

Income Tax Act

this point in time of the session, I feel that it is an excellent average.

As to the hon. member's intervention, I shall inquire.

Mr. Speaker: Shall the remaining questions be allowed to stand?

Some hon. Members: Agreed.

GOVERNMENT ORDERS

[English]

INCOME TAX ACT

AMENDMENT TO ESTABLISH EMPLOYMENT TAX CREDIT PROGRAM

Hon. Bud Cullen (for the Minister of Finance) moved that Bill C-23, to amend the Income Tax Act and to establish the employment tax credit program, be read the second time and referred to committee of the whole.

Mr. Ed. Lumley (Parliamentary Secretary to Minister of Finance): Mr. Speaker, on behalf of the minister I would like to thank the opposition parties for their co-operation. As the House leader has indicated, the Minister of Finance (Mr. Chrétien) is attending the finance ministers' conference, something very productive.

[Translation]

Mr. Speaker, I have the honour to rise to deal with second reading of this bill to amend the Income Tax Act and to establish the employment tax credit program.

We are all aware that Canada is faced with high unemployment. In my opinion, what we need is a program to foster employment in the private sector without running the risk of fuelling inflation. The national unemployment rate does not provide a clear picture of the many ways Canadians are affected by unemployment or have access to job opportunities. The reality of unemployment may differ according to living area, age and sex. Our programs, however, have been especially conceived to take these various factors into account. We have always been anxious to streamline our employment programs to meet the needs of the most seriously affected regions and groups. This orientation cannot be maintained with a comprehensive tax reduction program.

We devote considerable resources to the creation of employment. The Canada Employment and Immigration Commission has a \$485 million budget for its employment strategy. It includes the Canada Works Program, the Young Canada Works Program and other measures for the creation of employment. The recently announced federal intensive work program will receive an additional \$150 million. Those programs provide a great number of additional jobs. However, they cannot offer what the unemployed are mostly seeking, to wit a permanent job in the private sector.

[Mr. Pinard.]

Canada is far from being the only country to experience such extensive unemployment. The necessity of a new concept for the creation of employment has led several governments to consider systems of employment credits. The question is to find a proper mechanism. Although the employment credit can take several forms according to the cases, the basic principles remain the same. An employment credit is a grant given to encourage employers to hire additional workers thus contributing to reduce unemployment. The aim of the program is, first, to create employment in the private sector rather than in the public sector, second, thus to provide greater advantages at the qualifying and training level so that the acquired experience is valuable, third, to create jobs in the areas and for the groups which are most in need and fourth, to create a maximum number of new jobs at the least cost for the state.

I think that those principles are incorporated in the bill referred to this House.

• (1522)

[English]

Briefly, this experimental program will have the following features:

The program will be administered by the Canada Employment and Immigration Commission, drawing on their extensive experience in the field of job creation. They will enter into agreements with employers who will certify that the jobs created by the program would not have existed without the incentive of the employment credit.

Reimbursement under the program will take the form of a taxable non-refundable employment credit differentiated in the same manner as the investment tax credit. Incremental employment in areas benefiting from the 10 per cent investment tax credit, that is, the Atlantic and Gaspé regions, will be eligible for a credit of \$2.00 per hour. All other areas designated under the Regional Development Incentives Act will be eligible for a credit of \$1.75 per hour, and undesignated areas, \$1.50 per hour. This regional differentiation of the credit rate provides a higher level of incentive to areas of high unemployment and slow employment growth. This reflects the minister's deep concern with the problem of regional disparity.

Making the credit taxable means that the maximum benefit will accrue to small business. For example, a firm paying the top corporate rate of 46 per cent could get a maximum net benefit of up to \$1,685 per job while a firm with a 25 per cent tax rate would net up to \$2,340. Also, by making the credit taxable it was possible to make the amount of a taxable credit more generous than a credit which was not taxed. A non-taxable credit would have been approximately one-third lower and result in the same cost to the treasury. Finally, this provision will also prohibit serious abuse of the program.

Eligible employers will include taxable incorporated and unincorporated businesses. They will be issued a tax schedule allowing them to reduce taxes otherwise payable. Participating employers will be allowed to reduce their tax instalment payments by the amount of unused credits accrued to the due