

### *Unemployment Insurance*

be glad to read that now, Mr. Speaker, but I am not so sure they will think it is right or true when they get the final bill next year.

Is it any wonder, we have to ask ourselves, that the administrative side of the department is such a nightmare given this bit of history? I want to refer to a remark made by the Auditor General in his 1977 report where he had this to say about the operation of the unemployment insurance. On page 68 of his report he says:

The over-all system, when viewed as a financial system, does not contain control procedures sufficient for ensuring that claims for initial and continuing benefits are adequately validated before or after the issue of the warrant.

The second point the Auditor General makes is as follows:

There are also weaknesses in the control and balancing of data throughout the entire system that could allow unauthorized transactions to be entered or cause valid transactions to be misplaced, without being detected.

We have heard a lot over the past few years of the problems in administration of the fund, not to mention the abuses. The Auditor General commissioned the firm of Clarkson, Gordon and Company, chartered accountants, to do a study of the benefit and overpayment system of the Unemployment Insurance Commission. In the report that was given to the Auditor General under date of February, 1978, we find two interesting tables showing the analysis of a statistical sample of 1,027 claims. The 1,027 samples included a total of 122 overpayments. That is a rate of 12 per cent, which resulted in the figure we heard mentioned earlier this year in the House of \$95 million. I do not think that is the most important figure because the government does recover some of that. The more important figure which shows the chaos which reigns in the department in so far as the handling of cases is concerned is a different summary of the same sample results which, in addition to showing the 122 cases of overpayment, showed another 180 cases of follow-up inadequacies and 320 cases of compliance deviations.

● (2052)

When you add all of that, you get 622 cases or 60 per cent of claims which contained some kind of irregularity. Only 12 per cent resulted in overpayments, but 60 per cent contained some kind of irregularity. With that kind of experience, I do not know how we can expect the administration to solve the policy problems they have. They cannot even solve their administrative problems.

We will soon have the Auditor General's report for 1978. The Minister of Employment and Immigration will no doubt again be in trouble, trying to explain what his department has been doing with all its money. In his report on the 1977 accounts, with regard to the unemployment insurance account the Auditor General indicated there were \$142 million in overpayments during the 1977 calendar year. That is the comparable figure to the \$95 million for 1976. I do not think I need say any more on that. The government increases its expenditures and overpayments at about the same ratio.

I do not want the minister or hon. members to think it is just people outside of the government who think the government is

[Mr. Clarke.]

not handling things properly. I refer the minister, because he mercifully might have forgotten, to a letter which emanated from his office on June 30. I quote:

In 1977, for example, we imposed 62,104 administrative penalties and initiated 6,854 prosecutions. Over 500 employers were prosecuted. Overpayments related to unreported work and earnings and other forms of abuse and fraud were valued at \$37.6 million in 1977.

Those were the department's figures, not the Auditor General's. Of course, they do not balance. If the department admits to 62,000 administrative penalties and nearly 7,000 prosecutions, that is an indication that the minister must take a very serious look at this.

A further statement was put out by the minister's office on October 26 this year. It is a five-page document explaining the \$142 million in overpayments. The minister admits to 447,000 overpayments detected by the commission, a healthy increase over previous years.

The minister must also take a close look at the administrative side. I do not like to belabour this. However, there is no point in tidying up the policy if you cannot tidy up the administration. I refer to the matter recently brought to the attention of the house by the hon. member for Leeds (Mr. Cossitt). It is raised every time there is a postal strike in this country, which has been quite a few times in the six years I have been here. I remind the minister of this because he said he would look into it.

This year across Canada there were 150,000 unemployment insurance cheques that were not picked up at special distribution centres during the postal strike. Of course, the government has explanations for this. The minister stated the staff would attempt to find out why the cheques were not picked up. He predicted the investigation would reveal in the vast majority of cases that the recipients were either unaware it was possible to pick up the cheques or were back at work and could not leave the employment they had recently obtained.

They may have been out of the country, they may have been at work, they may not have known. However, the minister was not above spending a million dollars not too long ago to warn claimants and all Canadians about cheating the system. The indication is that there were obviously a lot of people in Canada who were entitled to their insurance benefits but did not need them that particular day or week.

Perhaps it would be appropriate to try and assess the real problem in unemployment insurance. It is becoming more and more clear it is not an insurance scheme. No insurance scheme could continue to have losses as this scheme has over the many years it has been in existence.

In answer to my question in the House in April of this year, the minister said the government was considering a type of means test by which an individual's total income would be taken into account. There is something in this regard in the proposals in the bill before us. We will talk about that in a moment. In the same answer, the minister said something that caught my attention. He referred to the top echelon of the salary range who contributed a substantial amount to the fund and derived very few benefits in unemployment insurance.