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Mr. Dean Allison

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•(0905)

[English]

The Vice-Chair (Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.)): Good morning. *Bonjour*. I call the meeting to order.

Pursuant to Standing Order 108, we will resume our study of the Canada Employment Insurance Financing Board. That will be for the first hour, from 9 o'clock until 10 o'clock. At 10 o'clock we will take a break and then come back to clause-by-clause consideration of Madam Beaumier's bill, Bill C-362.

Welcome, all members.

I welcome new members who don't normally sit with us: Penny Priddy for the NDP, good morning; and Carolyn Bennett for the Liberals, who, among other things, is our critic for the status of persons with disabilities.

I want to first explain why I'm in a wheelchair this morning. I'm spending the day in a wheelchair as part of an experience with the Canadian Paraplegic Association. As some of you will know, the CPA was formed in 1945. It started because of the veterans who were coming back from World War II.

In Nova Scotia, in 1952, the Nova Scotia branch of the Canadian Paraplegic Association was formed. Tonight in Halifax there will be a big dinner of the CPA, with Dr. Ivar Mendez as guest speaker. Two MPs—myself and Alexa McDonough—are spending the day in wheelchairs. Alexa is in Halifax; I'm here on Parliament Hill. I'm very pleased that David Hinton and Bobby White are with us today, in the back row. They are both with the CPA.

As members of Parliament, we know we have a colleague, a quadriplegic, Steven Fletcher, who has highlighted for many of us the personal experience of what it's like to live with this kind of injury. In spite of that, going around Parliament Hill you find there are a lot of barriers. Transportation is provided through a van, but there are issues, but there are many more issues in the rest of the country. So today I'm very pleased to be part of this experience, and in particular to do so in this committee. Part of its mandate is the status of persons with disabilities, so I think it's appropriate.

We're not talking about that today, but I do want to thank David and Bobby for their assistance. And if you believe in the issue, you can always support them by pledging your support personally to me for the CPA today, and I'll give you a website you can follow. Anyway, thank you all for your indulgence on that.

We will move to our witnesses on the study of the Employment Insurance Financing Board. We have with us this morning, from the Canadian Council of Chief Executives, David Stewart-Patterson, the executive vice-president. From the CFIB, we have Garth Whyte and Corinne Pohlmann. Garth is the executive vice-president and Corinne Pohlmann is the vice-president of national affairs.

We know you couldn't join us last week. Members, I believe from all parties, expressed the wish that you could both have the opportunity to be with us to give us some thoughts on this new employment insurance crown corporation. We're delighted you could join us.

I know from past experience on finance and other committees that you're both familiar with how parliamentary committees work. We'll ask each of you to give us a 10-minute presentation and then we'll take questions from members.

Thank you for joining us, and I'll start with Mr. Stewart-Patterson.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you, Mr. Chair. I'm sorry we were not able to be with you last week. We were holding our own members' meeting in Calgary at the time, so all of us were occupied with that. I'm delighted to join you this morning. I don't think I'll take up too much time with initial comments, because it's probably of most interest to the members to get into a discussion as quickly as possible.

Let me make a few brief comments. You're here, I think, to talk about the establishment of the Canada Employment Insurance Financing Board. Of course, the Canadian Council of Chief Executives has argued for many years in favour of comprehensive reforms to the employment insurance system. In particular, we've said the system should be managed by an independent body, with premiums flowing into and benefits flowing out of a segregated account; we've said the premiums should be set at a level designed to break even over the course of a business cycle; and we have suggested that the mandate of the employment insurance system should be narrowed to focus on protecting Canadian workers against the specific risk of temporary job loss.

The changes being proposed today take an important first step in the right direction by setting up a crown corporation that would be responsible for setting the premiums and managing the funds collected through a segregated account.

In establishing the new account, one critical goal is rate stability. As much as possible, we should be trying to avoid raising premiums during an economic downturn, when both workers and employers can afford it least. To this end, the government intends to maintain the current maximum annual change in the premium rate of 15 cents per \$100 of insured earnings.

To ensure the new segregated account is able to cover a spike in benefits during a severe downturn, the government also plans to add a cash reserve of \$2 billion. This may or may not be sufficient. Traditional actuarial analysis has called for a cushion of between \$10 billion and \$15 billion. However, I would suggest that demographics are continuing to drive Canada toward a structurally lower rate of unemployment.

Furthermore, a growing share of the money flowing out of the EI fund is providing benefits for purposes such as maternity leave that are not related to the economic cycle. Indeed, regular benefits now count for barely more than half of the total costs being covered by EI premiums.

In short, the size of the cushion needed going forward may not be as large as it has been in the past. I guess my conclusion here is that we may need a bit more thorough analysis of what the exact number ought to be.

A related issue, of course, is how to funnel the necessary reserve into the new account. The existing EI account has been run in surplus for many years. In theory, it has racked up an accumulated surplus of some \$54 billion. In practice, in the absence of a segregated account, all this money flowed into the government's general revenue account and has been used up. Whether you say it was used up for tax cuts or debt reduction or spending in other areas, the money is gone.

Whatever initial reserve is put into the new account, therefore, is going to have to come out of current resources. If more thorough analysis suggests the need for a reserve greater than the \$2 billion that's proposed, I'd suggest the most practical path forward might be to shift future year-end surpluses into the EI account instead of into debt reduction, until we have a sufficient reserve established. I think that might be the least intrusive way to do it—not the only way, but perhaps the least intrusive.

In the meantime, the general revenue account would of course have to backstop the EI account—and I think that is covered by the proposed legislation—topping it up in the event of a recession severe enough to exhaust the available funds.

