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Chair

Ms. Raymonde Folco

Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities

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● (1120)

[*Translation*]

The Chair (Ms. Raymonde Folco (Laval—Les Îles, Lib.)): Pursuant to the Order of Reference of Wednesday, April 13, 2005, we are studying Bill C-280, An Act to amend the Employment Insurance Act (Employment Insurance Account and premium rate setting) and another Act in consequence. Colleagues, first we'll hear from witnesses Gérard Asselin, the member for Manicouagan, and Yves Lessard, who is also a member of our committee and the member for Chambly—Borduas. This concerns the first point on the orders of the day.

For the second point on the agenda, we'll sit in camera. Pursuant to Standing Order 108(2), we'll resume study of the new Human Resources and Skills Development Canada call for proposals on criteria for funding community programs. Then we'll resume consideration of the draft report.

I turn immediately to the first point. Mr. Asselin, you're going to take the floor. You have 10 minutes to present your bill, after which we'll move on to questions and comments from committee members.

Mr. Asselin, over to you.

Mr. Gérard Asselin (Manicouagan, BQ): Madam Chair, thank you for allowing me to testify today, since it was I who introduced Bill C-280. As you mentioned, I'm accompanied by the member for Chambly—Borduas, Mr. Lessard, who is a member of your committee. I'm going to share the 10 minutes allotted me with him. Then committee members may ask us a few questions.

Madam Chair, the purpose of Bill C-280 is first to establish an independent employment insurance fund. What do we want? The Bloc québécois introduced this bill in November, on first reading. A majority of the House of Commons voted in favour of it on second reading in February. Today, we're appearing before the committee to explain the substance of Bill C-280.

Madam Chair, we want a new account to be established to manage the employment insurance premiums paid by employees and employers, who will be entitled to benefits in the event of job loss or termination.

Madam Chair, when Minister Axworthy conducted an in-depth reform of employment insurance in 1994, he failed to create an independent employment insurance fund. If he had done so, as Minister Robillard recently told your committee, we wouldn't now be talking about a virtual $46 billion fund. We'd be talking about a $46 billion fund accumulated in the employment insurance account. These figures come to us from the Auditor General.

The people who pay employment insurance premiums are entitled to receive benefits in the event of job loss or termination. Unfortunately, these are virtual funds, as Minister Robillard said, because that money was paid into the government's consolidated revenue fund. People have paid for insurance in the event of job loss or termination. Since the eligibility criteria are very stringent, the money is accumulating, but isn't being distributed to the people, employees and employers, who have contributed.

Madam Chair, if Bill C-280 is passed, we will establish an employment insurance fund that will have the power to set premium rates, manage cash from premiums and make recommendations for improving the employment insurance system. This would be a truly independent fund directed by administrators whose sole purpose would be to manage the funds collected for employment insurance.

We're recommending to the committee an entirely reasonable number of administrators: seven representing employers, seven representing unions or employees, a chairperson appointed by the House of Commons and two vice-chairpersons representing the government. Employers would propose a list of names and unions would do the same, and the Governor in Council would select seven persons from the union side and seven from the employer side.

There are some who find this number very high. Seven employer representatives and seven employee representatives is not very high, Madam Chair. There wouldn't even be one employer representative or one employee representative per province or territory. There are the territories plus the provinces. With seven administrators, you don't even have the equivalent of one administrator per province, either on the employer or the union side.

● (1125)

I specify that because there seems to be some reluctance about this number on the part of members of your committee, as members of the House of Commons. I invite you to consider this: seven employee representatives is not even equal to one employee per province, and the same is true on the employer side.

I'll let Yves have the remaining time, Madam Chair. He'll use up our 10 minutes.

The Chair: Thank you, Mr. Asselin.

You have slightly less than five minutes, Mr. Lessard. Go ahead.

Mr. Yves Lessard (Chambly—Borduas, BQ): Thank you, Madam Chair.

As my colleague said, the Employment Insurance Account will no longer be part of the Accounts of Canada. It will be an entirely separate account. All the amounts credited to the former account will be transferred to the new one: premiums, fines, penalties, interest and repayments of surplus payments. The fund will be administered in an entirely independent manner.

The Employment Insurance Commission, as my colleague said, will play a preponderant role with regard to the spirit of this new fund, which must be administered separately. However, that doesn't mean there will be no accountability or dependence with respect to Parliament. The Cabinet will receive recommendations from the Commission to ensure that measures respecting premium and benefit rates are applied.

