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Development and the Status of Persons with
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Mr. Rodger Cuzner

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• (1920)

[English]

The Chair (Mr. Rodger Cuzner (Cape Breton—Canso, Lib.)): Colleagues, we will commence our second meeting of the Subcommittee on the Employment Insurance Funds.

We have a number of witnesses today. We have two with us in house, and a number of others through video conferencing. I would like to welcome all of you here this evening. We have, from the Confederation of National Trade Unions, France Bibeau and Roger Valois. From the CLC, Kevin Hayes and Hassan Yussef are with us. We also have Mario Labbé and Pierre Séguin from the Centrale des syndicats du Québec. From the Fédération des travailleurs et travailleuses du Québec, we have René Roy and Marc Bellemare.

[Translation]

Welcome, gentlemen.

[English]

We'll ask each of the presenters to do a five-minute presentation. I'll give you an indication when you're getting close to the five minutes, and if you spill over that will be fine. Then we'll open up for a round of questioning.

Colleagues, I think we can follow the same regimen of questioning that we did in our first meeting. I believe that worked out well.

Could we begin with Monsieur Bibeau, or whoever is speaking on behalf of the Confederation of National Trade Unions.

[Translation]

Mr. Roger Valois (Vice-President, Executive Committee, Confederation of National Trade Unions): Good evening, Mr. Chairman. Good evening, ladies and gentlemen.

I get the impression that, in the consultation under way, the government or the members want to know whether we're going to say the same thing as we did in May. Just before the election, we filed with the committee...

[English]

The Chair: Excuse me, but could you enter your name on the record before you start your presentation, please? Thank you.

[Translation]

Mr. Roger Valois: My name is Roger Valois, and I am Vice-President of the Confédération des syndicats nationaux. Incidentally, we no longer translate the name of the Confédération. So, even in English, we say *CSN* and *Confédération des syndicats nationaux*.

It seems to me the committee hearing us wants to know whether we're going to repeat what we said in May. We've reinvented nothing. Our position is the same as it was in May. The government absolutely has to change certain things about the employment insurance fund, and it moreover has undertaken to do so. For example, in Quebec, in 1993, 80 percent of workers had access to employment insurance, whereas now only some 45 percent are eligible for benefits.

As for benefits to unemployed workers, there has been a catastrophic drop in the amounts paid. The situation regarding eligibility for employment insurance benefits is also disastrous. You'd think parliamentarians in Ottawa had forgotten there's a winter in this country.

I don't just want to focus on seasonal workers, but, when you work at a golf club, it's impossible to keep working after mid-November. And when you leave the golf club, you're not automatically hired at a ski resort, where there is one. That's not how our country is made. So some things absolutely have to be changed.

In addition, the Government of Canada has stolen money from the employment insurance fund, even though it hasn't contributed to that fund for years. The fund now consists of contributions from employers and workers. The Government of Canada has taken the surpluses. In spite of the surpluses, workers don't have access to benefits.

So, in our opinion, there should be a committee independent of government to manage the employment insurance fund. That committee, which would administer the fund, would have to consist of representatives of the contributors: employers and workers. The Government of Canada has not done this job right, and unemployed workers are poorly served by the present act.

I would also like to emphasize that the parliamentary committee that studied the employment insurance question made unanimous recommendations to the government, quite a rare occurrence in Ottawa, but nothing was done. We deplore this fact, and we'll come back to it later.

• (1925)

[English]

The Chair: From the site in Montreal, is there another presenter?

[Translation]

Mr. Roger Valois: There are three of us labour organizations, and we could present in turn.

[English]

The Chair: Okay, from the *Centrale des syndicats du Québec*...

[Translation]

Mr. Pierre Séguin (Vice-President, Centrale des syndicats du Québec): Good evening, ladies and gentlemen.

My name is Pierre Séguin, and I am Vice-President of the *Centrale des syndicats du Québec*. At the invitation of the Subcommittee on the Employment Insurance Funds, I will briefly state the thoughts and recommendations of the *Centrale des syndicats du Québec*.

We would note, first of all, that we consider the question under study, the use of the money accumulated in the employment insurance fund, rather broad and poorly defined. We also understood that there was some question of premium rate setting for 2005 and the possibility of increasing the maximum insurable earnings amount with a view to improving the fund.

Considering the very limited time at our disposal, you will understand that it would be hard for us to make precise, definite proposals at this time. In the circumstances, our remarks will focus on three subjects: first, the enormous surplus that has accumulated, more than \$45 billion; second, the decisions that must be made immediately, which concern the premium rate for 2005, the amount of maximum insurable earnings and the creation of an independent fund; and, third, prospects for improving the system.

With respect to the accumulated surplus, for a number of years now, many groups and organizations, including our own, have loudly denounced the use of employment insurance surpluses for purposes other than those of the system. We believe a broad debate on this question is necessary. Even though those billions of dollars have already been spent, this way of doing things was highly debatable. We therefore think it is imperative, to say the least, that consideration be given to the possibility of reallocating those amounts to the employment insurance account, from which they should never have been withdrawn.

We are aware that such a transaction would have a not negligible impact on public finances, but we are convinced that the public must be consulted and must have the opportunity to decide what it prefers: that the mistake made in recent years be corrected, at the risk of reducing the federal government's fiscal flexibility, or the slate wiped clean and the situation really corrected for the future. In short, with regard to the accumulated surplus, we think it is too early to say one

way or the other, but we want there to be a public consultation on the subject.

As regards the premium rate, the amount of maximum insurable earnings and the creation of an independent fund, according to the Chief Actuary's report on prospects for the employment insurance fund for 2005, the equilibrium rate to cover fund expenses in 2005 would be \$1.92, or \$1.76 per \$100, depending on whether interest revenues are included in the calculation. In the 2004 budget, a rate of \$1.98 was announced for 2005. We feel that a certain stability in the premium rate would be desirable. Since we advocate improvements to the system in future, as we'll see in the next section, we think it inappropriate to contemplate a rate reduction at this time, when it subsequently might be necessary to make substantial increases. We therefore think it would be preferable to maintain the rate at \$1.98 in 2005, as provided in the budget, despite the fact that that would result in another surplus which could be in the order of \$2 billion.

We think an increase in the maximum insurable earnings amount would be premature. On the one hand, it would further inflate the 2005 surplus, which we don't want. On the other hand, it would improve the system, the merits of which we think should be assessed in the context of a comprehensive analysis of all system parameters.

Lastly, we think it is urgent and necessary to create a true employment insurance fund that is independent and strictly reserved for the system. It goes without saying that any surpluses for 2005 and subsequent years should be paid into it.

As regards improving the system, we have always criticized the major reforms of the past three decades, particularly those of the 1990s. They had a harmful effect on all unemployed workers with regard to eligibility, rates and term of benefits. As I noted, the system must be entirely reviewed so that it actually and decently protects all workers against the risk of unemployment. On this matter, there must also be a broad consultation of the public, which must be able to speak out about the employment insurance system it wants. We think it premature to make any specific demands. However, we would note that our efforts will focus, on a priority basis, on the most scandalous aspect of the present system, the fact that it doesn't even cover half of people who lose their jobs. Bon appétit, sir, by the way.

Lastly, we would be prepared to contemplate an increase in premiums at a later date, if that proved to be necessary in order to fund adopted improvements, and only to the extent that all amounts collected would be used solely for the purposes of the system.

• (1930)

Here now are our recommendations.

First, the *CSQ* recommends that you conduct a public consultation on whether or not the surpluses accumulated to date should be recovered and reallocated to employment insurance benefits, and on an in-depth reform designed to substantially improve the system, particularly with regard to eligibility for benefits.

Second, we recommend that the premium rate for 2005 be set at \$1.98 per \$100.

