

TABLE 2
ESTIMATED CONTRIBUTIONS IN 1972 WITH PROPOSED PLAN
AT VARIOUS UNEMPLOYMENT RATES
(\$ millions)
(See notes)

Unemployment Rate %	Government		Employees (1)		Employers (1)						Total (4) (5)
					No Experience Rating (2)		Mature Plan (3)				
					Private	Public	Private		Public		
3.5	30	4%	285	40%	297	103	324	45%	76	11%	715
4.0	50		299		311	109	340		80		769
4.5	116	14%	299	36%	311	109	340	41%	80	10%	835
5.0	192		299		311	109	340		80		911
5.5	253	26%	299	31%	311	109	340	35%	80	8%	972
6.0	308		299		311	109	340		80		1,027
6.5	369	34%	299	28%	311	109	340	31%	80	7%	1,088
7.0	433		299		311	109	340		80		1,152

- NOTES: 1. Employee-employer costs include \$71 M for administration.
2. Contributions shown are those where experience rating has not yet taken effect.
3. Contributions shown are as if plan had been in effect for many years with full experience rating.
4. Above estimates are at full rates. Preferential rates for new entrants will reduce contributions paid as shown on Page 8.
5. 1972 base year-contributions estimated to cover costs. Rates adjusted thereafter by 3-year moving average two years in arrears.
6. Percentage added to the original table.

The government contribution is variable and linked to the unemployment rate; the employee contribution is the same regardless of his employer, but adjusted annually; depending on the level of benefits paid, however, the employees' share declines with the rise of the unemployment rate; the employers' contribution will vary from firm to firm for large units and it will constitute a declining share of the burden as unemployment rises.

2. The White Paper proposes that the contributions of employers be experience rated if they have an annual insured payroll of over \$78,000. For employers with a small establishment, an average rate, lower than the present rate, would be applied at all times. Most of these points were discussed at some length before the Committee.

1. The Structure of Financing

Except for a few briefs which argued that "the government is responsible for all unemployment"³⁷ and conse-

³⁷ United Auto Workers. See *Minutes of Proceedings and Evidence*, 2nd Session, 28th Parliament, September 22, 1970, Issue No. 14, Appendix "T", p. 119.

quently recommended that the employees should carry no burden or that the whole plan should be financed through general revenue, there was general consensus that the UI plan is *de facto*, a tripartite one. This does not mean, however, that there was accord with respect to the relative burden proposed for each sector. Some, like the National House Builders' Association argued for retaining the 50-50-20 formula, which is 41 $\frac{2}{3}$ % for the employers and employees and 16 $\frac{2}{3}$ % for the Government; others suggested the government assume a larger and "more stable" share of the burden. A number of witnesses expressed misunderstanding about the exact role of the government in Phase 4 of the proposed plan. In fact, the government pays for all of Phase 4.

Over and beyond the variability of shares, allocated to the three sectors, one must note some shift of burden from the Government to the employers and employees at full employment levels. While the present scheme allocates 41 $\frac{2}{3}$ % of the burden to fall equally on employees and employers, and 16 $\frac{2}{3}$ % on Government, the new proposal at maturity would, at a 3.5% unemployment rate, allocate 56% of the burden to employers, 40% to employees and 4% will be retained by the Government. At higher