We know the fund was independent before 1986. Pursuant to a recommendation based on a 1983 report of the Auditor General, that fund was added to the consolidated revenue fund to facilitate the Finance Minister's work when there were deficits or surplus revenues.

This bill provides that, if the employment insurance account temporarily went into deficit as a result of a change in the unemployment rate, the fund could take out an interest-bearing loan from the government. The reverse would also be true: if the fund were in a surplus position, the government would also be able to borrow from it at the applicable interest rate. The fact that the government is withdrawing from the fund — as it has done over the past eight years — has raised an outcry of protest across the country. This therefore means that the fund can also serve as an economic lever for the government in harder times.

I'll stop there, Madam Chair, to allow committee members more time to ask questions. With a view to the eventual sound management of such a fund, I'll be very pleased to answer those questions.

The Chair: Thank you very much, Mr. Lessard and Mr. Asselin.

[*English*]

Mr. Forseth.

Mr. Paul Forseth (New Westminster—Coquitlam, CPC): Thank you.

Our party has advocated parts of this bill—separating the funds, making the fund actuarially sound, and so forth. Clause 1 of Bill C-280 requires the Canada Employment Insurance Commission to set a premium rate to achieve several objectives over a “business cycle”. As there is no uniform period associated with a “business cycle”, what timeframe is contemplated by this reference? Five years, ten years? How do we define in the bill what truly is a “business cycle”?

● (1130)

[*Translation*]

Mr. Yves Lessard: As regards the business cycle, there's recognition of the Canadian government here. But it's also based on a U.S. experiment on identifying business cycles, which follow changes in increases in the cost of living. A business cycle is four or five years long. We're thinking more of a five-year business cycle. This will make it possible, together with the employment insurance fund's actuary, to plan a little in advance based on the experience of the business cycle we're currently in.

[*English*]

Mr. Paul Forseth: I do have a problem with the bill in regard to that vague term. We are writing a statute here, we're not doing a policy paper. Perhaps there might be something in definitions that might be obtainable from the Bank of Canada when they talk about the business cycle, but then in a very detailed way they come up with formulas for that.

Also, one of the undefined terms is that in proposed paragraph 66 (1)(c) it says, “maintain stable rate levels”. What does that mean? Can you provide some indication as to what that somewhat undefined term, “maintain stable rate levels”, means?

[*Translation*]

Mr. Yves Lessard: Premium rates are set on the basis of two main criteria. There could be others.

First, they're of course set on the basis of the fund's commitments regarding benefits that will be provided and the kinds of measures that will be taken to support unemployed workers.

Second, they're based on the experience of recent years as regards the foreseeable business cycle. Experts inform us nearly every month about changes in the cost of living and what can be predicted in that regard.

It was somewhat in that spirit that we said in a recommendation to this committee that the consulting actuary could bring in specialists. The commissioners on this commission will be able to be informed and advised in order to set a premium rate based on the employment insurance fund's foreseeable commitments.

[*English*]

Mr. Paul Forseth: Does the bill contain a section that allows the making of regulations? Also, there is the term “business cycle”, which is very arguable and very undefined, and the term “maintain stable rate levels”, which is also somewhat undefined. Perhaps there could be a cover section where you could create regulations that could provide a definition.

I know the Bank of Canada also talks about maintaining somewhat stable interest rates and also maintaining somewhat stable inflation rates, and there have been subset formulas of how to get that in the established ranges and those are signals sent to the international community as a sign of confidence in future planning. Part of the problem with the EI bill here as stated is that businesses must be able to make some prediction of cost and make good sound business plans, but if they're going to look at undefined terms like “business cycle” and “maintain stable rate levels” without some further definition, I think that's somewhat difficult.

So the bill's proposer must answer those questions I'm raising. Can you alleviate my concern with a little bit more definition than what you've given so far?

● (1135)

[*Translation*]

Mr. Yves Lessard: I would answer Mr. Forseth by saying that, five, 10 or 15 years ago, the specialists who advised the present commission, which consists of three persons, would have had trouble answering the question you asked. All they could have told you at that time is what I'm going to tell you today.

To make forecasts, we're going to rely on the current economic situation, on recent experience and on the account's benefit commitments. So in that respect, there won't be any new crystal ball. I entirely agree with you that you can't predict that with any certainty. However, we can predict it with enough accuracy to set a premium based on commitments at least for a foreseeable period. That foreseeable period is five years. We can't have any requirement in addition to what's being done now.

The problem that arises now is not the possibility of anticipating a rate, but how to use the money that enters the account. A portion of that money has been used for other purposes. The committee itself has acknowledged that. It has acknowledged that the $46 billion that was there on March 31 of last year should return to the account.