Third, we recommend that the amount of maximum insurable earnings be maintained at \$39,000 for 2005.

Fourth, we recommend that a genuine employment insurance fund, independent and strictly reserved for the system, be established immediately.

Bon appétit, once again.

The Chair: Thank you very much, Mr. Séguin.

[*English*]

From the *FTQ*, please.

[*Translation*]

Mr. René Roy (Secretary General, Fédération des travailleurs et travailleuses du Québec (FTQ)): Good evening, gentlemen.

The *FTQ* has outlined its position on the employment insurance issue on numerous occasions. We have been making substantially the same demands for at least the past 10 years.

[*English*]

The Chair: Is your name Monsieur Roy?

[*Translation*]

Mr. René Roy: My name is René Roy, and I'm from the *FTQ*.

Our main demands still concern the same things: improve the eligibility rules by requiring only a minimum of 360 hours so that 70 to 80 percent of those who lose their jobs can receive employment insurance benefits; establish a 60% income replacement rate; increase the number of insurable weeks to 52; raise the insurable maximum to \$42,750 and index it.

I list these points in response to the question before us this evening: what should be done with the premium rate and accumulated surpluses? If the premium rate is lowered, we clearly will not have the necessary funds to make these improvements.

It is therefore the *FTQ*'s view that the rate should not be lowered. We are somewhat irritated by the fact that we read in the *The Globe & Mail* today that the minister would lower the premium rate by five cents tomorrow. I hope that's not true, and I hope this evening's meeting will not just be a waste of our time. We think the premium rate should be increased. If we want to improve the employment insurance system, as we wish, the premium rate absolutely must be approximately \$2.20 per \$100.

That said, as Mr. Valois said a moment ago, there is a House of Commons committee, consisting of members from all political parties represented in Parliament, that submitted a report in 2001 and whose recommendations were simply set aside. I think we should go back to those recommendations.

One of those recommendations absolutely must be implemented, the recommendation concerning creation of an independent fund. The government must no longer be entitled to get its hands on this money, and not only the surplus, but also accumulated interest, must be returned to us. The government should also begin to pay it to us each year. We think that a premium rate of \$2.20, plus interest, would result in flexibility of nearly \$5 billion, which would make it possible to make the improvements we referred to earlier to the employment insurance system, by establishing eligibility rules that would enable those who lose their jobs to receive employment insurance benefits.

That's it; thank you very much.

• (1935)

[*English*]

The Chair: *Merci, Monsieur Roy.* I assure you that if we had thought we would be wasting your time, then we wouldn't be wasting our time. We're looking very specifically at some recommendations from this committee to the human resources committee.

I'll ask the CLC to go next. Who will speak on behalf of the CLC?

Mr. Hassan Yussef (Senior Economist, Canadian Labour Congress): Good evening.

On behalf of the Labour Congress, I want to thank the committee for allowing us to appear, even though it's a bit late at night. We feel this is an important issue that ought to be given top priority.

I'll go through our points and just make some recommendations. We've submitted a full brief, and more recommendations for training and of course 360 hours for qualifying for unemployment insurance.

On behalf of the three million members of the Canadian Labour Congress, I'll briefly outline the recommendations we made more than a year ago to the government on a transparent premium-setting mechanism, an arm's length commission to oversee the EI trust fund.

Let me begin by stating the obvious: workers pay EI premiums to fund a social insurance program that is there for them when they lose their jobs, take training, are without pay because of pregnancy, parental leave, temporary sickness, quarantine, and for compassionate family care. The lack of transparency in the current system, brought in with the 1996 Employment Insurance Act, arises entirely from the astonishing fact that premium rate-setting has been uncoupled entirely from any reference to past, present, or future insurance payments and the large role played by government in setting the premiums since 1994.

The premium-setting provision in the EI Act, section 66, not only stripped away the transparency, it stripped away accountability. It gives the government permission to collect premium revenues to keep the premium rate stable over an undefined business cycle. But the act sets no limit on annual surplus or cumulative surplus.

The current provision for premium-setting contains no reference to the presumed purpose of collecting premiums, which is to finance current, past, and future insurance claims. The EI Act doesn't define the only two things the commission is supposed to consider in setting rates—stable rates over the business cycle and the business cycle itself.

The EI account has historically been viewed as a trust fund for workers, as it should be. Even after the government began treating EI revenue and expenditures as no different from any other item in the consolidated revenue fund, Canadians still believed their premiums were treated as money held in trust for the sole purpose of paying insurance claims.

The CLC does support the idea of a reserve to keep the premiums from rising as they did in the 1991-92 recession, due in large part to the government withdrawal of its contribution to the unemployment insurance system. The extra premium revenue collected since 1994 has not been paid out, not into a reserve account and not into the unemployment insurance account. They went directly into the government coffers. What makes this all the more painful is that these surpluses were built by massive cuts in protection to Canada's unemployed, who regard the surplus as money borrowed from EI that must be repaid.

Let me summarize our recommendations. The CLC recommends scrapping the current patchwork of qualifying hours in favour of 360 hours for all EI entitlements, unemployment benefits as well as pregnancy, parental leave, sickness, and compassionate leave benefits.

We're also recommending that regular insurance entitlement currently available to apprenticeship training should be expanded to everyone in the workforce, both employed and underemployed, for workplace training.

Base the required premium rate on expected insurance payments for the years ahead, the following years, and over a defined business cycle.

Reconstitute the EI account as an employment insurance trust fund, and make illegal the use of premium money for non-insurance use by government.

We recommend that the government pay from general government revenues the cost of regionally expanded benefits due to high unemployment.

Earmark each year a percentage of premium revenues from a high unemployment reserve fund within a new employment insurance trust fund. The high unemployment reserve fund would be for the portion of increased benefit paid out due to high unemployment but which is not covered by a government's obligation to pay for extended benefits due to high unemployment.

Define the business cycle in the EI Act. Define it primarily in terms of employment and underemployment measures over a meaningful period. Replace annual insurable earnings with weekly insurable earnings. Index the maximum weekly insurable earnings and the resulting maximum benefit to the yearly changes in average weekly earnings.

Place the Employment Insurance Commission at arm's length to the government with independence to oversee and report to the public on the EI trust and any special purpose reserves, such as the high unemployment reserve fund. An arm's-length commission would have the independence and authority that government bodies have, ranging from the judiciary to statistical agencies.

• (1940)

The commission would have its premium-setting powers restored, continuing a tripartite institution with equal representation of workers and employers and government representatives to maintain its power and to make regulations for the administration of EI eligibility provisions; take over the responsibility to determine the insurable policy of the Canada Customs and Revenue Agency; have

its own actuary and technical expertise in labour market and labour force analysis and report publicly on its oversight and regulatory responsibility; make the actual report of the commission public at least six months before the deadline for setting the premiums for the upcoming years.

On behalf of the three million in the congress, we look forward to your questions and hope our full brief that has been submitted to the committee will at least give you some opportunities to raise any questions you may choose.

Thank you.

The Chair: Thank you very much.

We'll go right into the questioning round, the first of which will be seven minutes.

We'll begin with the Conservatives. Mr. Van Loan.

Mr. Peter Van Loan (York—Simcoe, CPC): I may not need to take the seven minutes. I only want to ask the folks from the confédération des syndicats nationaux, CSQ and FTQ, this: Listening to the CLC recommendations, setting aside the training insurance and the 360 hours, focusing solely on the question of how the fund should operate in the future in terms of being a genuine fund, that recommendation, the tripartite commission, all those recommendations of the Canadian Labour Congress, including the rate setting, do you agree with their position?

