

committee to express their concern that the government, in Bill C-21, proposed to withdraw completely its contribution to the unemployment insurance fund. The government has been a contributor to the fund since the very beginning; since 1971 it has been responsible for the payments arising from regionally extended benefits, fishermen's benefits and participation in work programs. A special change was made in 1971 when the government took on responsibility for the payment of benefits occasioned by an increase in unemployment above the level of 4 per cent. In fact, it has been a feature of the unemployment insurance system since 1971 that the government picked up the cost of benefits occasioned by unemployment above 4 per cent.

In Bill C-21 the critical unemployment level, as it were, has been increased from 4 to 6 per cent. Regionally extended benefits are maintained in this bill, as was made clear by the testimony of the deputy minister in reply to my questions in the committee. However, the regionally extended benefits now kick in at 6 per cent rather than 4 per cent. By virtue of Bill C-21, the government will not pay at all for the cost of regionally extended benefits; it will not pay for the cost of fishermen's benefits; it will not pay for the cost of participation in work-sharing programs. In other words, it withdraws completely, and that is, of course, a fundamental alteration in the unemployment insurance system. The witnesses were virtually unanimous on that point.

Of course, the withdrawal of the government from its role is accomplished through the repeal of section 118 of the Unemployment Insurance Act. We are proposing an amendment to that provision. We are proposing that subsection 118(1) of the Unemployment Insurance Act be retained. This subsection requires the government to credit to the unemployment insurance account an amount equal to what is called "the government cost of paying benefit." It is by virtue of this subsection that the government presently is obligated to contribute to the UI fund.

Subsection 118(2) of the Unemployment Insurance Act provides a definition or an explanation of what is meant by the words "the government cost of paying benefit." This subsection states that regionally extended benefits, extended benefits made available through job creation projects and extended benefits made available through participation in training programs are what constitute "government cost of paying benefit." These are the benefits for which the government is directly responsible.

Since clauses 16, 18 and 19 of Bill C-21 eliminate these benefits, it was proposed by the committee that subsection 118(2) of the act be modified so as to provide a new definition of what constitutes "government cost of paying benefit." Under this amendment the government would continue to be responsible for funding a portion of regionally extended benefits, as determined under Table 2 of Bill C-21. As we know, Table 2 shows the maximum number of weeks of benefits a claimant may obtain. After providing a base level of benefits in areas of unemployment of 6 per cent or under, the table

provides for increased weeks of benefit as the regional rate of unemployment rises.

As was pointed out, honourable senators, it is this increase in weeks above the base level that the amendment addresses, and it is part of this increase in the number of weeks that we would like the government to continue to fund. In fact, the amendment provides that continued government contributions will be directly linked to the regional rate of unemployment, and, in fact, it will continue the concept of government funding of regionally extended benefits, though in modified form.

We know that there was no philosophy of insurance or social policy behind the decision of the government to withdraw totally from contributing to the fund. There was a philosophy, clearly outlined, justifying why the government ought to contribute to the fund, and I will return to that in a moment. However, the government, in this case, said, "We intend to withdraw," and the reasons given were purely financial: to save \$2.9 billion generally and to save \$2.2 billion arising from regionally extended benefits. We have wrestled with this point, because we want to take into account the problems of the Minister of Finance. We could have struck out the section entirely. We thought that might be going too far. We took a midway course by putting forth an amendment that would require the government to pay one-half of the cost of regionally extended benefits.

So amendment No. 7, which the Speaker has found in order, would provide for the continuation of the government in the program. The cost of regionally extended benefits, in the full year for which we have figures in the past, is \$2.2 billion. We are proposing in this amendment that the government continue to pay half of that cost in the future. There is nothing magic about that figure. What is magic is the principle, namely, that it is important that the government continue to contribute to the fund.

• (1440)

Many witnesses feared the consequences of government withdrawal. The government is withdrawing entirely, but under the law it still retains the authority to set all the conditions of benefits, entrance requirements and all the features of the act. However, it will soon lose its moral authority, if not its political authority, because employers and employees will rightfully argue, "We are paying for this. Why should we not run it? Why should the government run it?"

Another important argument arises from the questions and answers that were given today on the question of monetary policy. The government has at its disposal all the instruments of economic policy, monetary policy, fiscal policy and trade policy. These are all the instruments which determine the level of output and employment in a country. These are the instruments that can influence the level of employment and unemployment.

The government, therefore, has a direct influence on what happens in the country through these instruments of policy. That is understood. That reasoning permitted the Government of Canada to seek an amendment to the Constitution to give it