

Unemployment Insurance Act

This is only an advance." I would like to point out that these advances are, in part, to cover the government's costs after unemployment reaches a level of 4 per cent.

It is true that up to the 4 per cent level the employer-employee rates can be adjusted so that a deficit position is covered, but over 4 per cent the government has to foot the cost. This was brought out time and time again in committee and elsewhere. I don't know why people continue to say, "It is only an advance. I don't know what you are worrying about. It will be paid back." How is it to be paid back? The government gets a special warrant to get money into the account, let's say \$400 million or \$450 million, but this is repayable. How is it repaid? It is repaid when the government assesses the amount it owes, so it transfers money to the unemployment insurance account to cover the amount that it owes when unemployment rises above 4 per cent. Then, the unemployment insurance account pays off the debt to the Treasury Board. Where does that money come from? It comes out of the general tax revenue, out of the tax dollar. Why do we sit here and say that it does not matter, that it is only an advance and will be paid back? Yes, it will be paid back—by the taxpayer. I thought it was very well explained in committee when we were discussing Bill C-229.

• (1630)

Mr. Andras: But the hon. member for Yukon (Mr. Nielsen) confused it.

Mr. McKinley: I don't think you understand it; that is why you are not saying much.

Mr. Thomas (Moncton): Up to 4 per cent unemployment, the commission can adjust the premium rates to meet the deficit. But who pays these premium rates—the employer and the employee so what we have here is another indirect tax. The taxpayer has to provide the money.

When we were discussing Bill C-229 in committee several questions were raised, so I would dispute the statement of some hon. members who said there was not much discussion on it. On May 19, 1971, Mr. D. Allan, Director, Policy Analysis and Formulation with the Unemployment Insurance Commission was being asked about the reason for the advance. In reply to a question by the hon. member for Wellington (Mr. Hales) he said at page 27 of the proceedings:

One factor is that there will be a delay between the incurring of benefit costs during a year and our ability to calculate what would have been the costs for that year had the unemployment rates been 4 per cent and our obtaining for the unemployment insurance account the credit from the government for its portion of the costs which were above 4 per cent.

He went on to say that there would be no problem with the first part, and then continued:

So it is quite possible we would have a large cash outflow, but it would be because the unemployment rate had become very high and would not cause us to raise the premium rates for the employees and employers because this drain, this cash outflow would not affect the portion of the costs that the employees and the employers would eventually have to pay.

I cannot understand those members who say there is nothing to worry about because this situation will be covered by the adjustment of premium rates. This is not so. If unemployment rises above 4 per cent, the deficit is

[Mr. Thomas (Moncton).]

paid entirely by the government. Call it what you will, an advance or anything else, I say it is still an additional tax put on the taxpayer. In the committee that day the hon. member for Hamilton West (Mr. Alexander) tried to find out how the commission arrived at the \$800 million ceiling. Mr. Allan's remarks were very illuminating. He said, as recorded at page 29 of the same committee report:

Mr. Chairman, the \$800 million represented, as an upper limit on the amount of advances, presumably the worst possible case we could think of in terms of a deficit.

The worst possible case, Mr. Speaker. Then, the hon. member for Hamilton West (Mr. Alexander) asked:

So you used 7 per cent then?

MR. ALLAN: We used 7 per cent, and then some. We later calculated a figure that could represent the worst possible case and then we added another \$100 million or so for good measure.

MR. ALEXANDER: What is \$100 million.

Here is the point I am trying to make, Mr. Speaker. Just under two years ago in May, 1971 the commission stated in testimony that the worst possible eventuality would only lead to a drain on the cash advance account of \$700 million, so they threw in another \$100 million for good measure and that is how they got the figure of \$800 million. This is an indication of the complete breakdown between 1971 and today. In 1971, we have officials estimating the cost of the plan and setting a figure which they said would be enough; today the same officials in that department cannot or will not give an estimate for two months ahead.

During the committee hearings there was a good deal of discussion about the cost of unemployment insurance. I suggest that one of the reasons the \$800 million ceiling was fixed was that the government and the commission had estimated the cost of the liberalization of the plan and so had to put this \$800 million which they felt would act as a control over expenditures. At that time I had some discussion with the hon. member for Verdun (Mr. Mackasey), the then minister, trying to find out the purpose of the ceiling and the purpose for asking for this advance. He inferred that the reason the government was taking up the total cost of the plan above 4 per cent was that it would be an inducement to the cabinet to keep unemployment down to that figure so, by inference, the \$800 million figure was put in as a type of control. If unemployment were running too high and the costs were running too high, the government would have to come back to parliament to ask for more money. In his testimony, he referred several times to the fact that forcing the government to back the cost of unemployment above 4 per cent would be a strong incentive to the government to keep the cost of the plan within the \$800 million ceiling. Rightly or wrongly, this was the impression given to members of the committee and we felt confident that there was a justification for the \$800 million figure.

Now, it appears that for some reason or other the government finds that this figure is not enough. As the former minister said in the House today, this ceiling was not in the original act but was inserted after consideration. No one can convince me that this was not done for a specific reason. The government is now requesting that we remove the ceiling because they say it is not realistic.