[Translation]

M. René Roy: We obviously agree on the creation of a tripartite fund. That was even recommended by the previous committee. At the outset, we were even in favour of a fund that would not include the federal government. We wanted it to be just employers and employees. However, it would be fair for the federal government to join us. So we very much agree on an independent fund, or even a trust.

As for the premium rate, eligibility rules and protection standards that we want, we've been repeating the same thing for a number of years. I believe the CSN shares our view on this point.

Mr. Roger Valois: We share that view. We advocate indexing maximum insurable earnings and premiums because money is needed. If there were an independent fund, that would prevent the Minister of Finance... In our action against the federal government, we were told that there was no employment insurance fund, but a fund in Ottawa. The Minister of Finance, who is now prime minister, and the others who followed him at the time, played around with that fund disgracefully, to the detriment of unemployed workers.

Given its actual make-up, Parliament will never be in as good a position to amend the Employment Insurance Act. Once we have a majority government, we may have to forget that. Considering how the government is made up, the time is right to change things. If we don't change them right away, we'll have to wait a long time.

•(1945)

[English]

Mr. Peter Van Loan: I guess this is my follow-up question. Setting aside, again, the proposals for expanding the program, looking at the \$46 billion surplus, which by all accounts is about three times what is necessary to maintain the system at a maximum reserve, as in the past, let's say that gives you two-thirds of the existing surplus. If it's real and hasn't disappeared, if it were to be paid back to those who had paid it in a form other than expansion to the program, how would you like to see that happen? Is it your option that it gets paid back to the people who paid it, or that the government should keep it in general revenues?

I know it's a bit hypothetical and doesn't fit where you want to go, but I'd like the response of all the witnesses on that.

Mr. Hassan Yussef: We have always maintained that money paid into the—

[Translation]

Mr. René Roy: The FTQ's viewpoint is the same as the one we stated in 2001. We don't want a refund for those who have contributed. We want the fund surpluses, which belong to workers, to be used to improve the system. Relax the eligibility rules. Make it so that 70 or 80% of people who lose their jobs receive benefits. There's also the program for older workers, the PSRPTA, which we didn't talk about earlier. These people should also be given the opportunity to return to the work place. We also need money for worker training. These surpluses should gradually be returned to the fund so that eligibility rules can be relaxed. If the surpluses were used gradually, the premium could be maintained at \$2.00, \$2.20 or \$2.30, which would make it possible to implement the improvements we propose.

Mr. Pierre Séguin: Ladies and gentlemen, for years now, the government has helped make it so that all Canadians who are unemployed would no longer have access to the employment insurance fund. You ask us today what should be done with the money that you've accumulated at the workers' expense. The answer is very simple: you should give it back to the workers and make sure that the system is able to meet the needs and expectations of people who lose their jobs. If there's one thing you could do right now, it would be to make it so that money is used properly. Those amounts should be returned to workers, and ways should be found to help those people find new jobs and to train them so they can find other jobs that correspond to their skills, which they did not necessarily have before. The government must make very informed decisions in this area.

Mr. Roger Valois: I'd like to add something. How could individuals be convinced to pay for insurance, if only 45% of them could draw benefits? This is currently the case with unemployment insurance, which I still call unemployment insurance. Fifty-five percent of people who pay premiums, who are insured, are guaranteed not to receive benefits. And they know it because that's the way the act and regulations are made. If 55% of the people who pay fire insurance premiums weren't entitled to insurance if their house burned down, I don't think a lot of insurance companies would be getting rich. But in this case, the federal government is entitled to impose what it wants. Unemployment insurance premiums are mandatory for employers and employees. They have to contribute,

even though they're certain they'll never receive benefits. This attitude on the government's part is a bit twisted. It knows perfectly well that there are people who are paying and who will never be entitled to benefits.

The first thing that must be ensured is that those who pay premiums in the event they lose their jobs can recover the money that is owed them.

•(1950)

[English]

The Chair: A final point, Mr. Yussef.

Mr. Hassan Yussef: I guess it's a hypothetical question, but let me start from where we presented.

Before I can respond to your question, I think first and foremost we have to fix the discrepancy in the system, that people who are not qualifying for benefits need to be qualified. Secondly, establish a system that is transparent and accountable. Right now, that is not there, and I think it's critical to recognize that reality before we talk about how we will repay the surplus money that is owed to the fund and has been taken from workers' pockets in general.

The Chair: Thank you very much.

Mr. Lessard.

[Translation]

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

First I'm going to ask a few questions for clarification, so that I can clearly understand the position of the labour organizations. I would remind you that the House has given the subcommittee a mandate "to study the issue of the employment insurance funds so that the money accumulated is only used for the employment insurance program in the interest of workers and taxpayers."

That was the subject of an amendment, passed by a majority, for the reason Mr. Valois stated earlier: because it's a minority government. We're in a situation in which the recommendations we must make by December 17 have to be clear enough to influence the House in the right direction.

The party I represent, the Bloc québécois, of which I am the human resources and skills development critic, today introduced two bills consistent with what you raised earlier. The purpose of one is to institute an independent employment insurance fund. I'll spare you the details, but it is consistent with what workers, through you, have demanded to date. The purpose of the other bill is to improve the rules and make employment insurance more readily accessible in order to restore the fund to its primary purpose, which is to truly help people who lose their jobs.

That said, we understand the intention of labour organizations with regard to the rules that must govern eligibility conditions, and I won't return to that. Those are all the points that were raised by the people of the CTC, the CSN and the FTQ.

Furthermore, we'll also have to take a position on the amounts that have accumulated in the past. As we speak, according to the auditor of the fund, they stand at \$46 billion. That's a lot of money. I believe I understood that, in the view of the three labour organizations, that money should be returned to the people who contributed. The CSQ people may correct me if I'm wrong, but that seemed to me to be less clear for the CSQ. I want to understand clearly. Are you unanimous on this, or is there a difference of opinion? In the event we have to debate what we should do with money that has been used for purposes other than employment insurance, should that money, in the CSQ's view, and that of the other labour organizations, be reallocated to employment insurance? If so, how should that be done? I put that question to all the labour organizations.

I'll make things clear for you, because we're going to debate this publicly. Some will contend that, in order to rectify matters, employer premiums should be reduced and harmonized with those of employees, to a point where there are no more surpluses. At that point, things would fall into place and nothing would have been improved. That's not the opinion of the labour organizations. Mr. Roy was very clear on this, and we agree. So I would like to know how this money should be used. Of course, it should be used for people who contribute, but, to do that, should the eligibility conditions be relaxed or should these people be given a premium holiday? How should this money be returned to the workers who contributed?

• (1955)

[English]

The Chair: Just before we get into that, you have about one minute to answer that.

I guess it would serve notice, Monsieur Lessard, that the seven minutes is for both question and answer. If each would like to offer a brief response to his question...

[Translation]

Mr. Mario Labbé (Employment Insurance and Pension Plans Advisor, Centrale des syndicats du Québec): As regards the use of the accumulated surplus, there is no doubt in our view that the money must be returned to the people who contributed. The only thing is that, in the event of a public debate in which the question would be whether this money should be strictly handed over to unemployed workers, at the cost of reducing the government's fiscal flexibility for all programs and spending, our priority would clearly be to hand it over to workers on the one hand. On the other hand, it is also clear in our minds that the absolute priority is improving the system, not reducing the premium rate. With regard to improving the system, as we noted earlier, our priority is accessibility, that is a relaxation and a reduction in the number of hours necessary for access to benefits.

Mr. Roger Valois: Mr. Chair, it is our view that the people who contributed by improving the system must be reimbursed, but it may not be necessary to do it all the same year. It could be spread over 10 or 15 years, at a rate of \$3 billion a year. The system could thus be improved without increasing employer and employee premiums. The fund surplus consists of two premiums. So that could be increased by \$3 billion a year over 10 or 15 years. That would be handed over to those who are to benefit from the system.