Let me conclude by returning to the issue of longer-term reform of the employment insurance system. Over the years, successive governments have chosen to fund benefits for a variety of purposes through employment insurance premiums. I would suggest that many of these benefits would be characterized more accurately as social programs. These programs may indeed serve laudable aims—I'm not arguing with that—but they're not consistent with the core mandate of the employment insurance system, which, as I said earlier, is to provide insurance against the specific risk of temporary job loss.

Once the management of the system has been shifted to an independent body operating through a segregated account, I would

suggest that the government should move such benefits out of the EI system and fund them through the general revenue base. I say that because the division of employment insurance premiums between employers and employees was based on the original insurance mandate. The funding mechanism that was established that way, therefore, ought to be restricted to the costs of that core mandate.

I want to recognize that the mandate of the EI system is not what's on the table for discussion today, but I do want to suggest that this remains a longer-term issue that ought to be taken into account as we're establishing the governance structure and responsibilities of the new board.

With that, Mr. Chairman, I'll conclude and look forward to questions and comments from the committee.

● (0910)

The Vice-Chair (Mr. Michael Savage): Thank you very much. We appreciate that.

We will move to Mr. Whyte and Ms. Pohlmann from the Canadian Federation of Independent Business.

Mr. Garth Whyte (Executive Vice-President, Canadian Federation of Independent Business): Thank you, Mr. Chairman.

On behalf of the Canadian Federation of Independent Business and the 105,000 business owners we represent, I want to thank the committee for inviting us to provide comments on the creation of the Canada Employment Insurance Financing Board.

Small and medium-sized businesses play a major role in Canada's economic growth and job creation, accounting for almost 50% of the GDP and 60% of total employment.

I'm asking the committee to refer to the graphs in the presentation I have submitted. You can see that the first graph tracks the GDP and the CFIB's business barometer, based on small business owners' expectations for their own businesses. As you can see, our members are cautiously optimistic concerning the current economic downturn.

There is some good news on the second page. In this area they are experts. They are experts in their own businesses on employment plans, and 30% of small business owners said they plan to increase employment in 2008, compared to 8% who plan to decrease employment. This is good news when considering future unemployment rates, EI premiums, and the EI surplus.

I have included several surveys based on thousands of responses from business owners. I may not have time to get through the entire presentation; however, I thought it important for the committee to have this information. Perhaps you can discuss it during the questions afterwards.

The overall message we are delivering today is that EI is a major concern of small business owners, as you can see on the third slide. They feel that the EI system needs to be fixed because of three things: one, they think the rate-setting process is flawed; two, they think the EI surplus should not be allowed to continue to grow at the rate it's growing; and three, they feel that the EI program does not address today's labour market needs. This concern is so high that I have over 20,000 action alerts like the one I've given to you sitting in my office right now, and we will be delivering these alerts to HRSDC Minister Solberg in a few weeks.

As you can see on page 4, of all the various taxes a business must pay, business owners identified payroll taxes like EI as the kind of tax that affects the growth of their business the most. The graph on page 5 shows that reducing taxes and EI premiums allows business owners to increase wages, hire additional employees, and provide more training.

Page 6 shows that the majority of our members feel a good first step toward fixing EI is to move the EI account from general government revenues to a separate fund. They also think there's a need to improve the management and governance of the EI account. As you can see on page 7, currently only one-third of our members are satisfied with the federal government's approach to managing EI. They believe that EI premiums should be used exclusively for EI purposes.

The punchline is that CFIB supports the creation of the Canadian Employment Insurance Financing Board. The rate-setting mechanism has improved, while still retaining some of the positive aspects such as a fixed date, November 14, to publicly announce the premium rate and ensuring that there are not widely fluctuating rates from year to year.

We're very pleased that the EI operational surplus will no longer flow back to general revenues, and the new reporting mechanism should ensure accountability and transparency.

However, we do have some concerns on issues that we feel should be addressed. For example, will there be significant operating costs that employers' and employees' premiums must cover? Will this be a truly arm's-length board, or will it be a partisan board, with members changing as political parties are newly elected? Will the board be able to address the issue of hundreds of millions of dollars paid by employers through EI overcontributions? As you can see on page 8, this issue is a high priority for our members, with 95% of our members feeling that this issue should be fixed.

We are concerned that the new system will create pressure to increase rates rather than to decrease rates because of administrative costs, the limited EI surplus provided, and the annual increase on the maximum weekly insurable earnings.

Finally, we are concerned that employers and employees must bear the risk of paying for economic downturns after already building up a \$54 billion surplus. It is shameful and unfair. At the very least, the federal government should cover off any future shortfall in the EI account if the need arises.

However, it is a good first step to fixing EI.

We agree that the Canada Employment Insurance Financing Board should not be involved in EI policy and programs, but that is where there is dire need to fix EI.

●(0915)

The EI system is failing. It doesn't address employer needs. In 2006, only 44% of EI premiums were spent on regular benefits. The vast majority of the more than 9,000 business respondents listed on page 12 were unaware of or did not use EI programs such as labour market partnerships, self-employment assistance, job creation partnerships, and employment assistance services.

It's not fair that businesses, especially small business owners, continue to pay 60% of the EI premiums. The rate should be gradually moved to a 50-50 or even a 40-40-20 split for premiums, where the government pays 20%.

Finally, the EI system needs to be fixed because it does not address today's labour market trends. With the aging population, many companies are begging for employees. If you look at the graph on page 14, it clearly shows that as the unemployment rate decreased over the past decade, our members' concern about the shortage of qualified labour increased dramatically. This is not a coincidence. Both are linked to demographic trends caused by an aging workforce. The shortage of qualified labour has steadily increased and is expected to increase over many years to come.

