

*Unemployment Insurance Act, 1971*

ever, I should like to re-emphasize what is said by the Gill report as well as by many economists and representatives of both employees and employers. They state that this type of involvement requested by the minister is an ineffective and counter-productive tool to accomplish the aspiration of stable employment pattern. I think it is necessary to refer to the Gill report and place some of the thinking expressed there on the record. The minister and I had a little discussion about this matter and he said, "This report is not quite appropriate in 1971." For the life of me I cannot see why it is not. I should like to refer to a few passages in the Gill report:

● (8:20 p.m.)

It will, we think, suffice for present purposes to indicate, as follows, the main reasons why we do not recommend the adoption of a system of merit rating.

We favour a system of broad pooling of risk and this is the foundation of our recommendations for universal coverage. We believe that the frictional unemployment that can properly be taken care of by a plan of unemployment insurance is a more or less normal phenomenon of a free economic system, but it emerges strongly in certain industries and occupations in the system and scarcely at all in others. This variation is not, however, the result of particular management decisions. It is, instead, a function beyond the control of the employers concerned.

The report states, further, that merit rating would have the result of raising the contribution rates for some of the basic industries that play an important part in Canadian export trade and that this would put them at a competitive disadvantage in international markets.

Also in the report we find this sentence:

We have not observed any decisive evidence to substantiate the claim that the operation of a merit rating system would have any significant effect in reducing unemployment.

That is a very significant and important phrase. I do not know whether it has been ignored by the minister and his department. The report continues:

There is some evidence to suggest that the existence of merit rating encourages undesirable practices on the part of some employers. They may tend to oppose claims merely for the sake of improving their position with respect to merit rating. They may oppose socially desirable extensions of the unemployment insurance scheme for the same reasons, and they may indulge in practices relating to hiring and firing of employees designed to minimize the effect on the unemployment insurance plan.

The Canadian Labour Congress opposes merit rating because of this danger. In the United States, where merit rating still largely persists, General Motors employs a team of lawyers who automatically challenge every applicant for unemployment insurance benefits. Other criticisms have been raised. The merit rating system has regional and structural bias. Government officials insist that industry by industry merit rating is administratively and politically impossible. However, juxtaposing all firms against an average national lay-off rate would heavily favour mature, central Canadian business and industrial structures and would actively harm growth and depressed areas.

Growth industries have higher lay-off rates simply because of their dynamism. Many stagnant industries have low lay-off rates and would be rewarded even

[Mr. Alexander.]

though they often require, according to government policy, swift, efficient out-mobility. The textile industry, for example, could be penalized for rationalizing even though that is the intent of other government policies and accounted for by special manpower programs. Generally, merit rating would encourage rigidities which government policies and the Canadian economy cannot afford.

Merit rating may bias hiring practices. The incentive, if it worked, could bring direct hardship to the very people it aims to assist—working people in search of permanent employment. Since students and casuals are excluded from the merit rating, industries with fairly flexible work patterns might be encouraged to lower the quasi-permanent or permanent component of their work force and opt for a higher percentage of student and casuals for merit rating considerations. Although government officials have not seen such a possibility, it was accepted as possible while quite extraneous to the intent of the new act. Clearly, it is unacceptable to improve the employment problem of students and casuals at the direct expense of the regular work force. The risk should not be taken.

While the private sector must be more involved in the amelioration of frictional unemployment, the experience rating proposals should be rejected. More creative and informed government action is required in this regard. I would suggest the following proposal to significantly assist the Department of Manpower in finding work for the frictionally unemployed. Manpower is presently hindered from making a full contribution primarily because very few employers provide advance notice of lay-offs, commonly called manpower's low penetration rate. It is significant to point out, also, that the provinces are moving in the area of frictional unemployment with legislation to provide notice of lay-offs to employees in order that they can take early steps to reduce the injury of frictional unemployment. Ontario has such a bill and, as a matter of fact, so has the federal government. The federal bill I believe is Bill C-228.

However, I should like to emphasize that on constitutional grounds federal notice of lay-off legislation will be irrelevant to the majority of the work force. I conclude in respect of the experience rating, or the merit rating as the case may be, by stating that this is a move away from the principle of universality. It is a penalty placed on the employer who accepts willingly or unwillingly the high risk enterprise and it constitutes an administrative nightmare which cannot have a helpful effect on the employment situation.

We urge the government to include a penalty, by way of unemployment insurance contribution rates, for employers who do not simultaneously notify the Department of Manpower when they notify their employees according to the provincial notice of lay-off legislation. The federal government should insist that Manpower receives the same courtesy as employees in each province.

We have heard a lot from the minister about administrative costs. This has bothered many people. I heard the minister say that he picked out a figure of 4 per cent