

Unemployment Insurance Act

the first 4 per cent of unemployment. The government now says that normal unemployment, if you look at the last few years, is higher than 4 per cent. In fact, the government says that the average rate of unemployment over the past eight years has been 5.3 per cent, and in 1976 over the preceding year it will be about 5.6 per cent. So, says the government, this is where our payments will begin.

Employer-employee contributions will have to pay for the first 5.6 per cent unemployment, rather than just the 4 per cent. In 1977 it will be raised to somewhere around the first 6 per cent. The government claims that this would raise the rate of premiums of workers from \$1.40 per \$100 to around \$1.60 to \$1.70, and the government, if they said what they really mean, will shift on to the workers' backs about \$500 million in 1976 through increased premiums. Other groups are likely to be closer to \$2 per \$100, and the government will be shifting about \$800 million in 1976 to the people who are paying premiums.

As the unemployment rate goes up, moreover, the amount of the potential pay-out which the government saves will go up as well. In other words, as unemployment increases, as ordinary people do worse, the government will do better. Was there ever a greater perversion of the way in which a government, which supposedly believes in equity, should operate than that? As more people are unemployed, as the rate of inflation goes up, as the cost of living goes up, as people find it more difficult to meet the ordinary basic need for food, heat and shelter, they get rocked by a very sharp increase in a hidden tax, an increase in the unemployment insurance premium.

It is important to note that not only is this hidden tax pernicious, but it is regressive. The UIC contributions come off all incomes at the same rate, and there is a fairly low ceiling on contributions, so the UIC premiums present a larger proportion of the income of lower paid workers than of higher paid workers, and the increase will come primarily out of the pockets of lower paid workers of whom there are many more than higher paid workers.

Compare this increase, which has been estimated to run at between 30 per cent and 40 per cent a year—if unemployment continues at the present rate of increase, as I indicated it probably will—with the way in which the government has dealt with taxpayers in the upper level. We heard today, during the period allotted to statements, the statement of the Minister of Finance (Mr. Macdonald) supposedly proposing a surtax. I say "supposedly" because I am convinced that the only thing the minister wants out of his proposal today is a headline in tomorrow's newspapers and the lead story on tonight's television news on both CBC and CTV which will read something like "Surtax Imposed to Soak the Rich".

Let us compare this 30 per cent to 40 per cent increase which the minister is proposing in premiums, not just for this coming year but for the next two or three years, with what the Minister of Finance proposed this afternoon. If somebody has a taxable income of \$40,000, as compared to a taxable income this last year of \$30,000—in other words, if he has an increase in his income of \$10,000—the surtax will not apply on the first \$8,000. What is the surtax? The surtax is 10 per cent, so he will pay an extra \$200 on the \$10,000 which he made over and above the tax he will have paid. But keep in mind that one of the bad ideas the

[Mr. Orlikow.]

government has adopted in the last couple of years, an idea which was first proposed by the official opposition, was that income taxes should be indexed. As inflation goes up, income tax is reduced by the amount of the increase in the cost of living.

An hon. Member: That was a great idea.

Mr. Orlikow: It sounds great, but let us look at what it does. The ordinary citizen at the bottom of the scale, who pays income tax, gets a tax deduction, as a result of indexing, of between \$10 and \$35. But for the taxpayer in the upper income bracket with a taxable income of, say, \$18,000 and more, we are talking about tax reductions which run literally into hundreds, if not thousands, of dollars—keeping in mind the 10 per cent cost of living increase this year. So when the surtax which the minister proposes today is imposed on 1976 incomes, and when the taxpayer makes the deduction for indexing which was first proposed by the Leader of the official opposition and adopted by the former minister of finance in one of his recent budgets, the taxpayer in the high income bracket with a \$40,000 taxable income, about whom the Minister of Finance spoke earlier today, will be paying less money in income tax than he paid in 1975. Those are the facts.

What did the indexing do? Keep in mind that the indexing mostly benefited people in the upper income bracket. Indexing cost the federal treasury \$1.3 billion. This is the figure of the people in the finance department in the province of Manitoba. It cost the provinces another \$300 million; so we are talking about \$1.6 billion. Tonight we will get a statement showing how the government proposes to cut \$1.5 billion from next year's expenditures—not \$1.5 billion less than we spent last year, but \$1.5 billion less than they proposed to spend in the coming year.

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I am all for cutting government expenditures which are unnecessary—we will be talking about the kinds of expenditures which should be cut—and I am all for cutting programs which have outlived their usefulness. But what we will get tonight is mainly cuts in major programs which will affect ordinary people. While the government is doing that, it will have lost, through indexing, \$1.5 billion in 1975 and probably substantially more in 1976. However, let us consider what some of the other government measures have done. Let us keep in mind that in the so-called tax reform of 1971 the maximum tax on personal income was reduced from 60 per cent to the neighbourhood of 40 per cent, 42 per cent or 43 per cent. That was a very substantial saving in taxes for people in upper income brackets. However, that was not the only thing the government did. The government extended the two-year fast write-off for manufacturers in a recent budget, despite the fact that there was no substantive evidence of its impact as a job creating measure, and despite the fact that even before the extension was announced, capital expenditures in manufacturing, which the measure was designed to stimulate, were expected to increase by 38 per cent. The manufacturing and processing industries continue to pay tax at only a 40 per cent corporate income tax rate, a rate lower than that applied to individuals with taxable incomes of \$12,000.