In March of this year, CFIB released its *Help Wanted* report. The report looked at long-term vacancy rates. As you can see, the long-term vacancy rate has almost doubled since we first did a study in 2004. Our study found a 4.4% long-term vacancy rate—which means jobs being vacant for four months or more—which means there were an estimated 309,000 long-term vacancies last year. You can see that this long-term vacancy exists in every province. It's not surprising that our members have told us that it's getting harder and harder to find employees for the future.

Canada needs a long-term, comprehensive strategy to deal with the shortage-of-labour challenge. CFIB has been working with the provincial and federal governments in several areas to deal with this critical issue. We've been dealing with issues such as education and training, apprenticeship programs, co-op education, business succession, and immigration strategy. However, EI policy is one area in which little has been done.

EI policy can play a significant role in either alleviating or exacerbating the shortage of labour. We are concerned that the current EI program is hindering rather than helping employers and employees in dealing with the shortage of qualified labour. As you can see on page 18, one in five of our employers stated that they had difficulty hiring people, because prospective employees would rather stay on EI benefits. In some provinces, such as Newfoundland and Labrador, the rate is closer to 40%.

We need to fix EI so that it's better and so that it meets the needs of employers and employees. It's too important a program to leave in its current state for another 15 years. The creation of the Canada Employment Insurance Financing Board is a good first step, but much more needs to be done in the near future.

Thank you, Mr. Chair.

• (0920)

The Vice-Chair (Mr. Michael Savage): Thank you very much, Mr. Whyte.

We'll move to questions. These are seven-minute rounds. We'll start with Mr. Cuzner from the Liberals.

Mr. Rodger Cuzner (Cape Breton—Canso, Lib.): Thank you very much for your presentations, gentlemen.

The Vice-Chair (Mr. Michael Savage): Welcome back.

Mr. Rodger Cuzner: It's nice to see you. I thought it was visual impairment you were expressing, looking at that tie today.

With regard to your statement that the EI system is failing, is it your sense that it's failing workers or failing business owners?

Mr. Garth Whyte: My sense is that it's failing both. I feel we need to do what we did back in 1996. We worked closely with the Liberal Party, with Minister Axworthy, to look at how we could make it more responsive to employees' and employers' needs. It hasn't been changed since then.

Mr. Rodger Cuzner: There have been a number of changes, but they have been more to the benefit of the workers, I would suggest, in the last number of years.

You're suggesting that people are making the decision to receive benefits when there are work opportunities. They're stepping back from the work opportunities to receive benefits.

Mr. Garth Whyte: This is what we found when we asked our members. We did a comprehensive survey. We didn't just focus on EI. We did a comprehensive survey, and what popped out was that one of the reasons they felt they were having difficulty finding employees, for all types of jobs, was a reluctance because of the EI program.

Mr. Rodger Cuzner: Would we be able to get a copy of that report as well?

Mr. Garth Whyte: Yes. By the way, we haven't released this information. We're just releasing this one graph today.

Mr. Rodger Cuzner: You have that. Could you make that available?

Mr. Garth Whyte: Yes.

Mr. Rodger Cuzner: Are there fairly significant regional disparities in that information you put together?

Mr. Garth Whyte: Well, there are, and you can see the regional breakouts on page 18.

It varies from 39% of respondents in Newfoundland to 18% in Ontario saying they had difficulty hiring people because people would rather stay on EI benefits.

Mr. Rodger Cuzner: Coming from a rural community, I would challenge that. They would sooner stay in their own communities and not abandon them. If the work was in close proximity, then I would think they would take it, but when you're talking about relocating the family and abandoning the community, there are other....

Ms. Corinne Pohlmann (Vice-President, National Affairs, Canadian Federation of Independent Business): We're still analyzing the data, and one of the things we do want to look at is

the rural-urban split, because all our business members are in rural as well as in urban settings. So we'll be able to look at whether you can find that in a rural setting as well.

Mr. Rodger Cuzner: Would you not think that some of your members who live in rural communities would understand that it's imperative that people continue to live in those communities to support those businesses that are established there?

• (0925)

Mr. Garth Whyte: I agree with everything you said, and, yes, they do. I personally have met with members in rural communities who have a hard time finding people, whether it's on the farm or whether it's a world-famous Canadian artist in Moose Jaw. It's in rural as well as in urban communities.

Mr. Rodger Cuzner: One thing your organization is apt at doing is you guys survey like nobody else. Is there a comparison with the attitude of your members toward the rate-setting process pre-2005 and currently? Has there been a change since 2005 when the rate-setting process was taken outside the department?

Mr. Garth Whyte: There was a bit of cooling. They thought at least there was some improvement in the rate-setting process—for example, a fixed date they liked, November 14. They liked the fact that there'd be parameters, no big swings. What they didn't like was the continued build-up of the surplus, because we were under the assumption that it would be capped and it just kept growing. What they didn't like was a set-up whereby the actuaries couldn't look backwards or forward; they only could look at the current year to determine the rates.

Mr. Rodger Cuzner: Do you like the fact that the unemployment rate has continued to drop? The more people were working, the more people were contributing to the fund.

Mr. Garth Whyte: Yes.

Mr. Rodger Cuzner: And that the premium rates continue to drop through the 1990s, but that's part of the outcome, why we had the notated surplus we have.

Mr. Garth Whyte: Right.

Mr. Rodger Cuzner: But they did support the action that was taken in 2005 with the—

Mr. Garth Whyte: Yes.

