levels of unemployment, on the other hand—6.5% for instance—the Government would carry 34%, the employees 28%, and the employers 38%.

This partial shift of the burden to the employers would be unrelated to experience rating. While experience rating would include the distribution of the employers' burden among employers, the shift that we are referring to here has to do with the distribution of the burden among employers, employees and Government.

Some witnesses chose to criticize the lowering of the government share of the burden at full employment.[38] The use of the 4% unemployment figure as the benchmark at which the government's share of the burden increases has not been fully appreciated. Fundamentally, those who criticized this proposed threshhold were of the view that government should shoulder a larger share of the burden.

2. Experience Rating

The issue of experience rating of the employers' contributions was one of the very keenly discussed questions before the Committee. While the United Electrical, Radio and Machine Workers of America did not object to experience rating,[39] the Canadian Labour Congress found that "experience rating does not commend itself as being either equitable or conducive to more stable employment patterns."[40] and the United Auto Workers argued that the introduction of such a scheme would lead to serious abuses of the employees by the employers in order to avoid high ratings.[41] On the other hand, while the Canadian Chamber of Commerce suggested that "the principle of experience rating is sound",[42] the Canadian Manufacturers' Association argued that experience rating should not be adopted because it "will fall hardest on those companies that are already having difficulty and thus will further hurt the job-creating capacity of Canadian industry".[43]

B. Comments

Consideration must be given to the fact that the proposed plan of experience rating has nothing to do with the allocation of the financial burden among the government, employers and employees. It is a mechanism to allocate the employers' burden among employers.

[38] Canadian Labour Congress, See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, October 6, 1970, Issue No. 20, Appendix A-11, p. 73.

[39] See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 29, 1970, Issue No. 17, p. 87.

[40] See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, October 6, 1970, Issue No. 20, Appendix A-11, p. 73.

[41] See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 22, 1970, Issue No. 14, Appendix "T", p. 119.

[42] See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 30, 1970, Issue No. 18, Appendix A-5, p. 84.

[43] See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 17, 1970, Issue No. 12, Appendix "N", p. 97.

Two alternatives present themselves. (I) The allocation of employer cost could be made on a uniform proportional basis; or (II) it could also be made according to their lay-off patterns. If unemployment constitutes an industrial cost of production borne by society, it can be argued that it should not be the role of an unemployment insurance plan to absorb all such costs thereby reducing the real costs of production in certain industries while increasing them in others.

The present uniform rate amounts to a subsidy to the less stable industries and even more so to the less stable firms within these industries. It is the equivalent, as well, to a tax on the more stable industries, and even more significantly a tax on the most stable firms within the most stable industries. The White Paper proposes experience rating or an alternative allocation of the employers' burden among employers which is a method to allocate the costs where they belong.

This process can be illustrated most vividly by reviewing the situation of the forestry, fishing and trapping industries. If the real cost of producing and marketing are to include certain products (as they should) the social cost engendered by the seasonal patterns of an industry which for example may force labour to be idle in remote areas for part of the year, this situation should reflect itself in prices of their products. Moreover, when a major segment of such production is exported, this amounts to an export subsidy. Such a subsidy may be justified but it is questionable whether the scheme of the Unemployment Insurance should be a vehicle for such a transfer and it is surely not appropriate for the more stable industries to be taxed to pay for such a subsidy.

Comparisons by industry (Table 3) are revealing as to the extent of the difference between benefit payments and contributions. They are a measure of the burden of the costs of production shifted in this indirect way.

If the principle of experience rating is regarded as reasonable, it remains, then, to assess the efficacy of experience rating as an incentive for employers to stabilize their employment patterns, i.e., to reduce the social costs of production. Consideration must also be given to possible side-effects of such a method of financing the employers' contribution.

The White Paper states that only larger employers will be experience rated, i.e., those most able to engage in careful manpower planning and those whose payrolls are large enough for the changes in contribution rates to constitute a significant cost or saving factor. Witnesses who cast doubt on the desirability of experience rating cited the United States experience in support of their views.