

ones on page 106, Table 2, mentioned to you earlier, and which are not dependent upon the unemployment rate. So those particular benefits will always be paid for by the Government. On top of that, even though the unemployment rate will be below 4 per cent, there will always be regions where the extended benefit will be payable. Even though the rate came down to 3.6 per cent in 1966, about half of the 16 regions would have been up around 5 per cent, 6 per cent or 7 per cent. Therefore the extended benefits would have been payable, and that would have been picked up by the Government.

Senator Flynn: Have you any figures that you could adjust to last year's situation for instance? What would represent the contribution of the Government?

Mr. Steele: We have had them projected for 1972.

Senator Flynn: On the basis of last year.

Mr. DesRoches: In this document, which was made available last fall and is called *Facts and Figures—Unemployment Insurance in the 70's*, there are various tables provided, and one of the tables here on page 2 gives the estimated contributions at different rates of unemployment. At 4 per cent unemployment the Government would pay \$50 million, and even at 3.5 per cent unemployment the Government would pay \$30 million. That covers the situations that Mr. Steele explained.

Senator Connolly (Ottawa West): I must say, Mr. Chairman, at this point, that I did not tell the Senate that last night, because I did not know about it. I thought the cut-off point was 4 per cent.

Mr. DesRoches: As Mr. Steele explained, there are these two situations where there is a commitment on the part of the Government to pay the regional benefits. In other words, the payment by the Government is structured around the type of benefit and of course two of them happen to fall on the other side of the 4 per cent rate.

Senator Flynn: The Government is making these contributions under the legislation presently in force?

Mr. DesRoches: Under the present legislation we have an entirely different method of financing. There is a strict formula which can be called a 5-5-2 Formula. The employer and the employees pay half and the Government pays 20 per cent of that, and that adds up to 1/6, plus all the administrative costs. But under the proposed plan the administrative costs would be absorbed by the employers and the employees and up to 4 per cent, except for this adjustment in types of benefits, the generality is that the plan would be self-financing. But of course there are these exceptions because there are higher rates in certain areas where the Government would have to step in.

Senator Flynn: But in a good year it would be less costly to the Government than it is at present?

Mr. DesRoches: In a very good year, yes, less than 4 per cent nationally.

Senator Flynn: It would go back to the period of 1945 to 1950 or even to 1955.

Mr. DesRoches: Yes, we would have to go back that far. I guess the lowest figure recently was 4.7 per cent in 1969. The 3.6 per cent in 1966 would have been the type of year when the Government contributions would have been much less. But the Government contribution is very, very steep when the rate of unemployment goes up. The other side of the coin is that instead of relying on a fund which cannot really be predicted, the Government has a very large cost factor when you go from 4 to 5 or 6 per cent.

Senator Flynn: Would you risk giving us a figure there?

Mr. DesRoches: I think Mr. Steele is more up to date on this than I am. Perhaps he can interpret the figures better than I can.

Mr. Steele: Quoting now from *Facts and Figures—Unemployment Insurance in the 70's*, at page 2, which is the estimated contributions in 1972 at various unemployment rates. Because it is a pay-as-you-go plan, the contributions estimated for 1972 are also the estimated costs for 1972, so they are exactly equal. The Government's contribution at 6 per cent unemployment rate will be around \$300 million and at 7 per cent it will be around \$430 million. That, of course, is for the whole year. We had 8 per cent, for example, this February but the average for this year which is a bad year is only going to be 6 per cent.

Senator Flynn: And then the amount is \$300 million.

Mr. Steele: That would be the cost to the Government in a 6 per cent year.

Senator Flynn: That is without taking into account the incentives under other schemes such as the Regional Development programs and subventions to industry for creating new jobs.

Mr. DesRoches: Strictly for this plan, yes.

Mr. Steele: If there are incentives, of course, the unemployment rate should come down. But as far as we are concerned, whatever the unemployment rate actually is, that is what the Government has to pay.

Mr. DesRoches: I suppose the comparable figure under the present plan would be, without the 10 per cent increase, about \$190 million, so that you can see it will be much higher at a 6 per cent unemployment rate. At that rate it would be about \$300 million as opposed to about \$190 million under the present system.

The Acting Chairman: For the same average rate of unemployment?

Mr. DesRoches: Yes.

Senator Flynn: An increase of about \$120 million?

Mr. DesRoches: Well, \$300 million is the figure that Mr. Steele has quoted, and it is \$190 million under the present system.