Mr. Rodger Cuzner: Okay.

Where it says it's not meeting the needs, could you just expand on that? If you could wrap up with that, that it's not meeting the needs of business....

Mr. Garth Whyte: As you can see on the graph, EI and qualified labour, on page 14, we have been saying for years that the shortage of labour is becoming an issue. It's an issue. Now everybody is recognizing it, but we've been saying it for years, and I've met with many of you saying that—and the unemployment rate was going down. The system has been tweaked a little, I agree, but it hasn't really helped to offset. So we still have people who are looking for jobs and we have employers who are trying to fill those jobs. This to me could be a win-win. How do we get there?

And no one has that discussion when it comes to EI. People are afraid to open it up, to talk about it. We're very protectionist when it comes to EI policy. From our point of view, we think there's an opportunity here to help with people who are unemployed, to help with aboriginal policy. There are a lot of opportunities. We put forward a presentation yesterday. Corinne presented on immigration policy and where we think there can be a win-win. Yet that discussion is not there. So I wanted to put it on the table today.

We're looking at the board, but I do think part of this issue that has to be dealt with is fixing the program and getting closer to issues that will help employers in terms of their training needs.

Mr. Rodger Cuzner: Thank you.

The Vice-Chair (Mr. Michael Savage): Thank you, Mr. Cuzner.

Monsieur Lessard pour sept minutes.

[Translation]

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

Thank you for being here this morning to inform us about how you understand the issues raised by the new board being put in place.

I want to get a clear understanding of the reasoning guiding you in adopting your position on the board. I'm afraid I don't really understand your reasoning on the use that should be made of the employment insurance fund with respect to the shortage of labour to fill available or future positions.

To illustrate my remarks, I'll cite the example of a restaurant owners' representative whom we heard in Saskatchewan during our employability study. She said that her restaurant owner colleagues and her were having trouble keeping their restaurants open all day because people's wages are low and they therefore have to occupy more than one position.

The best-paid jobs lure away the people who normally work in the restaurant business. I find it hard to understand how you can remedy that with employment insurance. These are people who want to work. The lady who came to testify didn't say that the employees were lazy. She said she didn't have any more staff because they went to work in Alberta or to occupy better-paid jobs.

You're saying that the big difficulty in filling positions is attributable to the mechanics of employment insurance. I don't understand your reasoning because it seems to me there's no connection.

• (0930)

[English]

Mr. Garth Whyte: Thank you for the question.

I was in Saskatchewan last week and I met with the premier. I met with a member who ships a pulse crop, which is lentils, to seven countries around the world, and he's having difficulty finding people. I talked to people.... Saskatchewan is booming. I guess we're going to have to compare notes because I was told an employer...Tim Hortons is paying \$16 an hour in Saskatoon. I don't know where that was coming from, but I will answer it.

First off, Saskatchewan is booming; it's the next Alberta. They're going to have the same pressures as we see currently happening in Alberta. It's true, right? It's really great, there are great opportunities. But the second issue is, somehow—

[Translation]

Mr. Yves Lessard: Mr. Whyte, I know you met with the Prime Minister, but I want to understand the connection you're making between the employment insurance structure and the hiring structure. It isn't employment insurance that's going to correct the hiring structure which seems to be governed more by compensation or the working conditions of the employees you represent. You represent small and medium-sized enterprises, if I understand correctly.

[English]

Mr. Garth Whyte: I simply want to address your assumption that the reason you couldn't hold on to people was because of low wages, which from my most recent experience is not true. Secondly, having worked with EI over many years with the Canadian Labour Force Development Board, what we've found is that you want to get people into entry-level jobs. They may not be the highest paying jobs, but you move them into higher-paying jobs over time.

We feel there can be a really good opportunity with the programs. If you look at page 11 on the training programs, 11% of the budget—almost \$2 billion—goes to training programs, and we're not sure of the effectiveness of those training programs. For example, we feel there are ways of dealing with EI to help move people into meaningful work. We strongly believe that.

[Translation]

Mr. Yves Lessard: I want to understand your remarks, because my opinion will be based on your testimony.

You said that your organization and the government at the time took part in an effort to consider the amendments made to employment insurance in 1996. You also said that 44% of the fund is currently being used by the employment insurance plan; the rest goes elsewhere. And yet you said that nothing has changed since 1996.

It seems to me that something major has changed: a surplus of \$54 billion was generated as a result of the cuts made to the employment insurance plan, and the fund's contribution to support people who lose their jobs was lowered to 44%. Perhaps I misunderstood, but you said that nothing had changed since 1996. Something has changed, but for the worse.

[English]

Mr. Garth Whyte: Very good.

In terms of the makeup of the program, it hasn't changed, but in terms of the flowing of extra revenues, as we've said to you many times over many years, yes, we have been talking about the surplus since 1996, about how they've been building it up year after year, and now we say it's gone. We strongly disagreed with that approach, and that's why we're supporting the current board. We've agreed with shutting off the tap.

Also, don't forget that parental benefits were put into the program. We don't disagree with parental benefits, but should this really be in employment insurance? We don't think so, but it's there now.

•(0935)

Ms. Corinne Pohlmann: Can I also mention that in 1996 our labour market was in a very different place. Our unemployment rate was much higher. We didn't have the shortages we see today. The programs and the benefits that were set up at the time reflected the needs at that time. We need to now rethink where we are today and where we're going in the future, knowing the aging demographics that are facing us. We need to build an EI system that better reflects what is going on today than what was going on in 1996.