The Chair: Thank you.

Ms. Gagnon.

Ms. Christiane Gagnon (Québec, BQ): Thank you, Mr. Lessard and Mr. Asselin, for presenting Bill C-280, which would establish an independent employment insurance fund. I'd like to ask you a question.

Mr. Lessard was a member of the subcommittee responsible for reviewing the operation of the employment insurance fund. A hefty report was tabled here in committee and unanimously approved. To make Bill C-280 coherent, you relied on the evidence and the report prepared by the subcommittee and subsequently tabled in the committee.

I'd like to know how you managed to give this bill that kind of coherence. I'd also like you to tell me what the members of the Standing Committee on Human Resources voted.

The Chair: Mr. Lessard.

Mr. Yves Lessard: You're entirely right to say that we were guided by indicators in harmonizing the bill with what the House wanted.

First, let's remember that, in November, if I'm not mistaken, the House passed a motion stating that the employment insurance fund should henceforth be used solely for laid-off workers.

Then, in its proceedings, I believe the committee unanimously acknowledged that the fund should no longer be used for other purposes. It further stated that the amounts that had been drawn from the fund should be gradually returned to it, though without compromising the Canadian budget. The bill responds to that intention. The committee went even further by saying that the account should be independent and administered by a significant majority consisting of employees and employers, the only two contributors.

In that sense, the bill is consistent with the wishes expressed by the House and the committee. I'd also say it takes into account the wishes expressed by witnesses who testified before the subcommittee. I'm not revealing the nature of the subcommittee's work, but rather what comes out of the unanimous report submitted to the committee.

● (1140)

The Chair: Thank you.

Ms. Christiane Gagnon: I'd like to learn more about the purpose of the new commission.

A lot is said about the management of the funds and the $46 billion that has now allegedly become a virtual amount in the government's coffers. I'm concerned that it is necessary for those funds to be intended for people who lose their jobs.

What kind of flexibility would this commission have to review employment insurance eligibility criteria and to establish better benefits? How would this commission, which is intended to help workers, improve service?

Mr. Yves Lessard: Madam Chair, fortunate coincidences sometimes occur. I think the announcement that Mr. Martin made earlier is a signal. If I've correctly understood, he has handed the new Minister of Human Resources and Skills Development a mandate for democratic renewal. That's literally what he said. If that kind of thing is implemented, I'll be pleased.

What we're trying to accomplish with this bill isn't democratic renewal, but rather an exercise in democracy and transparency. That exercise may be understood as democratic renewal by those who aren't used to such a thing, if I can say that. I don't mean to blame anyone. This is a matter of transparency and democracy and of a desire to ensure that this service is offered to the people for whom it was designed, in other words unemployed workers.

I now come to the essential part of your question. Employers and workers are the only contributors to this account. For at least eight years now, there have been sufficient funds to implement all the measures recommended by the committee in order to improve benefits. So what's new in this regard? The fact that the administrators can implement measures that will help the people for whom the fund was established.

Mr. Gérard Asselin: Madam Chair, I would add that premiums are currently a disguised tax levied on seasonal workers. You'll agree with me that only four of every 10 contributors are entitled to unemployment insurance benefits. The program's eligibility criteria, 910 hours for new entrants, are the result of a very harsh reform. After each year, we should have seen the surpluses that it generated and used them to improve the employment insurance system.

If four in 10 persons are entitled to benefits, that means that 60 percent of people don't receive any. They are mainly women in the labour market who hold casual, temporary or on-call jobs. As I said earlier, the idea of establishing an independent fund would have been obvious at the time of Mr. Axworthy's reform in 1994. As the surpluses accumulated, we could have improved the employment insurance system without pushing the account into deficit.

Until we have an independent account, these amounts will go into the government's consolidated revenue fund. It is therefore not in the government's interest to improve eligibility criteria. If it did so, as it improved them, the revenues it used for purposes other than those for which they were collected could no longer appear in the surpluses. The government has decided to appropriate those surpluses in order to use them to reduce the deficit or for various other purposes.

So, to answer Ms. Gagnon, I would say that the first solution to this problem is to create an independent fund managed by administrators representing those who contribute to it, who would make recommendations. Then, every year, as you'll see in the bill, the commission will submit a report to government and the House.

● (1145)

The Chair: Thank you, Mr. Asselin.

I would simply like to remind Mr. Lessard of a minor technical point. Before Ms. Stronach was appointed, we already had a minister responsible for democratic renewal, Mr. Mauril Bélanger. The Prime Minister's concern is therefore not a new one. It has been around for a number of years now.