Mr. René Roy: We clearly think that preference should be given to improving the system. The surpluses should be used to improve eligibility rules for those who lose their jobs. We want that to be improved. Don't forget that the maximum earnings amount has been \$39,000 a year since 1996 or 1997. That amount has to be increased. You also have to think about the number of weeks and the 55 to 60 percent figure. If you calculate all that, sir, you'll see that you'll need a portion of the surplus to keep the premium at approximately \$2.20 and to meet your obligations.

[English]

The Chair: We're going to move on to our next questioner, Monsieur Godin.

Monsieur Yussef, if you have a comment on that, if you wanted to tie it in with another answer a little further down the line, okay.

Monsieur Godin, seven minutes for question and answer.

Mr. Yvon Godin (Acadie—Bathurst, NDP): I hope the answer is not on my question, because I don't want to lose time with my friend across.

[Translation]

My name is Yvon Godin, and I would like to welcome you to the committee. I know it's tiring to repeat oneself endlessly, but this is a process we have to go through. As someone else said so well, if a minority government can't manage to make changes to employment insurance, perhaps we'll have to forget all that. We have the best opportunity to render unto Caesar what is Caesar's, to render unto workers the employment insurance fund that belongs to them.

Other stakeholders have talked about premiums, for example. Personally, I've never seen employers and workers demonstrating in the streets to say that premiums were too high. However, I have seen workers and even employers demonstrating in the streets saying that employment insurance belonged to them and that it had to be given back to those to whom it belonged.

There is one question that hasn't been addressed, and that's the question of the best weeks. For example, the denominator is currently 14. It's dropped from 26 weeks in order to calculate the rate. In my region, we're having trouble with that. People work a certain number of weeks out of the 52 weeks in a year, and those weeks are not all within the last 26 weeks. I know that the liberal committee did a national tour. There were proposals in northwestern New Brunswick. Reference was made to the 14 best weeks and other things like that. It differed depending on the region. It could be the 10 best weeks. I would like to have your opinion on the subject, please, if you can give it to me.

• (2000)

Marc Bellemare (Syndicate Counsellor, Fédération des travailleurs et travailleuses du Québec (FTQ)): Mr. Godin, we have never said that it should be 10, 12 or 14 weeks. What is clear right now is that the method used to establish the average wage based on the qualifying period, especially with the denominator rule as currently applied, is actually designed to trip up workers.

In past years, they've gone as far as to use average earnings for the period covered. I think the minimum would be to consider all earnings, but to come back to the principle of a weekly average, as Mr. Yussef said earlier. More specifically, income should be counted in the context of the number of hours worked. In the report it issued last year, the committee said that 40% of jobs created had been part-time jobs. When you work part time, you have part-time income. So a minimum amount should be established on which to calculate an average. Should it be 10, 12 or 14 weeks? That should be discussed, but, definitely, the present method is completely unfair for most workers, especially part-time workers, with the denominator rule.

Mr. Yvon Godin: There's also the question of an independent fund managed by workers and employers. I introduced a bill and I intend to reintroduce it. The government is also responsible for that because it is accountable to citizens. You can always demonstrate. I don't know what kind of bill the Bloc introduced today because I haven't seen personally, but I would definitely not like employment insurance to be privatized. I think that would be a monumental mistake. I would like to have your opinion on that because I believe someone has to be accountable. Citizens have to be able to go to their member of Parliament, someone who has been elected, and that person is accountable. How would we go about making a privatized system accountable? That very much disturbs me. I may have misunderstood, but that really disturbs me, and I would like to have your opinion on the subject.

[English]

The Chair: Could we go to Mr. Yussef first on this, please, gentlemen?

Mr. Hassan Yussef: Our position is very clear on that. We don't want to see the fund simply being run by employers and labour. We simply see this as a tripartite structure. The government has to be an equal partner. We think the transparency and accountability that will result by establishing the structure we're proposing will ensure that Canadians get full accountability of the fund on how the money is spent, and the commission actually has clear responsibility defined under the act for it to carry out its responsibility.

Right now essentially you have a worker and an employer commission that has very little power in regard to its responsibility. Most of the powers have been taken away. We believe the government has to be a central part of the EI fund. We don't want to see any privatization of the fund in any form, shape, or way. But as to how you'd set up that structure to ensure it meets our commitment, the devil will be in the details, but we're clear that we want to see the government remain as a critical part of it, including both workers and employers.

The Chair: If we could go to Montreal, do you want to comment, sir?

[Translation]

Mr. Yvon Godin: Yes, please.

• (2005)

[English]

The Chair: We invite your comments from Montreal.

[Translation]

Mr. Roger Valois: I believe my friend from the CTC explained it well. In the CSN's view, privatizing the employment insurance fund

was out of the question. We simply wanted to stop the federal government from stealing from the fund. Right now, it's the only one making decisions.

Mr. Yvon Godin: You have to stop Robin Hood from stealing.

Mr. Roger Valois: It's the one dipping into the fund. We don't want it to start again.

Mr. Yvon Godin: That was my question. Do I still have time?

[English]

The Chair: Another minute, sure. Be quick.

[Translation]

Mr. Yvon Godin: You talk about reducing the number of hours necessary to qualify for employment insurance to 360, but first-time applicants must have 910 hours. Do you have any proposals on the subject?

Mr. Roger Valois: Three hundred and sixty for everyone!

Mr. Yvon Godin: Three hundred and sixty for everyone.

Mr. Pierre Séguin: Since the system has to be accessible to everyone, everyone who works at least 360 hours must be able to have access to employment insurance benefits.

Mr. Roger Valois: As you know, Mr. Godin, in some industries in Canada, workers always have to start over each year. So we don't want it to be 900 hours for the first ones and 360 for the others. If 360 hours are enough later on, that should be enough at the start as well.

Mr. Yvon Godin: During question period today, the minister said there were fewer employment insurance claimants because there were more jobs. Do you agree with that statement?

Mr. Roger Valois: No. There are fewer employment insurance claimants because a lot of workers are no longer entitled to receive benefits. If their entitlement hadn't been taken away, there would be just as many.

Mr. Yvon Godin: Thank you.

[English]

The Chair: Thank you, Monsieur Godin.

Monsieur D'Amours, seven minutes.

[Translation]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Mr. Chair.

I would like to come back to the best weeks question. I'm not convinced I clearly understood your answer. Perhaps this best weeks question should be explained, since some of you referred to average weeks.

As regards the best weeks issue, a recommendation was made by a committee back home in northwestern New Brunswick. Let's take the example of a person who works a number of weeks for \$15 an hour and has a chance to work the same number of weeks at \$10 an hour. Currently under the law, the amount that person can receive in the subsequent weeks will be based on the income from the last 10, 12 or 14 weeks. However, if the 10, 12 or 14 weeks when wages were highest are used, which means the best weeks worked, that allows the person not to be penalized because he or she had a less paying job, which largely eliminates the black hole.

I would like to make sure we understand each other on this point. Do you think it would at least be a good thing to head in that direction?

Mr. Mario Labbé: On that point, I invite you to consider recommendation 6 from the May 2001 report of the Standing Committee on Human Resources. I thought it was very interesting. Of course, it took into account a variable number of hours and a fluctuation based on the unemployment rate. That recommendation proposed considering the highest earnings during the entire qualifying period, that is to say the 52 weeks used to establish eligibility. The number of weeks would be determined on the basis of the number of hours required to qualify, that is to say by dividing that number by 35. If you take the example of 360 hours, that would mean relying on the best 10 weeks, not the last 26 weeks, for example.

