

gest that the removal of the ceiling of \$800 million opens the way for a large charge on the consolidated revenue fund with little or no scrutiny by parliament for months or even years after the fact.

I suggest the \$800 million ceiling was put in by the Department of Finance because it did not trust the estimates of the Unemployment Insurance Commission and wanted some sort of control and discussion in respect of expenditures when they exceeded the statutory limit. It is obvious that when expenditures get above the \$800 million ceiling which, after all, represents about 5 per cent of the total federal budget, this is cause for at least discussion and survey at the national level.

It seems certain that the overrun of the unemployment insurance fund in the year 1973 will probably be as great or greater than that of 1972. There are substantial amounts of variables in the plan that may inherently increase the amount of money that will be necessary from the federal treasury. It would seem to me that the government should be more than willing to have the statutory ceiling remain, even if it were increased, because obviously with this Unemployment Insurance Act we are dealing with a plan which will be hard to estimate and in which the administration can make variations of up to hundreds of millions of dollars for which the federal treasury or the employer-employee fund will be liable.

It is interesting to note that in a document headed "Fact and Figures, September, 1970" presented by the government to the committee studying the Unemployment Insurance Act, the estimated contributions were very much on target but the pay-out was entirely off. At a 6.5 per cent rate of unemployment in 1972 the forecast of benefits was \$875 million, with the sickness portion being another \$142 million, making a total of \$1,017 million. At that approximate rate of unemployment in 1972 we find that the actual cost was \$1,900 million, with the charge on the government being in the neighbourhood of \$800 million, when in fact the forecast was for \$369 million at a 6.5 per cent rate of unemployment.

There was obviously a shortfall in contributions from the employer-employee segment which amounted to nearly \$400 million. It is indeed fortunate there were \$239 million held over from the previous year to be applied to the employer-employee account. In other words, in 1972 there was actually a shortfall in the employer-employee account of nearly \$400 million if it was to be brought up to the same position at the start of 1973 as it was at the beginning of 1972.

• (2110)

Mr. Speaker, the employer-employee contributions have been increased to bring in \$100 million this year, making it in the neighbourhood of \$800 million. But based on the experience of 1972, well over \$1 billion would be necessary in the employer-employee account to take care of the charges on the fund for the 4 per cent for which the employer-employee fund is responsible. This means that in 1973 there will have to be advances out of the consolidated revenue fund, if our experience is the same as in 1972, in order to meet this employer-employee share.

I do not quarrel with this, but I would like to point out that the Unemployment Insurance Commission can run a

### *Unemployment Insurance Act*

deficit for many years with the consolidated revenue fund which the federal treasury would carry for a long time. I do not see why the Unemployment Insurance Commission would have to set its rates so that the contributions reflect the 4 per cent rate on which they are presumed to set the tariffs for the employers and employees.

Specifically in this act, the Minister of Finance (Mr. Turner) has the authority to set the rates and conditions of both the repayment of principal and interest on the advances. In other words, the Unemployment Insurance Commission could be in debt to the consolidated revenue fund for years. When the unemployment rate is above 4 per cent and the consolidated revenue fund is responsible for the cost above 4 per cent, it makes little difference whether or not the unemployment insurance fund is in deficit with the government. When the consolidated revenue fund is in deficit for a long time for the part of the benefit costs that are 4 per cent and below, this becomes a matter of concern to parliament. At times there may be good reasons for the insurance fund being in deficit, but I believe that the country should be informed about it through parliament.

The imposition of a statutory limit is one method whereby parliament could have a check on the expenditures of the Unemployment Insurance Commission, because in 1972 the commission was obviously responsible for considerably more than 50 per cent of the total pay-out under the plan. There are other factors under this act, apart from the responsibility for the employer-employee share, which require close supervision of the Unemployment Insurance Commission. In the white paper entitled "Unemployment in the '70's" on which this bill is based, the following statement is made:

Benefits will be higher, more related to earnings and granted more on the basis of need than length of time in the work force.

Surely this implies that the old act was based on the principle of granting social assistance in times of need. The philosophy on which the act was based, of assessment on the basis of need rather than of insurance, implies that there are many open-ended commitments in the act which might result in a substantial increase of the cost without any basic changes having to be made to the structure of the act. Some of these come to mind. For instance, the inclusion of 96 per cent of the labour force has meant the inclusion of many people who were not normally unemployed.

It is my experience that this new group, consisting of teachers, nurses and professional people, has not yet learned how to use the act to its advantage. These people are making contributions so they will take advantage of the act in the same way as anyone else, similar to those who take advantage of the income tax regulations. This is obvious to every member of the House of Commons who finds that the Unemployment Insurance Commission is becoming more autocratic and bureaucratic in its decisions. The decision of the commission to attempt to cut the flow of funds certainly seems, at times at least, to be unfair to the individual and one-sided.

The Unemployment Insurance Act contains regulations which can be widely interpreted and this could result in a substantial drain on the fund while still being within the framework of the act. Any particular leniency in the