I now turn the floor over to Mr. Godin.

Mr. Yvon Godin (Acadie—Bathurst, NDP): Thank you, Madam Chair. I don't know why that comment was made. We know we have a democratic deficit.

I'm going to read you question 5 suggested by our researchers:

> On coming into force, clause 2 of Bill C-280 would require the EI surplus to be credited to the new Employment Insurance Account.

A little further on, they ask:

> How would international markets respond to an instantaneous federal deficit of some $50 billion?

In the recommendations we made to the Standing Committee on Procedure and House Affairs, we recognized that we couldn't take $46 or $50 billion in one shot and put it into the account. We even set out a formula. However, what we have here suggests that, if we had an independent account, $50 billion would have to be put into it all at once. I don't believe that's the bill's intent. Is that its intent?

When you look at clause 2, from proposed paragraph 72(1)(b) to proposed subparagraph 72(1)(f)(iii), you see nothing stating that we won't take all the money immediately. I'd like to have an explanation on this point.

The Chair: Mr. Lessard.

Mr. Yves Lessard: You're entirely right. We're in the same dynamic as when we discussed this in committee. Some told us that, if we demanded immediate repayment, that would compromise the budget and the public finances. So we unanimously acknowledged here that that money would be returned to the account, but at a rate that would not compromise the public finances.

When we do the clause-by-clause consideration, if the committee sees fit to adopt and implement this principle, we'll be open to that. The committee expressed its concern and said that this amount should be returned to the account, but that it should be done gradually, at a rate of $1.5 billion a year, which seems entirely applicable in the circumstances.

Moreover, the current fund has a reserve equal to one year of premiums. That reserve was established by the consulting actuary. In the clause-by-clause consideration of the bill, we'll have to ensure that reserve is transferred. As for repayment, it may be done over a long period of time. We're open on that point. You're right in saying it's not clear in the bill. We should work on that amongst ourselves.

Mr. Yvon Godin: You know my party and I support the idea of an independent fund. We're not talking about an independent fund that would be handed over to a single group and over which we would have no further control. We want it to be a fund separate from the consolidated revenue fund, but about which parliamentarians would have a say so as not to lose sight of employment insurance. The government has to be responsible for the employment insurance program. It must be accountable to Canadians. We don't want it to stop being accountable.

Are you taking that into account in this bill?

Mr. Yves Lessard: Yes. Have we sufficiently taken that concern into account? I believe so. If not, we can do so even more. That's entirely in the spirit of the work we've done thus far. When the premium and benefit rates are set, there has to be a report to Cabinet. If a difference of opinion ever arose about the premium rate, among other things, the matter could be put before the House.

Similar security mechanisms already exist elsewhere in real terms. For example, Quebec's Commission de la santé et de la sécurité du travail has a fund, and premiums totalling $1.9 billion or $2 billion are collected every year. There's a reserve fund of approximately $9 billion for accident victims. The Commission is administered equally by management and employer representatives, and there's a government presence. There are 15 administrators.

Here we administer $15 billion a year for 16 million workers and hundreds of thousands of businesses. At the CSST, in Quebec, there are 15 administrators for a $2 billion fund. Every year, they report to the Government of Quebec. The Government of Quebec has intervened on two occasions, when there were real deficits, saying that specific corrections had to be made, but it didn't oversee the administrators. It didn't need to intervene beyond that point.

The administrators are responsible to those who contribute, which adds transparency to the process. There is also sound management, since workers and employers are able to administer as well as the government. At the same time, there is a constant concern to ensure the fund serves the purposes for which it was established.

● (1150)

The Chair: Thank you. Be brief, Mr. Asselin.

Mr. Gérard Asselin: I have something to add to what Mr. Lessard just explained. We have an example in the CSST.

Mr. Lessard referred at one point to management and employer representatives. He probably meant management and employee representatives.

Mr. Yves Lessard: Yes, that was a slip of the tongue.

Mr. Gérard Asselin: I simply mention that for the “blues” and the minutes. Management and employers are the same people, and either term is used in reference to them.

There are also their representatives. Instead of “employers”, we should read “employees”.

The Chair: Thank you.

Mr. D'Amours.

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Madam Chair. I'd like to talk about a few things.

Mr. Lessard, when you referred earlier to the amounts that would be returned to the fund, to the new structure, you said that should be done at a rate that would be defined, and you gave an example of a defined rate.

