

provinces under the Medical Care Act. Since provincial administrations will need some time to adjust their planning, this ceiling will be made effective for 1976 and subsequent years. More specifically a ceiling will be placed on the per capita rate of growth of federal contributions to provinces. This ceiling will be 13 per cent in 1976-77, 10½ per cent in 1977-78 and 8½ per cent in 1978-79 and subsequent years. The per capita approach means that varying rates of population growth between provinces or from year to year will be automatically taken into account in total contributions to provinces. My colleague, the Minister of National Health and Welfare Mr. Lalonde will shortly introduce legislation to effect this change.

The gradual diminution of allowable rates of increase will take account of the need to discourage unnecessary use of services, but will provide adequately for the servicing of a growing population. The continuation of the existing cost-sharing arrangements involving the same federal per capita contribution to all provinces and the territories means that incentives to keep costs down will remain. Lower-cost provinces will continue to have a larger proportion of their program financed by the federal government, compared with higher-cost provinces.

I want to make it clear on behalf of my colleague, the Minister of National Health and Welfare, that the commitment of the federal government to share the costs of encouraging the development of less-expensive health care services still stands.

● (2050)

[Translation]

Unemployment Insurance

The fifth major element in the government program for expenditure restraint concerns the unemployment insurance system.

There is no doubt that the system, as expanded in 1971, has proved its worth in stabilizing the economy and in providing substantial support for those without work.

I fully support the principles underlying this system. It gives many breadwinners who have the misfortune to be unemployed, a steady flow of income. It helps relieve the anxiety arising from unemployment.

Honourable Members are well aware that some difficulties have been associated with this new program. The government has been reviewing it carefully and in the last Speech from the Throne announced its intention to amend the Unemployment Insurance Act. This continuing review has already shown the need to strengthen certain elements of flexibility and fairness in the Act. It has also shown that some features of the new system have undesirable effects on work incentives. Moreover, both society and the structure of the Canadian labour market have been undergoing significant changes over the past five years. This has led us to review the application of the principle of self-financing.

It is well known that the costs of running the new system have proved to be very large. Total benefit payments amounted to \$2.3 billion in 1974-75. They are expected to exceed \$3.75 billion in 1975-76. Employer-employee contributions provided \$1.6 billion in 1974-75 and are expected to provide \$2 billion in 1975-76. The balance—

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\$1.75 billion this year—has to be provided by the general taxpayer.

Important changes have already been made to ensure fair and efficient administration of the program. But there still remain a number of important areas that cannot be dealt with by administrative action alone. These require amendments to the Act itself. All Canadians want an Act which is not only fair but credible. The amendments will deal with the benefit features of the Act and the level at which Canadian taxpayers as a whole should be expected to pay for this program in conjunction with the contributions by employers and employees.

My colleague, the Minister of Manpower and Immigration, will shortly introduce legislation proposing five main changes relating to benefits, and a number of technical and administrative amendments:

- first, the maximum period of disqualification from benefits for those who quit their jobs without just cause, refuse to accept suitable employment or are dismissed for misconduct, will be doubled from three to six weeks. This measure will create a greater incentive to remain at work or to search more actively for a job;
- second, the payments of premiums and the receipt of benefits will be terminated at age 65. Government-financed programs such as Old Age Security, the Guaranteed Income Supplement, and the Canada Pension Plan are now available to people of that age on a regularly indexed basis. Those 65 years and over who wish to work are able to do so without reducing their entitlements to CPP benefits under legislation recently passed by Parliament. Taking all of these factors into account, it is no longer appropriate that older citizens who choose to continue to work should be required to pay premiums for benefits which are already available to them under other government programs. The provision for the three-week lump sum payment for those qualified will remain;
- third, the special benefit rate of 75 per cent to claimants with dependants eligible for extended benefits, or who are so-called "low-income" claimants, will be brought into line with the standard benefit rate of 66½ per cent. The recent tripling of family allowances and the many tax reductions I have introduced mean that a special benefit rate for this group of people is no longer required;
- fourth, the Act will be amended to recognize the special circumstances of certain workers now unable to qualify for benefits for reasons beyond their control—those suffering temporary disability or on special training courses. For these workers, the period during which a claim can be established and benefits received will be extended;
- fifth, the payment of the maximum 15 weeks of sickness benefits will be made more flexible by allowing eligible recipients to receive such benefits at any time during the first 25 weeks on claim rather than the first 15 weeks as now provided.

These changes, along with others to be introduced in the legislation will increase the incentive to work, adapt coverage and benefit levels more to current social circumstances, and deal more favourably with certain hardship cases.

Finally, the proposed legislation will provide for a change in the method of calculating that part of unemployment insurance benefits financed by employer and employee contributions. The 1970 White Paper on Unemployment Insurance stated that program costs "over and above the self-financing aspects" represent a reasonable charge to the government. This basic position remains unchanged. The White Paper established a 4-per-cent benchmark on the basis of "long term average national unemployment". An updating of the benchmark used for measuring the self-financing part of the system is now needed. This new benchmark will be adjusted annually and automatically on the basis of a moving average of unemployment rates over the preceding eight-year period.