The Vice-Chair (Mr. Michael Savage): Thank you, Mr. Lessard.

We're going to move to Ms. Priddy of the NDP.

Ms. Penny Priddy (Surrey North, NDP): Thank you, Mr. Chair.

There are several questions I would like to ask.

On the survey you did, concluding that people were stepping back from employment in favour of being on EI, it seems to me a very qualitative kind of study to be doing. I would be very interested in receiving that, because I'm not sure you can assess. You can count numbers, but I don't know how you do that in a qualitative kind of way.

I'd be interested to know what that is based on. What did you look at when you looked at that? Did you look at age? Did you look at skill level? Did you look at gender, geography, etc.? That's the first part of my question.

Because it was an aside to know where parental benefits ought to be, if they're not under EI, I'd be curious to know what your suggestion would be as to where parental benefits should be.

The question about training.... You have this in your action alert. I'm not sure how you would decide what percentage of training dollars individual employers would get because they are training for very different kinds of things.

I would also be interested to add my last part of that. You have a statement here that says "Review cost-effectiveness of existing EI programs", and I'm curious as to how you would go about that.

Mr. Garth Whyte: Thank you.

I have opened a can of worms, haven't I?

First off, it is qualitative. What we did was we asked our members their opinions of their business and what they've tried to do. As we said, we want to drill down deeper and ask. Those are very good suggestions that we are already looking at—gender, age. We're going to ask them why. I don't know how many pages of comments we have to go through to look at this, and we have presented it to the officials. We want to drill in to see why.

We should say, at the front end, that it wasn't in a malicious manner that they were saying this, and they were also supportive of the program. They really feel there should be an EI program to protect those workers who do lose their jobs.

Parental benefits.... I think, by and large, it is now in EI, and I think our members would support it staying in EI for now.

As far as training dollars are concerned, and how you measure the effectiveness of it, we have made some suggestions. If you look at

parental leave.... For example, when parental leave policy was done, by the way, it was a political announcement. We were with the industry. The very moment this policy was announced out of the Prime Minister's Office, Minister Manley was unaware of it.

There was no discussion on the parental leave, it was just done, and they didn't look at the implications of a five-person business losing four employees. At that time you rehire an additional four employees, but you can't ask them to stay because they may have to leave when the people come back from parental leave, and they lose those employees.

We feel there should be some dollars allocated to help with the training of the new employees coming in...of those employees who are leaving. That's one issue. We want to look at the whole training issue.

On measuring the effectiveness of the training, we have a lot of concern, and we do have deeper research here. Even the department will admit the measurement of training right now is based on take-up, how many people applied for the program, not the effectiveness of the training in terms of whether it resulted in jobs, whether it resulted in getting people employed, which is the ultimate goal.

We find that very disconcerting, especially when there is money being transferred to provinces. Let's say I'm in P.E.I. and I want to go to the federal government and say, "Which program works?" I don't want to rewrite the policy; I want to know which one works. They can't really say. They can basically say, "Well, on the take-up on the self-employment assistance program, we think that program is successful because we had a pretty good take-up of it." They don't monitor whether those people are actually self-employed today. That's where we really have a major concern. We want to work with the government to look at this and measure the effectiveness of these programs.

•(0940)

Ms. Penny Priddy: Does anybody else want to comment?

Ms. Corinne Pohlmann: The other thing we were referring to on the training side was a program that we modelled after something called the "new hire program". It was introduced in the late 1990s, and it gave employers an EI holiday when they hired young people. It encouraged employers to hire youth. It was very successful. It gave employers a holiday from paying EI for, say, a year, which gave them options for putting money towards training new employees. The employees still paid their portion, so they could still access employment insurance benefits if they needed to. Employers could use the extra funding to help train their employees.

Right now, many of our members are dealing with the shortage of labour by hiring people who are under-qualified and training them into positions. That's how they're dealing with the issue. So more dollars or more ways to invest money in training would be welcome.

Ms. Penny Priddy: Thank you.

The Vice-Chair (Mr. Michael Savage): Ms. Yelich.

Mrs. Lynne Yelich (Blackstrap, CPC): Thank you for being here.

I would like to ask the CFIB how many members you represent. Can you also give the committee an idea of what kinds of members you have? This way, when we look at the statistics we can put a face on who they are.

I will ask the same of Mr. Patterson.

So how many do you represent, and what types of businesses and people do you have?

Mr. Garth Whyte: We represent the non-stock-market economy. You have to own your own business to be a member. We have 105,000 business owners in every sector in every region across the country. We work on the principle of one member, one vote. We visit every member, all 105,000, at least once a year, which is about 4,000 to 4,500 small business visits a week.

Mrs. Lynne Yelich: Coast to coast?

Mr. Garth Whyte: Yes.

Mrs. Lynne Yelich: You said you were non-stock-market. For the committee, does that mean hairdressers, hair styling shops, or what? What are the small businesses? Just give us the statistics.

Mr. Garth Whyte: We represent small and medium-sized enterprises, which are businesses with fewer than 500 employees. Our average member would have 10 employees. We have members with one employee and members with no employees. To become a member, a person has to own his own business. That's our definition.

Mrs. Lynne Yelich: How many of these people try to avoid employment insurance by not offering it? Is this possible with contract work?

Mr. Garth Whyte: I wouldn't have a handle on that. Lots of times, we have found that employees are on contract at their request. Right now, we're finding with this market that the employers have to be as flexible as possible to accommodate the employee, which is a good thing.

Mrs. Lynne Yelich: Could you give us a profile of the people you represent today from coast to coast?