Having said that, I'll take this opportunity to make a brief comment on the priorities we've set at the CSQ with regard to improvements to the system. First, the question of eligibility has to be considered. There's clearly no point in improving something when more than half the population is not entitled to it.

Second, further consideration has to be given to the premium rate. Talking about best weeks is good for people who have variable incomes during their qualifying period, but it serves no purpose for those who have a stable income during their qualifying period. However, if you increase the benefit rate from 55 to 60%, for example, that could affect everyone, regardless of whether they have variable incomes or stable incomes during the qualifying period.

Third, consideration could be given to the establishment of the best weeks and, lastly, to the benefit period.

● (2010)

Marc Bellemare: I agree with my colleague from the CSQ. However, the real problem, once the accessibility issue is resolved, won't be whether to rely on the last 10, 12 or 14 weeks. You also referred to the black hole, which has nothing to do with average earnings, but with duration. Consequently, let's resolve the accessibility issue, let's resolve the duration issue, then let's resolve the issue of the average earnings necessary. It's not very important whether you get \$25, \$30 or \$40 more in employment insurance benefits. So much the better if you're entitled to it. However, you have a black hole of 8, 10 or 12 weeks, you get nothing more. Thus the first thing to do is to resolve the accessibility and duration issue, then we'll talk about earnings.

Mr. Roger Valois: We can talk about all that at the same time.

Marc Bellemare: Yes, we can improve everything at the same time. That's no problem for us.

Mr. Roger Valois: Provided it's improved. We'll stop there. I said we'd stop there to avoid repeating ourselves. We agree.

[English]

Mr. Kevin Hayes (Senior Economist, Social and Economic Policy, Canadian Labour Congress): To echo what was just said by Marc Bellemare, I think what we want to put the emphasis on is the qualifying rules and the duration of benefits. Yes, if there is going to be an amendment or an improvement to the benefit rate, the best way to go at it is to take the best 12 weeks of earnings in the last 12 months and get rid of that silly divisor formula, which is capricious and nasty and does all of the wrong things to the wrong people at the wrong time. But the emphasis should be on eligibility rules.

The Chair: Okay, that will complete our first round. We'll move to the second round and we'll go with a five-minute round. We'll follow the same rotation as we did. Our seven-minute round spilled into eight minutes, so I'm sure that the fives will go to six, but we'll get through it.

Mr. Peter Van Loan: I actually didn't have any further questions. As long as my time isn't used up by Mr. Lessard, that would be fine.

[Translation]

Mr. Yves Lessard: That's nice, thank you. I want to reassure my colleague Yvon. I don't understand why he thinks we could have proposed a private fund. Come on! I want to reassure you. In the bill, we refer instead to an independent fund or tripartite management in which a role would be played by the government, with the responsibilities that fall to it. That's why I said it resembled in all respects the approach proposed by the labour organizations. With Mr. Godin, we met with the CTC, among others, and we know the positions of the other organizations. So I would like to reassure you on that point. You'll see the content of the bills tomorrow.

I won't say anything more about the independent fund or the rules, because I believe we'll understand the issues clearly. I come back to my first comment. The battle isn't won. A state of affairs has been established in recent years, which we are aware of, and which you described very clearly. The course of events won't be easy to reverse. I don't want to address the question of strategies, but, on that point, do the labour organizations already intend to support the approach of the opposition parties, which is consistent with their demands? I think the voice of the people will have to make itself heard in the House of Commons so that we can take the necessary corrective measures.

● (2015)

Mr. Pierre Séguin: I believe there's no doubt about that for the Centrale des syndicats du Québec. My colleagues will no doubt add to that. Workers pay employment insurance premiums, and, when they lose their jobs, they must have assurances that the government will support them. We are prepared to do what's necessary for the government to understand that. You're hearing a very, very clear message: the government must stop dipping into this fund and robbing unemployed workers; when people lose their jobs, it must help them until they find another job.

Mr. René Roy: Mr. Lessard, we shouldn't forget the income support program for seniors that was presented a few months ago. Some members of the minority government seem to be giving it some careful attention, but you clearly have some power as well, and you've no doubt seen the bill. If you haven't seen it, we'll send it to you.

As regards supporting this measure, we did so during the election campaign. I imagine you saw our signs in your committee. Other signs should be put up again, and we're going to do that. We can also demonstrate. There are a lot of things that we can do. There is definitely a common front in support of this measure among the labour organizations here, in Quebec and in the rest of Canada.

Mr. Roger Valois: The government, which has remained in power, hasn't understood the message. I'm not saying that the election results, particularly Quebec, are attributable solely to its attitude toward employment insurance, and I won't give out any sponsorships on the subject. However, I'm convinced that its attitude toward unemployed workers has had an impact. We've held the flame very high, and we're going to continue holding it high. We asked who had robbed the employment insurance fund. I won't vote for that. We're going to tell workers that, if the government's attitude doesn't change, ours won't change either.

Our problem right now is making these people understand things. In view of the government's political situation, we would feel uncomfortable if we had to explain to them that changes didn't take place. I don't want to put pressure on the opposition parties, but, if we can't change things right now, given Parliament's present make-up, it will be hard to change in a situation where we're dealing with a majority government. The time is right for change, and we have to take maximum advantage of that for the unemployed workers among the people we represent. If we don't do that right away, I wonder when we'll do it. We're in a good position to do it right now. The NDP, the Bloc and even the Conservative Party agree that an independent fund should be created. The Conservatives may not see it the same way as the Bloc. I don't know whether they want to privatize it, but I know that the Conservatives sometimes tend to favour privatization. We don't agree on privatization, but there is a movement right now that must be taken advantage of. Otherwise it will be too late.

[English]

Mr. Hassan Yussef: For the first 54 years the fund was managed as a trust fund, and only since 1994, when the rules changed, have we been brought to the crisis we're in today, where the money has been diverted for other uses, rather than looking after the unemployed.

I think the silly notion that this is an employment insurance scheme is dumb. First, it's an unemployment insurance fund. It should be properly called what it really is. It's not employment insurance. You don't need employment insurance in this country; you need insurance when you're unemployed.

I think again this was all meant to deflect from and to change our contact with what we believed was the historic arrangement to deal with workers who found themselves in difficulty. I think it's critical to recognize that for the most part this fund was managed as a trust fund for the first 54 years. It's critical that we get back to those rules,

because it will give a sense of comfort to the workers who pay most of the premiums and the employers who contribute to that, to deal with the fact that workers do become unemployed, and when they do they should get benefits, instead of their money going to general revenue.

The Chair: Thank you very much.

Monsieur Godin.

• (2020)

[Translation]

Mr. Yvon Godin: Mr. Chair, Mr. Lessard has assured me that the fund would not be privatized, and I'm pleased about that. I now know I'll sleep peacefully tonight.

To come back to the best weeks question, I would mention that, at home in southeastern New Brunswick, some 1,500 individuals were caught banking hours. That's a violation of the act. In the wake of those events, the government, which hasn't enforced the act, is preparing to assess employers penalties of up to approximately \$5 million.

I want to tell the government that this is being done across Canada, not just in southeastern New Brunswick. People don't know whether they're going to work only 10 hours, for example, in a week. In the fishery, they know when the boat goes to sea, but not when it will come back or how much fish will be on board. You could leave on Monday, but there could be a storm on Wednesday.

We also know that, in the area of snow removal, when it snows on Monday, the snow's generally already removed by Tuesday. If it doesn't snow on Wednesday, Thursday or Friday, employees don't work, but they have to report their two days of work. Here we're talking about a short week of more than \$225, which penalizes employment insurance claimants. Similarly, in the construction field, people who finish a job on Tuesday, for example, are also forced to report their short work week. That penalizes them. People are having to remit amounts of \$10,000 and \$15,000 to the government.

