Mr. Speaker, regarding the bill before the House today, again sponsored by the hon. member for Nickel Belt, the goverment cannot support a bill that concentrates solely on protecting employees, at a time when it is about to table in the House a bill to amend the entire Bankruptcy Act.

Improving the protection of employees in the case of bankruptcy or insolvency of their employers is a question that our government is looking at very closely, and it is part of a series of measures that it intends to introduce. In fact, the government is finalizing a bill designed to revamp the 1949 Act. The government can hardly be accused of acting hastily, forty-one years later, to bring about substancial reforms.

Granted, employees are often the first to suffer when an employer is in financial difficulty, and the present Bankruptcy Act offers inadequate protection. The inadequacy of the provisions of the present act is readily acknowledged but all parties. Unfortunately, nothing has been done yet to correct this problem.

On May 5, 1975, Bill C-60 was tabled in the House of Commons. It proposed to pay employees in priority to any other creditors, secured or unsecured, up to a limit of $2,000 per employee.

• (1350)

This type of preferential treatment, known as "super priority", would have granted absolute priority of wage claims over any other secured debts.

In its report on Bill C-60, the Standing Committee of the Senate responsible for bankruptcies indicated, however, that granting "super priority" to wages would lead to a serious disruption of the commercial lending system. There are a number of reasons why the super priority clause is not the best way to protect the rights of employees.

First of all, the clause would provide no absolute guarantee of payment of unpaid wages after a company goes bankrupt. In fact, the remaining assets of a company might not be sufficient to cover the amount of wages claimed. Second, this priority would offer no guarantee of speedy payment. In fact, it might take sometime before wage claims could be paid, since the sale and disposition of the assets of a bankrupt company might turn out to be a lengthy operation. Furthermore, the courts would have to settle disputes or clear up certain problems, which might further delay the process. A super priority clause would not guarantee that employees would immediately get the necessary funds to live on until they find work.

The super priority clause also has a number of serious drawbacks from the administrative point of view, Mr. Speaker. All amounts paid to employees would have to be taken from money owed to secured creditors. The latter, however, also have certain payments that must be met, and they want to be paid. Determining how wage claims would be paid would involve some very complicated arithmetic.

For these and many other reasons, the super priority clause, attractive though it may seem at first glance, is not the best way to protect employees whose employer goes bankrupt. This was acknowledged by the Senate Committee, which, as an alternative, recommended creating, under the provisions of the Bankruptcy Act, a government administered fund that would guarantee payment of unpaid wages as soon as the employer declared bankruptcy.

This formula—an administered fund—seems to have been supported by the government at the time. The then Minister of Consumer and Corporate Affairs, the Hon. Warren Allmand, said: "If it can be justified, after careful analysis, a funded insurance scheme would clearly be the most desirable solution to the problem of indemnifying employees who suffer losses of wages as a result of their employer's bankruptcy"(13). However, no measures were taken at the time. Bill C-12, tabled in 1980, was another attempt to reform the Bankruptcy Act.

In 1981, a committee chaired by Mr. Raymond Landry, the present Dean of the Department of Civil Law of the University of Ottawa and former Superintendant of Bankruptcy, was appointed to find ways to protect employees. In its report submitted in 1981, the Landry Committee recommended setting up a wage protection fund. Despite the recommendations of the committee, Bill C-17, tabled in 1984, basically contained the same provisions with respect to wage earners as did Bill C-12. However, it was subsequently amended to grant priority to wage claims.

Since Bill C-17 died on the Order Paper, we still have the 1949 legislation which, as I said before, badly needs improving if we are to provide adequate protection for employees.