Mr. David Stewart-Patterson: The Canadian Council of Chief Executives is on the other end of the spectrum of the business community. We limit our membership to 150 people. Each of these individuals is either the chief executive officer or a major shareholder of a large Canadian enterprise. I think our average member company would have annual revenues on the order of \$5 billion.

Mrs. Lynne Yelich: Are there any statements you want to make about your organization?

Mr. David Stewart-Patterson: Perhaps I can just follow up on some of the comments, because I think we end up in the same place, but our members would come at it from a somewhat different perspective.

Certainly our members have been increasingly concerned in recent years about what is developing into a serious structural shortage of labour. We are seeing that shortage of labour not just in the hot spots where it started and is most acute—in areas like Alberta, spreading into Saskatchewan, and so on—but we are also seeing members who are concerned about a structural shortage of labour in every region of the country in every industry.

However, I think we would come at it by saying that it is critical that we look at all barriers that may be inhibiting each Canadian from achieving his or her full potential. That covers a range of policies, from barriers to education and training to tax disincentives, whether it's the kind of issue Garth was talking about or the rate at which we claw back child benefits and the extent to which that's a disincentive for people trying to get ahead, through to things like credential recognition and how we help immigrants fill gaps between what they have and what they need to have in order to practice their profession here in Canada. So there's a whole series of policy issues and policy levers, and I think the employment insurance system is one of those levers. Our members typically take a more holistic view of these things. We don't look at employment insurance premiums in isolation; we look at the overall tax burden, both in terms of the overall rate and the complexity and the costs of compliance.

Frankly, large companies have more options. When it comes to dealing with a shortage of labour, generally speaking, larger companies are offering higher-value, higher productivity jobs, which means that to the extent qualified labour is available, they can afford to bid more for it in the labour market. They also tend to have economies of scale when it comes to offering training internally; they don't depend on external suppliers for training services to the extent that a small or medium-sized business has to. As large employers, they can also attract labour from other locations. Whether that's what we see happening in places like the oil sands, where companies are flying in workers from all over the country, large companies do have the resources to seek out qualified labour overseas and to try to bring it into this country—although there are serious problems with the immigration system.

They can also go to where the people are who can work. I know of at least one of our member companies that's consciously going into smaller communities because the work can be done there. They recognize that there are people in those communities who want to stay in those communities, and they're taking advantage of that labour—which may, in turn, be causing problems for the local restaurant owners, because they're offering a different kind of work. But larger companies also operate multinationally, and therefore if they can't find the people they need here, they can also move the work outside of Canada. That's another option, obviously.

• (0945)

Mrs. Lynne Yelich: Gord is anxious to get a question in, so I won't ask—

The Vice-Chair (Mr. Michael Savage): Mr. Whyte might have a quick response on this.

Mrs. Lynne Yelich: I just want to make a really quick comment. On the weekend, in the *Saskatoon StarPhoenix*, I think McDonald's was offering \$11- or \$12-an-hour jobs, with benefits and opportunities to grow. So I think Saskatchewan's economy is not reflected, as we saw in the employability study. I think, as Mr. Whyte said, jobs are becoming quite well paid.

I think Gord wants to ask a question, so if you could answer quickly....

The Vice-Chair (Mr. Michael Savage): We only have 30 seconds left, so I think we'll have to have Gord the next time, and he can share with Mike then.

Mr. Whyte, did you want to add something?

Mr. Garth Whyte: Thanks. I just wanted to debunk some myths. First off, as I said in my testimony, we are looking at this in a holistic manner, at both immigration policy and training, and we're doing a major training survey.

As far as the difference between our two groups is concerned, in our non-stock-market economy, when times are tough, we hold on to our people. In the stock market economy, when times are tough, they cut people.

Secondly, we did a major survey with a large firm, Hewlett Packard, asking Canadians their views of their dream job. They said it was owning their own firm. In the past, it used to be, "I want to work in a big business or in government." Today they want to work in a small firm, or own their own small firm. That's been shown with public opinion surveys over and over.

Why is that? They see these jobs as high quality ones, with higher value for living, and there are a lot of things there. So I'd hate you to leave with the impression that only large firms have good jobs; that's not true. Actually 60% of total employment is in firms with less than 500 employees.

The Vice-Chair (Mr. Michael Savage): Thank you very much.

We have time for one more round.

Ms. Dhalla, five minutes.

Ms. Ruby Dhalla (Brampton—Springdale, Lib.): Thank you very much for your presentation.

I just want to touch upon two things. Both of you have mentioned your support for the creation of this independent board. We know that from the information we've received right now, they've stated that the board would consist of a board of directors of seven, along with a chief executive officer, and it would be allowed to invest.

Could you perhaps both give us your perspectives of what you would perceive this board would look like and what the mandate should be?

Mr. David Stewart-Patterson: Our expectation is that the board would be composed of people who have expertise in the relevant issues. Good corporate governance rules would apply to this, as they would to any crown corporation, so I would expect to see that the Governor in Council, in making appointments to the board, would be looking for relevant expertise on all of the matters that would come under its jurisdiction.

One issue that came up in another committee, with respect to the composition and mandate of the board, was to what extent it would have the capability to kind of conduct independent analysis. In our view, the board should have the mandate, in fact, to not just look very narrowly at the rate-setting exercise, but I think to conduct analysis and offer advice to the government. I think the composition of the board should reflect that level of expertise as well, and not just actuarial expertise.

• (0950)

Mr. Garth Whyte: I would agree with that. Having had experience with workers' compensation boards across the country, you see different models. One is a purely political model, where you

just put people in there as political appointments, and then all of a sudden that will influence the rate-setting mechanism. So we'd like a stable board, if possible. We'd like a non-partisan board, with people with expertise, which I'd like to see a committee agree upon.

