

TABLE III<sup>44</sup>  
 COMPARISON BY INDUSTRY  
 BENEFIT PAYMENTS VS. CONTRIBUTIONS (1968)  
 (\$ thousands)

Industry	Benefit Payments	Contributions	Transfers
Manufacturing . . . . .	119,627	145,543	-25,916
Construction . . . . .	75,922	33,183	42,739
Trade and Commerce . . . . .	53,721	65,057	-11,336
Services . . . . .	52,619	39,864	12,755
Transportation, Communications and Utilities . . . . .	44,836	44,170	666
Forestry, Fishing and Trapping . . . . .	33,897	7,029	26,868
Public Administration . . . . .	20,470	12,859	7,611
Mining and Oil Drilling . . . . .	8,230	10,795	- 2,565
Finance, Insurance, and Real Estate . . . . .	10,030	17,437	- 7,407
Agriculture . . . . .	5,958	2,579	3,379

NOTE: 1. A negative transfer means that the industry is a net contributor to the UIC fund.

2. A positive transfer means that the industry receives a net benefit from the fund.

<sup>44</sup> See *Minutes of Proceedings and Evidence*

2nd Session, 28th Parliament, September 17, 1970.

Issue No. 11, Appendix "M", p. 148.

However, substantial differences exist between Unemployment Insurance Plans in Canada and the United States. All Unemployment Insurance plans in the United States are financed totally by the employers. Moreover, in the United States, the UI plans are based on the concept of separate funding for each employer, while in Canada, the proposed experience rating plan would be limited to large employers.

The briefs presented a range of possible side-effects to experience rating.

One presentation charged that experience rating would amount to "offering companies an economic inducement to maltreat their employees"<sup>45</sup>. The type of abuses which are feared such as requiring employees to work overtime instead of hiring temporary help, are unlikely to occur. The present cost of overtime work and the existence of fair employment legislation would not render it profitable for an employee to make excessive use of overtime. In the case where unions exist they would be able to provide substantial protection for their members in the event of threatened abuses.

The view that particular industries would be adversely affected because of experience rating was presented. However, as far as possible, the costs of production should be borne at their point of origin. In any case the amount of the cost increases is not likely to be large in view of the fact that Unemployment Insurance contributions would not constitute a significant portion of the total costs of operation.

<sup>45</sup> United Auto Workers. See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 22, 1970, Issue No. 14, Appendix "T", p. 132.

Two additional arguments were presented to the Committee. One was directed to the possibility that an establishment could suffer a number of lay-offs for a specific reason beyond the control of management. The other referred to the difficulty of comparing firms to a national average for the economy and suggested that experience rating be given an industry-base.<sup>46</sup>

The formal argument is answered partly by the proposal which would prevent drastic changes in an employer's rate from year to year. Ratings would be established from year to year over a three-year average. To this extent, a drop in business, for example, in 1974, would not affect the rate until 1976 at a time when business difficulty may have been resolved.

The latter argument is not so easily dealt with. Indeed, the rating of a firm would seem to be more reasonable if based on the industry average instead of a national average. There is no reason why the experience rating system could not be extended: an experience rating of industries defined on the basis of the national average together with an experience rating of firms defined on the basis of the industry average.

Within each industry a general average industry rate could be established based on the specific lay-off experience of that particular industry. In this broad frame work those firms within the industry which have a stable employment pattern, their rate would be allowed to vary downwards and to swing as low as the employee rate. Conversely, for firms within this industry which

<sup>46</sup> Canadian Chamber of Commerce. See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 30, 1970, Issue No. 18, Appendix A-5, p. 84.