I think this is a very important issue. I don't know what you think about it. If, to enforce the act, the government were to penalize all those who banked hours... We have to solve this problem once and for all.

Back home, we have a problem. People in the southeast are told they don't have to pay, but there are 11 individuals in the Town of Bathurst who are required to pay the government between \$10,000 and \$15,000. You can't receive proper benefits when it's impossible to accumulate the best weeks. This has been a problem since the unemployment insurance reform. I don't know whether you have any comments to make on the subject. Does the problem exist elsewhere?

I toured Canada, and everywhere I went, workers told me they found that the present employment insurance system was punitive and did not encourage people to work. This insurance is intended to help people who are out of work. It's unemployment insurance, not employment insurance. I agree with you, but, in the few remaining minutes, I would like you to give me your comments, particularly concerning the points I've raised.

Marc Bellemare: Mr. Godin, I entirely agree with you, particularly since the act is currently being enforced in a more restrictive way than previously. For example, when the act didn't prohibit it, government employees granted benefits. Now that it doesn't permit that, they're cutting.

I'll give you a concrete example of events that occurred at a mine in Abitibi. The business had to lay off some 100 workers, and the employer agreed to pay workers between 55 and 65 \$200 a month until they were entitled to their pensions. Under the conditions, if a worker died before that, the employer no longer had to pay the \$200 a month. Do you know how the calculation was done?

Between the ages of 55 and 65, there are 10 years, that's 120 months, which equals \$24,000. It was considered that the person should have earned \$1,000 a month and that it should therefore be spread over 24 weeks. Thus, for 24 weeks, those workers had to live on \$200 a month on the ground that that amount was taken out of the employer's cash rather than from the pension plan. I've never seen the act administered in such a stupid, narrow-minded way as that.

Do you have to be unemployed and penniless to be entitled to employment insurance? That seems to be the case. As an example of the administration of the act, it's as stupid as what you referred to, Mr. Godin. They're looking for every possible way to avoid paying unemployed workers a single cent.

[English]

The Chair: Mr. Yussef.

Mr. Hassan Yussef: To be brief, without repeating what my colleagues have said, 60% of the millions of workers cut from EI eligibility had incomes less than \$15,000. In terms of what these cuts represent, it's an average of \$4,000 per person. That's absolutely scandalous when you think of the people who have been harmed by the changes that have been made by the system. There's no question we need to reform the system to make it more accessible so working people can get benefits. Most workers don't have a problem paying their premiums; it's just when they become unemployed that they ask why they can't qualify for benefits.

I think this is a system based on good will. Most people would have given up on the system a long time ago. It's critical that the work the committee is doing reflects the harm that has been done to many working families across this country, and at least tries to get to the reality of how we can make this system more accessible to workers, because that's more important. If you ask workers what their number one priority is, they'll tell you to change the eligibility rules so they can qualify to receive the benefits they are rightfully entitled to.

• (2025)

[Translation]

Le président: Thank you.

Mr. D'Amours, over to you.

Mr. Jean-Claude D'Amours: Thank you, Mr. Chair.

I'd like to come back to the question of an independent fund, regardless of what it's called, and to link that question to the issue of increased premiums.

It was mainly one of the Montreal groups that raised this point, mentioning that, if premiums were nearly \$2.10, \$2.20 or \$2.30, a certain amount could be accumulated in a separate account, in a separate fund. That would make it possible to stabilize the situation for the future and to provide assistance.

When you observe the situation in which the program stands, I find it a bit hard to understand this idea of having a separate fund and banking any surpluses accumulated in another fund. In the past, we heard a lot of criticism about the fact that there were surpluses in a fund. There's \$46 billion in the employment insurance fund, as the Auditor General has shown. Isn't it better to continue working with that fund, to see how some money from it can be used and to increase eligibility? In my opinion, the questions of best hours and reducing the number of hours required for first eligibility are very important. Isn't it better to go in that direction rather than increase premiums in order to accumulate amounts in another fund?

Mr. René Roy: We didn't talk about two funds. You misunderstood. We referred to a single fund. We're not talking about increasing premium rates in order to create another fund; we're talking about increasing premium rates in order to meet the obligation to improve the system. In our view, the desirable improvements to the system should cost between \$5 and \$8 billion. If you consider the entire FTQ program, you see that that represents approximately \$8 billion. If premiums were set at \$2.20 and interest was also used, that would yield a surplus of \$3 billion. That means a total of \$5 billion. If all the improvement measures are applied, that would cost \$8 billion; \$3 billion of the surplus would have to be used, which would make up the difference. There would be no money accumulating in any other fund. We're doing exactly what you say. We're taking money from the surplus in the fund, and improving the eligibility rules. We're also improving the rate and maximum insurable earnings, which would be increased to \$42,750. It's been \$39,000 since 1995, Mr. D'Amours. Since 1995, the cost of living has risen 15 to 20%. It's high time to increase maximum insurable earnings. I hope that's quite clear.

Mr. Jean-Claude D'Amours: I understand. I probably misunderstood. I took notes a little earlier during the discussion at the start of the presentation. Someone referred to a separate fund. I probably misunderstood.

Mr. René Roy: Okay.

[English]

The Chair: Mr. Yusef.

Mr. Hassan Yusef: We raised in our presentation, under recommendation four, that within the trust fund a percentage of the premiums would be earmarked for a high unemployment reserve fund. That would deal with areas of the country that have cyclical employment. In addition, you have to deal with how the fund would manage the benefit payout required if a recession hit. So I think there's a need to recognize that within the trust fund a specific amount of money should be reserved for dealing with those cycles within our economy, because it's very diverse across the country.

• (2030)

[Translation]

Mr. Jean-Claude D'Amours: Mr. Chair, how much time do I have left?

[English]

The Chair: You have two more minutes.

[Translation]

Mr. Jean-Claude D'Amours: In the same line of thinking, it was mentioned that a certain amount of money must be banked in anticipation of hard times. Economic cycles are a fact that is impossible for us to control. If we could control that, no one would be here today, but we can't control the future or what happens in the economy.

As you explained earlier, if premiums are increased to more than \$2, and, on the other hand, the amounts currently in the fund are used, the surplus will virtually fall to zero in 10 or 15 years. How could we ensure that there is a reserve for harder economic times? If harder economic times did arise, would premiums be raised again to establish a reserve or would an attempt be made to balance all that in order to alleviate the crisis?

Ms. France Bibeau (Union Counsellor, Work Relations Service, Confederation of National Trade Unions): I'd like to point out that the CSN has already stated its position on the status of a reserve. We feel we need a reserve equal to one and a half times the system's annual cost. We didn't want to put a number on that reserve, but I know that the actuary feels it should be between \$5 and \$15 billion. We think it should be equal to one and a half times the cost of the system. That should be respected.

If a portion of the surplus is used to fund improvements, that couldn't go on forever. That's why it's important, first of all, not to continue lowering premium rates, since we've now virtually reached the equilibrium point. A rate of \$1.98 is clearly required to maintain the system as it is. We also advocate an increase in maximum insurable earnings for the simple reason that workers who earn little more than \$39,000 are poorly covered. It's also one way of making the system a little fairer by ensuring that people who earn higher wages pay a fair portion of their wages in the form of premiums.

For example, one worker earning \$39,000 and another earning \$78,000 pay the same amount for employment insurance. So the worker earning \$39,000 or less pays proportionately more of his wages than the worker earning quite a higher wage. The same is true in the case of employers. Some employers, SMEs, which offer

relatively low wages, bear a heavier burden than bigger businesses, which generally pay higher wages.