Informally, it's been identified that the nomination committee will be the EI Commission, but I don't think it's formally stated in the act. I'd like to see it formally stated in the act because that would give employers and employees more say, rather than the political party in power.

I'm assuming it's a part-time board. We're talking about managing a \$2 billion surplus. I don't know how much is full-time.

Also, I'm concerned about administrative costs. I don't know how much support is being put under here, and I'd like to look at that.

So I don't have the full scenario, but I think the model could work. We'll have to see.

Ms. Ruby Dhalla: The other question I have concerns page 12 of your presentation, where you asked businesses how helpful each of the EI programs have been to their particular business. The results were actually quite interesting when I looked at them. As an example, you talk about the labour market partnerships that are provided under EI programs. I believe 10% of the people said they were helpful, 40% said they weren't, and then 34% said they were not even aware of those programs.

As you continue and ask about skills development or targeted wage subsidies or job creation partnerships, there is a very high percentage of people who are not aware of particular programs.

We're talking about the creation of the board, but I think for all of the committee members, and even in terms of feedback, could you perhaps identify the reasons—and I'm sure it's multi-faceted in nature—businesses are not aware of all these EI programs that are in existence?

Ms. Corinne Pohlmann: Again, we're still analyzing a lot of this data, but part of the answer to that is that they're not well publicized, so they don't necessarily know about these programs.

Many of them are programs that maybe their employees know about, but it's good for them to know about them as well, because they can perhaps let their employees know—when things happen where they have to let them go, for whatever the case may be—that these programs exist.

I think most importantly, a lot of these programs were created at a time when our labour market was very different, and they're not necessarily as targeted today to what the needs are today. I think that's part of the reason people don't know about it, because it's not necessarily reflecting the needs of what the labour market needs right now.

The Vice-Chair (Mr. Michael Savage): Thank you.

We'll move to Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): I want to thank all three of you for coming in today, from both organizations.

It's interesting hearing Mr. Whyte talk about reducing the paper burden when I'm looking at this "The Time has Come to Fix EI!" action alert. One of the suggestions I'd have is, instead of using a mailing address, if you could put an e-mail address in there, that would maybe reduce a little bit of the paper burden, because we could—

Mr. Garth Whyte: You don't want that to happen.

Mr. Mike Lake: From our standpoint, it's a lot easier—

Mr. Garth Whyte: You don't want that to happen.

Mr. Mike Lake: —I know within my office, to e-mail rather than use mail now.

Mr. Garth Whyte: I could do that, if you want.

Mr. Mike Lake: To the topic at hand, back in 1995, I think you both talked about some good changes that were made. I agree with that. I refer often to a report by John Richards, talking about the importance of those changes in terms of it being kind of a win-win. What we've found is that given the increase in employment, we've seen a decrease in poverty, actually as a result of some of the changes that were made. It may not be quite so intuitive, but it works out.

One of the wins that didn't happen but should have, though, is that the savings from EI should have been passed on to workers and employers. I think you've said that. When I look at your chart, I'm just struck by the fact that around the time those changes were made, we should still have had a horizontal line—this is on page 9—and instead the line just shot straight up to \$54 billion. In calculating that, I see that about \$31.7 billion would have, should have, been saved by businesses during that time.

I guess the question would be how the organizations you represent would feel about the fact that \$31.7 billion was collected from them under the guise of an EI program and then spent on things like a gun registry, a sponsorship program, a bunch of random programs under human resources that weren't even accounted for at some point, and other things.

Second, if they'd had that money, what productive things could they have done with it in terms of hiring workers or training workers and things like that?

• (0955)

Mr. Garth Whyte: Well, you can also argue that it went to tax reduction and to debt reduction, but the fact was that it went to general revenues. We were outraged. We told Finance Minister Martin several times when we were outraged, and he knew. Recently we've told Minister Flaherty we are outraged that it continues to grow.

We asked our members, "What would you do with the savings, if you had some tax savings?" You can see, on page 5, they've told us what they would do. They would invest in new equipment, they would increase employee wages, they'd pay down their debt, they'd hire additional employees, they'd do additional employee training. It is counter-intuitive.... This is why we were arguing...and we've pushed this issue for many, many years. It was a tax, a tax on employment. The more people you employed, the more you were taxed. It was outrageous. We didn't agree with it.

That's why we're happy to at least see the tap turned off. We're not happy to see all that money just gone, notionally gone, and then all of a sudden, if there's a downturn, there's only \$2 billion. How do we pick that up?

I like what David was saying: we've got to do some more brainstorming on how we can ensure employers and employees aren't on the hook. The worst time to raise rates is during a downturn.

Mr. David Stewart-Patterson: As I said in my initial remarks, we certainly argued in favour of bringing employment insurance premiums into line with costs, all the way through that period. On the other hand, we were arguing about the importance of reductions in other tax rates as well. EI premiums act as a tax on the creation of jobs. Capital taxes, corporate income taxes, act as a tax on the investment in productivity and new machinery and equipment and so on.

The fact is, again, that we look at it from a more holistic kind of perspective there. Whatever we thought of the decisions that were made at the time, those decisions were made that the government allocated the money that flowed through EI into general revenue in the manner it saw fit at the time. Those decisions are made; those decisions are past.

