cent rate. In addition, the government assumed full responsibility for the other two phases of the Unemployment Insurance Act, the labour force extended benefits and the regional extended benefits. Administrative costs were charged against the premium account of unemployment insurance.

In 1976 that formula was changed to replace the 4 per cent unemployment rate by an eight-year moving average of national unemployment rates. In 1978 this eight-year formula for financing the first phase was extended to cover also the second phase of benefits, the labour extended phase of the program. Previously this phase had been totally financed by the general revenues of the Government of Canada.

The current situation, therefore, we now find ourselves in is that the government pays the full cost of the regional extended benefits, and shares with employers and employees the cost of both the initial regular benefits and the labour force extended benefits. Thus the total government share of the cost of the program in 1979 was 31 per cent.

Under the financing amendment that is being put forward in Bill C-3, the government will continue to bear the full cost of the regional extended benefits, while the private sector through its premium contributions will pay for the initial regular benefits and the labour force extended benefits of the program.

There is, I believe, an important principle underlying this formula, and that is that the first two phases of unemployment insurance benefits are those which are based on the insurance principle, a principle that goes back to the original concept of the Unemployment Insurance Act, namely, a voluntary insurance program to deal with short-term unemployment problems. It is important to recognize that principle because, in terms of the over-all direction of the review, the restoration of the idea, or the insurance concept or principle, is a very important guideline to use in any proposal or direction we would want to follow.

If the change in this financing formula is approved by Parliament and is effective as of July 1, 1980, it will mean the Government of Canada will save some \$378 million in direct government expenditures, a saving that I think members of this House will recognize as very important in this time of very severe restraints on government funds available for other programs. As a result, the government's share of the cost of unemployment insurance benefits will be reduced to about 20 per cent. It should be noted that this formula, this figure, or

this percentage point, is in line with the 1971 position in respect of unemployment insurance.

I should also remind members of the House that the review or revision of the financing formula is also in line with changes made previously for charging the costs of job referral and employment services to the unemployment insurance premium account effective as of April 1, 1980. The additional administrative charges under these amendments to the regulations total some \$246 million in the current fiscal year.

The reason for that change, as hon. members will recall, is that in 1977 Parliament approved the integration of the Unemployment Insurance Commission under the Department of Manpower and Immigration. That legislative change brought in the Unemployment Insurance Commission with full responsibility for the National Employment Service. That integration of the two operating parts of the department is now nearing completion, and it means, through integration, that we hope to be able to achieve greater efficiency and effectiveness in the ability of placing people and providing job referral service for the private sector.

The integration of the employment and insurance services is further strengthened by a program introducing online computer systems in our major employment and insurance offices across Canada.

One of these computer systems will provide faster and easier access to job vacancies for those looking for work, and will enable employers to draw upon a much wider labour pool for their jobs and employment requirements. The other on-line computer service we are introducing will enable insurance agents to provide claimants with much quicker and more up-to-date service on their claims. Needless to say, it will also provide the commission with the ability to provide a much higher degree of quality control of those claims, and we will be able to cut down on some of the problems that were posed to us in the Auditor General's report last fall.

Both these systems are now in limited use, but we are continuing the planned expanded operations beginning this year, and continuing into the mid-1980s.

We have also established a computerized national job bank to provide national exposure to jobs which cannot be filled from a local base.

With these changes in the operation of the commission, the integration plus the introduction of the new computerized service, it is logical that the costs of the employment services, as well as the unemployment insurance program administrative costs, be charged to the premium account, because we are in effect providing a basic, necessary and essential service to the private sector. These services, I can attest to members of this House, are of substantial benefit to both employers and employees. If they were not provided by the commission, other and substantially more costly arrangements would have to be made by companies and private individuals. These considerations, therefore, buttress and reinforce the appropriateness of a financial contribution from the private sector to the administrative costs of the employment service.