I'd like to add one thing that I'm very concerned about. In my view, the cash surplus in the employment insurance fund absolutely must not disappear, absolutely not. It's money that has been paid by workers. I've previously calculated that approximately \$1.00 out of every \$2.00 could be applied to employment insurance. This isn't a direct or indirect tax, as the government is trying to tell us. It provides funding that should serve beneficiaries alone. So the money in the fund must absolutely go back to unemployed workers.

[English]

The Chair: Colleagues, I believe we have a good grasp of where our witnesses stand on the variety of issues. I have a couple of questions here, but I'll open it up. Mr. Lessard has indicated he would like to ask one more question, so I'll offer the same to the other members around the table.

Monsieur Lessard, one final question, then we'll go around quickly.

• (2035)

[Translation]

Mr. Yves Lessard: Mr. Chair, I would like clarification of the question raised by Mr. D'Amours a moment ago.

Ms. Bibeau is right about the calculation made for the fund reserve. The auditor of the fund believes that reserve should be \$12 to \$15 billion, but that's based on present rules.

If the reserve were calculated under the rules that should apply, the CSN's calculation would be correct instead, since it would probably be one and a half times annual premiums. When you and the auditor use the same rules for calculating this, there's a kind of concordance.

Marc Bellemare: We're pleased to hear it, and we agree, but Mr. D'Amours is right as well. If the program ever cost \$21, \$22 or \$23 billion instead of \$14 or \$15 billion, the reserve would definitely be higher. Mr. D'Amours is also right in saying that we may have to consider raising the premium rate one day or another in order to maintain the reserve.

The position of the labour organizations, particularly that of the *FTQ* has always been that we should first establish the premiums of the program we want and then a premium rate that corresponds to the program we want, not the reverse. We shouldn't establish the premium, then define the program. First we have to agree on the program, then establish the premium accordingly.

Mr. René Roy: Mr. Lessard, you know that. The *CSST* operates exactly like that. Some companies pay more in tough times and pay less in easier times.

Mr. Yves Lessard: Absolutely. Thank you.

[English]

The Chair: Monsieur Godin, your final question.

[Translation]

Mr. Yvon Godin: Let's come back to the employment insurance fund. Before 1986, the fund belonged to the workers and it was separate. In 1986, the Auditor General recommended to Brian Mulroney's government that the money in the fund be entered in the general accounts. That's when we lost it. We all agree on that. The fund then became the government's cash cow, and that money was allocated to various programs. It's the workers who have suffered from all the reforms made since that time.

Let's say we come back to a separate fund managed by a commission. That fund wouldn't be the government's cash cow because it wouldn't be able to touch it. There's a surplus of \$46 billion in the employment insurance fund, as the figures show. Let's say as well that unemployment insurance is amended so that workers can receive unemployment insurance benefits when they have no work. We establish how much that costs. Then we'll know what premium rate to establish. Then, if we're short of money, we can adjust the rate. We set the premium rate needed to establish the surplus we'll need in a crisis. In that way, we'll know what will happen in future. I think that's the way to proceed. It's as simply as that.

Mr. René Roy: We don't understand why no one understands this in Ottawa.

Mr. Roger Valois: Perhaps it's too easy.

Mr. Yvon Godin: It's one way of doing it.

Mr. Roger Valois: Absolutely. Perhaps it is too easy and Ottawa doesn't understand.

Mr. René Roy: What is certain is that the money accumulated over the years must not disappear, and I entirely support my colleague from the CSN on that point. There mustn't be any measure that means that workers don't see a dime.

Mr. Yvon Godin: There's a surplus of \$46 billion that could be used in a crisis.

Marc Bellemare: We also have to make sure that the government doesn't pass a bill designed not to calculate the interest in the existing fund. The Auditor General has indeed said that this is a debt that the Government of Canada owes. When I owe the government money, it charges me interest. As long as it owes that money, it has to continue calculating interest.

Mr. Roger Valois: I want to remind the committee of the zeal of the federal government's counsel in the CSN-FTQ's case against the federal government. They demonstrated that there was no separate unemployment insurance fund, but rather a consolidated fund of the Government of Canada. They told the court that the \$43 billion surplus at the time was not in a separate fund, but in the government's general fund. They began to prove this, and the judge agreed with them.

We still say that money comes from the premiums of workers and employers. It's not true that the federal government can eliminate this surplus at a single stroke, by means of an act, and say that it no longer exists and we have to start from scratch with a separate fund.

We won't accept that. We're going to go to the Supreme Court if necessary.

• (2040)

[English]

The Chair: Thank you very much.

Perhaps I could conclude with a couple of questions of my own here.

When the officials appeared on the first evening and they were asked by Mr. Godin—and again, I tried to follow up with the question as well, just to try to get some kind of sense as to how many Canadian workers slip through the cracks—with the changes in the regulations, how many Canadians did that impact and how many people were not eligible to receive benefits after the change in the regulations, I was surprised that those figures weren't readily available. They've assured us that they're going to provide those to us.

It has been referenced here tonight that only 40% of Canadians would be eligible for benefits—somebody had mentioned that—so I would assume that 60% of Canadians are no longer eligible.

I would like to get some clarity on those numbers. What group of Canadians are we looking at? Are we looking at people who own their own businesses? Are we looking at workers who have been out of the workforce for more than a year? What's included in that number, in that pool we have referred to? Could somebody clarify that, please? Anybody.

Kevin Hayes.

Mr. Kevin Hayes: Roughly a million workers have slipped through the cracks, if you were to compare the number of people who would have qualified under the rules prior to 1990.

When I say “roughly a million”, there are two things you have to keep in mind here. When we are talking about how many people are not covered or are not receiving benefits, we are talking about both people who don't qualify and lose 100% and those who do but run out of benefits before they find another job. So when we talk about coverage and we're saying 38% across the country are receiving benefits, we are saying “receiving benefits”; we are not saying “eligible”, or whatever—they were actually in receipt of benefits. That does not mean that all of the remainder—that is, 62%—would automatically qualify under a program that we in the CLC might generate.

What we were saying is that the norm for coverage should probably be around 70%. In other words, we're not counting the independent businesses. We're not counting the people who have quit without just cause. We're not counting a whole lot of those kinds of people. But what has happened over the last couple of years is that the government and unfortunately some ministers have clouded it with all kinds of silly numbers, such as 88%, and so forth. These kinds of numbers clearly don't add light to the debate. So when we're talking about coverage rates, like those that were referred to earlier, we're talking about the percentage that have received benefits.

As I say, it does not mean that 100% should be covered. We have never, ever, suggested that 100% of the unemployed would be covered under a UI system that even we would be in charge of totally, but we are recommending that, for instance, this whole category of the self-employed should be covered, because they are really, for all intents and purposes, dependent contractors.

The Chair: Is there a number out there that would identify diminished benefits? Because of the rule changes, a person wouldn't be able to draw the best 10 weeks or benefits based on the best 10 weeks; they're drawing a lesser benefit. Would that figure be out there?

• (2045)

Mr. Kevin Hayes: It's not an easy one to come by, but there's a very large percentage who are affected by that so-called divisor formula, meaning that the way the average earnings are calculated for the purposes of applying the 55% benefit rate is very difficult to come by.

Clearly, the types of people who are affected include the whole spectrum of occupations. For example, half of the nurses in Canada now are part-time and work unscheduled hours. This means they are caught by that calculation, whereby their benefit has diminished dramatically because they happen to be working not regularly scheduled hours. They're on call, in other words.

It goes across the whole spectrum. That's why we're suggesting that the intelligent, common-sense way of approaching the calculation of the benefit is to take the best 12 weeks of earnings and not get into all of this complicated, complex formula such that you meet yourself going around the corner.