Do you anticipate addressing the repayment rate in the bill? You referred to $1.5 billion a year. Did you state that or something else in your bill?

Mr. Yves Lessard: Mr. D'Amours, there are two aspects to your question.

The present reserve fund is $15 billion. It could be $13 billion or $16 billion, which would nevertheless be safe. Of course, that reserve fund would be transferred to the new fund.

Mr. Jean-Claude D'Amours: When would it be transferred? Would the entire amount be transferred?

Mr. Yves Lessard: We would have to see about the mechanism. Can it be done at one time? That depends on how we'll be able to apply this.

If the responsibilities of the present fund are immediately transferred to the new fund, which should be the case, the reserve will have to be transferred. It's that fund that will have to be accountable.

Mr. Jean-Claude D'Amours: Mr. Lessard, I give you two ideas, and you'll tell me whether they can be used.

We could transfer $15 billion to the new fund all at once, or the government could provide a $15 billion guarantee.

● (1155)

Mr. Yves Lessard: That would suit us just fine.

Mr. Jean-Claude D'Amours: All right. Either of those things would be acceptable.

Mr. Yves Lessard: Yes. That would be a fund guarantee. We know that some guarantees are not notional... You used a term to say that the $46 billion would no longer be there. It's not “notional”. You used the very elegant term that enabled you not to compromise yourself too much.

Mr. Jean-Claude D'Amours: Mr. Lessard, you're the witness.

Mr. Yves Lessard: I'm going to come back to that. I can't think of the word.

Mr. Jean-Claude D'Amours: So these options could be acceptable.

You also gave us your ideas about the balance. You expect the $15 billion — or $13 billion, whatever the amount is — will be transferred directly to the new fund or that the government will guarantee it.

In your bill, how do you provide for the transfer of the surplus — that is to say everything up beyond the $46 or $47 billion we're talking about — to the new commission?

Mr. Yves Lessard: When we prepared it, the committee hadn't yet completed its work. The Bloc québécois members feel the result of the committee's work regarding a gradual return of the $46 billion is very interesting. We're entirely comfortable with that.

Mr. Jean-Claude D'Amours: I'm going to ask you one final question because we're definitely going to run out of time.

In view of the fact that the government would still control employment insurance programs — we agree there is a difference between the programs and the commission, which manages the funds and deals with premiums — would the new Employment Insurance Account, which would no longer be part of the government's consolidated revenue fund, comply with the generally accepted accounting principles for the public sector in Canada?

That's something you want to implement. Do you have the guarantees? Have you made the necessary checks showing that those accounting principles — principles that we know govern all accounting matters in Canada — will be applied? Have you received assurances that the accounting principles that the Auditor General and others here in Canada ask be applied will be complied with?

Mr. Yves Lessard: Yes, out of necessity. However, I don't see what you're getting at. For example, Quebec's Caisse de dépôt et placement and the CSST are also administered on a majority basis by people from civil society. They abide by recognized accounting principles. The same would be true for this fund. From the moment you deviate from those accounting principles, you fall into a kind of anarchy.

Mr. Jean-Claude D'Amours: So you don't anticipate any problems in that regard?

● (1200)

Mr. Yves Lessard: I know that there are caisses populaires in your riding managed by administrators from civil society. There are always about 12 individuals responsible for administration. The caisses populaires generally manage between $100 and $500 million. Their directors comply with recognized accounting principles. However, they may agree on the amount of dividends paid out or how they use the reserve for social fund, for example. Do we understand each other?

Within that framework, there is some flexibility for deciding on how money will be used, provided it's always based on the purpose and mission of the fund.

The Chair: Thank you.

We've completed the first round, and, according to my watch, it's exactly 12 o'clock. Consequently, I would like to thank Mr. Lessard and Mr. Asselin for coming and presenting Bill C-280 to us. We're going to continue in camera for the second part of our meeting. The second part is very important.

Thank you.

Mr. Lessard.

Mr. Yves Lessard: With your permission, I'd like to thank committee colleagues for asking questions and exchanging their views with us. As my colleague just told me, the word I was looking for earlier was “virtual”. I'd also like to say we didn't know Mr. Bélanger was the person in charge of democratic renewal. You've contributed to democracy just by giving us that information. Thank you, Madam Chair.

The Chair: Thank you, Mr. Lessard.

Having spent more than eight years, Mr. Lessard, I admit I hope that my contribution won't be limited to that.

Thank you very much, Mr. Asselin.

The meeting now continues in camera. I would therefore ask persons who are not authorized to remain to leave as soon as possible.

[*The meeting continues in camera*]

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