

Mr. Lambert (Edmonton West): The end justifies the means, I suppose.

Mr. Andras: When the chairman of the commission appeared before the Miscellaneous Estimates Committee the other day he was forthright and sincere in his answers, and it was noted by committee members that he is administering the commission with dedication, concern and competence in the face of many difficulties. On that particular point, I was distressed to say the least, to note that, as reported on pages 353 to 357 of *Hansard* for January 16, the hon. member for Hastings (Mr. Ellis) named and attacked in very precise terms a public servant. This has not been the practice in this House, particularly in recognition of the special immunity granted to Members of Parliament, on the one hand, and the inhibitions placed upon public servants to respond and defend themselves publicly, on the other. The chairman of the commission has my confidence, that of my colleagues and I am sure that of all reasonable members.

The bill before us provides for two things. It provides for the removal of the existing ceiling of \$800 million. It also provides that the funds obtained through the vehicle of Governor General's warrants are not to be considered as appropriations granted to the commission but rather as advances repayable to the Minister of Finance under the conditions prescribed in the Act.

I believe it would be helpful to hon. members if I were to give a brief overview and history of the manner in which the unemployment insurance program has been and is now financed. Under the previous Unemployment Insurance Act, the government's contribution for the fiscal year was voted by parliament through main estimates and/or supplementary estimates. The government's share was 20 per cent of the contributions of employers and employees plus the administrative costs of the program. The government did not assume greater responsibility when the unemployment rate was high, except that when the balance in the unemployment insurance fund was insufficient to pay benefits as it was in 1964, the Minister of Finance, through an appropriations act, was authorized to make loans to the Unemployment Insurance Commission to effect the payment of benefits. These were then repaid from subsequent contributions. I might add that there was no legal limit on the amount of loans that might be made in such a situation.

Under the current act, the cost of paying benefits is financed both by revenues received regularly from employer-employee contributions and ultimately by the reimbursement to the commission of the government's share of the total costs. This latter, as I indicated at the beginning of my remarks, is not received by the commission until the next fiscal year following the end of any calendar year.

To summarize, therefore, the advances from the Consolidated Revenue Fund which are obtained by virtue of Section 137(a) of the Unemployment Insurance Act serve a threefold purpose: First, to provide for the government's share of the current year until it is precisely calculated and paid in the following year. The effect, of course, is that against the advance ceiling will be charged 15 months—January 1, 1972 to March 31, 1973—of government cost, prior to receiving the voted funds. Second, to

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cover any cash deficiencies in premiums received from the private sector when the employer-employee account is not sufficient for the payment of its share of benefits, plus the cost of administration. Third, to compensate for periodic short-falls between revenues and disbursements due to fluctuations in the unemployment rate.

There is no question in my mind now that when the Unemployment Insurance Act was dealt with last, the imposition of a ceiling on advances to the unemployment insurance account was unfortunate. It was put in because it was felt that it might provide a measure of control on costs. Such is not the case, however, because a variety of circumstances make it difficult to forecast accurately what the total cost to the government will be. Such forecasting is difficult because of dependence upon national and regional unemployment rates. The amount of the ceiling must take into account the number of persons unemployed since this has a direct impact upon the government's share of the total benefit costs. You will appreciate that unemployment varies greatly from any given point in time.

Another factor is that employer and employee contribution rates are based on the average experience of the preceding three years, beginning in 1975—so we are in a period at this time of building experience concerning what that rate may be—whereas benefits are paid depending upon the current unemployment rate. This, too, creates fluctuations in the unemployment insurance account.

Advances under section 137 are, of course, at a maximum at times of high unemployment, because of large government cost on the one hand, as well as relatively lower contributions from employers and employees on the other hand. Other factors, such as labour force growth, higher earnings of claimants, length of time of benefits, which are not easily predictable in the very short run, have a direct impact upon the cost of benefits paid at any given point in time. In the face of these variations in cash requirements, either the ceiling has to be set at an extremely high level in order to take account of any unforeseen contingency, in which case it would represent virtually no constraint at all, or it could be set at a relatively low level, which might necessitate amending the act almost every year.

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It is clear, therefore, that a fixed limit on advances is not practical. It is also, I submit, unnecessary, since there are many other automatic requirements in the act whereby parliament can review the administration costs and program expenditures under this act on several occasions each year. First of all, the minister must submit an annual report to parliament together with the report of the Auditor General; second, parliament can review the expenditures under the act when public accounts are tabled, which contain a report on the Unemployment Insurance Commission's operations as well as on the government's share of the cost of benefits.

Furthermore, since the estimates are reviewed by a parliamentary committee, this provides a further occasion for hon. members to review in detail the commission's operations, both financial and administrative. In addition, all advances made by the Department of Finance by