There were tests done on agents at different HRDC offices across the country, and within the same office, they all came up with different answers. When you get something so complex that the average person can't figure out what they're entitled to, there's something seriously wrong with the method.

So it's a serious issue. It's probably in the range of about 40% of people who actually qualify who are hit by that crazy formula.

The Chair: Could I ask a specific question? Why the 360 hours that is being advocated? Why is that the magic number? How do we arrive at 360?

Mr. Kevin Hayes: The 360 is essentially 12 weeks times 30 hours. One of the things that happened when they went from UI to EI is that they essentially took a minimum of 15 weeks. Under the old weeks formula, you needed a minimum of 15 hours a week to qualify, so the maximum anybody needed prior to 1996 was 300 hours—and it was, of course, much lower because of the variable formula.

The important thing to keep in mind here is that in the more than doubling from 15 to 35 hours, you caught women who typically work much less than 35 hours a week on average—the mean average for Canada for all workers—

The Chair: It would have made women the most disadvantaged, then, with the change.

Mr. Kevin Hayes: That's right.

So it's 360 hours, in so much as we want to stick to an hours system.

We've also suggested that, given the kind of nature of non-standard forms of employment, such as unscheduled hours, part-time, self-employment, and temporary work contracts, the more sensible way to measure labour force attachment for the purposes of EI is to use a combination of 360 hours and count the years in the labour force, particularly when you get into special benefits. One-third of women who have babies and who are in the labour force are not qualifying because they can't even get the 600 hours. We're saying that if you counted the years in the labour force, those people could qualify. It does not make sense to measure labour force attachment, in the case of special benefits, based only on an hours system.

So the arithmetic is this: we looked at how the system worked in the past. The 300 hours didn't mean 100% of the unemployed would qualify, but it did mean you had a coverage rate of 75%.

The Chair: I want to finish with one last question. I'd like to start it in Montreal, and if everybody could, just come in with one quick perspective.

I certainly have a feel for my own constituency as to what has hurt the workers the most, what has impacted negatively on the business people in my community the greatest, from fish plant owners who have trouble getting workers near the tail end of the season, to tourism operators who have a conference on and they can't get workers back to work a weekend because of the disincentives that are inherent now in the regulations.

Could I go around the table?

What is it that your members come to you with? What hurts the most? What disadvantages them the most? What is the single-greatest disincentive in the legislation or the regulations the way things currently stand now?

We'll go to Montreal.

• (2050)

[*Translation*]

Mr. Roger Valois: First, I'd say that what hurts our members most, and workers in general, occurs when the Government of Canada pays too much attention to the United States. The amendments that have made the Employment Insurance Act what it is began with NAFTA and the FTAA. It was then that the U.S. government began telling Canada that paying wood-cutters employment insurance constituted a form of hidden subsidy for companies and that paying employment insurance to people who worked in the fisheries constituted hidden subsidies to companies. The United States also started saying that Canada's social safety net was too strong and represented unfair competition. Our government virtually abdicated in the matter by saying that it agreed to change things.

I would remind you that we don't live in the United States. It's cold here. Our seasons are more variable than in the United States. The Employment Insurance Act was designed based on the country we live in. Listening to the Americans too much results in amendments like those made to the Employment Insurance Act, as a result of which only 40% of those who pay for employment insurance are eligible for it.

The Government of Canada doesn't have to listen to the Americans on this matter, or the Mexicans. In Canada, we have adopted social safety measures tailored to the country we live in. It hurts people when we see our government following the Americans like sheep. It's often said: when Americans catch a cold, Canada coughs. We have to stop listening to them with regard to NAFTA and the FTAA and enact laws that take into account what we are, based on the country we live in. This hurts a great deal.

Consider, for example, raising the insurable earnings ceiling to ensure that workers who earn more money pay premiums based on the wages they earn. When we were younger, we were told that, when you got a job in an industry, you didn't leave it until you got your pension. Now some specialists tell us we'll have to change jobs five times in our lives, regardless of the wages we earn.

In Sorel, the municipality where I live, people who worked for Atlas Steel have just lost their jobs. They were very high level employees in the metallurgy sector. Now— [*Editor's Note: Inaudible*— employment insurance benefits under 30— [*Editor's Note: Inaudible*— years, as a result of which they are somewhat penalized. If we manage to have the act amended so that workers pay premiums based on the wages they earn, justice will be done for everyone. I don't think we'll retreat on this subject. We'll do our job and explain to workers that the employment insurance premiums they pay relate to the wages they earn. The percentage may be the fairest way to determine premiums. We can't help but point out that, by increasing the insurable amount, we'll be increasing revenues in the fund, which we want to be a tripartite fund.

[*English*]

The Chair: Excuse me. I respect your brevity on that. I was looking for something more in line with is it the divisor, or is it the number of hours...? Are 900 hours too hard to accrue for the people you represent to get that initial claim? I was looking for something a little more specific.

Gentlemen, I'll go to Mr. Yussef, and then we'll go back to Montreal.

Mr. Hassan Yussef: Our number-one priority is obviously the eligibility rules. That has to change. Ultimately, we're saying that what is required right now to become eligible is really a barrier to workers receiving benefits. If you look at the number of people who have been hurt, and do an analysis right across the country, the eligibility rules that have been responsible for causing harm to workers need not be there, when the fund generates enough resources to meet the requirements of workers in this country. Obviously, that is our top priority.

The second priority would be training. There is obviously a training problem in the country.

We believe these are the two issues that fundamentally should be addressed in terms of our priorities.

The Chair: Thank you.

Are there any other comments from Montreal?

[*Translation*]

Mr. Pierre Séguin: We find it very interesting that you ask your questions at the end. All the remarks made this evening were clear enough for you to have a certain understanding of the situation. However, there are still some dark areas. What concerns us most is not just eligibility, but rather all the regulations put forward by the Government of Canada to prevent employers from gaining access, over the years, to this insurance, which provides them with security when they are out of work.

With time, you have permitted and enabled those regulations to deteriorate. We ask you today to see that workers in Quebec and Canada have access to employment insurance, or rather unemployment insurance. Someone who loses his job should at least have assurances that the government is able to help them. Today, every time workers file for employment insurance, they get the annoying impression they're perceived as people who want to steal money or sit down on a bench and take advantage of the system, which is far from true.

People now have access to a system in which they are considered first of all as thieves. It isn't even capable of helping them adequately. We're asking that workers receive premiums that they've paid all their lives. When they lose their jobs, you have to have the decency to give them the money that will enable them to support themselves and find a new job.

There are times when, on returning to work, people who receive employment insurance benefits can't accumulate enough hours to subsequently enter the system again. They then find themselves in a situation in which they really have no income. I don't know whether that's ever happened to you, but it's important for people who lose their jobs to be able to rely on insurance that enables them to support themselves. It's your responsibility to see to that.

•(2055)

[*English*]

The Chair: Thank you.

And finally...

[*Translation*]

Mr. René Roy: In closing, I would like to raise another point regarding the eligibility rules. One of the harmful effects of the restrictions placed on employment insurance eligibility was regional depopulation. In Gaspé, for example, people who were able to find summer jobs and receive employment insurance could maintain a kind of cycle. However, as a result of the draconian cuts to employment insurance, those people can no longer maintain that cycle or live in the region. The result has been a fairly dramatic regional depopulation. Statistics have demonstrated the phenomenon, in Quebec and in the Maritimes. I don't know whether the situation is the same in the other provinces.

Mr. Chair, you've heard our priorities: eligibility isn't sufficient and the amounts paid to workers are not large enough. So that's the direction we should head in.

[*English*]

The Chair: Great.

On behalf of all the committee members, I'd like to thank all of the witnesses this evening for their testimony. I assure you it will be given due consideration.

That concludes our meeting this evening.

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