I think the main concern right now is how we make sure the EI system works properly moving forward. Setting up the segregated account is the right thing to do. The one concern I think both of us share here in the transition to the segregated account is whether we are doing enough to make sure there's sufficient backstop that we're not going to get into a situation within the first couple of years of setting up this account...because, face it, we are in a period where there are signs of economic weakness, certainly in the United States, and worries about whether that may spill over the border here. So we're setting up this account at a time that may be towards the end of a long cycle of growth. Are we doing enough to make sure it has that rate stability through its first business cycle?

Mr. Mike Lake: You may know that the \$2 billion reserve has been set by the EI chief actuary. The mechanisms are in place to make sure that account stays in balance. It will be backstopped by the consolidated revenue fund, if necessary, through a loan, but the idea is that it would always remain in balance. Of course, the mechanisms are there, the mathematical formulas are there for adjustments in rates to make sure, if there are shortfalls, for example, they're not all borne immediately by the workers and employers, that there's something there to kind of smooth it out over time.

But from here on forward, of course, we know that account will stay in balance, and what's collected for EI will be spent on EI. The remainder of what would have been the equivalent of the \$54 billion moving forward can be spent on things like new equipment. I'd like you to maybe talk about that, give—

The Vice-Chair (Mr. Michael Savage): We'll have to pass on that. Thank you, Mr. Lake.

We'll go to Mr. Lessard for the last round of questions.

[Translation]

Mr. Yves Lessard: Thank you, Mr. Chairman.

The unions and the employees that testified before the committee agreed that the creation of the board was a step in the right direction and that the money from the surplus had been diverted and should not have been used for that purpose. The minister himself acknowledged that. As Mr. Whyte said earlier, this is virtually a tax on employment.

You also told the committee something on which there seems to be a consensus, with the exception of one discordant note: the \$2 billion reserve isn't enough and the diverted funds should first be used to constitute the reserve. Perhaps you read the December 2004 and February 2005 report of the Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities, which contained 28 recommendations. Eight of those 28 recommendations were unanimous. The purpose of one of those recommendations was to return the diverted funds to the fund at a rate of \$1.5 billion a year so as not to affect the Consolidated Revenue Fund.

Why \$1.5 billion a year? Because that represents 50% of the Canadian government's usual reserve for contingencies, which is never used. This \$50 billion must be recognized as a loan, in the same way as when the Canadian government borrows in the financial markets.

What do you think of that? Should we continue in this direction? What you're saying makes me think that perhaps we should continue along this path. The employment question must also be considered, which I'm not sure about, but I'm prepared to listen to suggestions. One of the suggestions is that we draw on Ireland's model and put a flexible security system in place. I don't know whether you understand. In other words, it was suggested to us that we use part of that money to train people so that they can redirect their careers and enter the labour market.

Have you thought about that question? What do you think, Mr. Stewart-Patterson?

•(1000)

[English]

Mr. David Stewart-Patterson: You've asked several questions there, which are very interesting ones.

In terms of repatriating the past surpluses, again, I think my attitude is that what is past is past. On the notion of adding a bit more into the account in the transitional years—if there's a consensus that \$2 billion, despite what the actuaries say, is a bit dicey and we need a little more—yes, whether we're talking about \$1.5 billion or whatever is available out of a year-end surplus for a couple of years, I can see that kind of repatriation, if you want, as a transitional measure.

But when it comes to considering whether we should set up some kind of long-term mechanism to pay back \$50 billion over the next generation, all that really boils down to is asking if that's the best use of that money in that year. In other words, if we're going to say governments in years ahead are going to spend \$1.5 billion to put back into the EI fund to do things through the EI fund, that's money that's not being spent on increased transfers to the provinces for health care or education. It's money that's not being used for cuts in

other federal taxes. It's money that's not being used for other federal programs.

In other words, any use of a new dollar going forward is a policy decision of the day. It's what is the best use of taxpayers' money, and I don't want to say automatically that for years to come that's going to be the best possible use.

[Translation]

Mr. Yves Lessard: You didn't seem to agree that much with Mr. Whyte that it was a tax on employment. And yet, from what you tell me, you quite agree that this money is being for other purposes.

[English]

Mr. David Stewart-Patterson: Yes, and frankly, as you say, employment insurance premiums are a tax on jobs.

But what matters I think to Canadians is not just how many jobs we have; it's how well-paid those jobs are, how highly skilled those jobs are. Going forward, as more and more we face a shortage of qualified people, I think we are going to have to pay more attention to the quality of jobs and not just to the number of jobs.

That's where I'm saying I think as we go forward we need to make good policy choices about how to invest in Canadians and the skills of Canadians and the skills Canadians bring to the workplace, rather than set up an automatic formula that says we're going to take money from one account and put it into the other account regardless of what it's going to be used for.

•(1005)

The Vice-Chair (Mr. Michael Savage): Thank you very much, Mr. Lessard. We're finished. I will have to stop you there.

I want to thank Ms. Pohlmann, Mr. Whyte, and Mr. Stewart-Patterson for joining us today. We appreciate that you were able to make some time to be with us.

I think this brings to a conclusion the witnesses we're going to have on our study of the new employment insurance crown corporation, with the exception, members, that Minister Solberg will be here on May 27.

Again, on behalf of the committee, thank you very much for joining us.

We're going to break very briefly and come back with clause-by-clause consideration of Madame Beaumier's Bill 362. We'll take two minutes.

Thank you.

•(1006)

(Pause)

•(1010)

The Vice-Chair (Mr. Michael Savage): I will ask members to come back to the table.

Pursuant to the order of reference of Wednesday, November 29, 2007, the committee will now proceed with the clause-by-clause consideration of C-362, An Act to amend the Old Age Security Act (residency requirement).

We have some witnesses with us today from the Department of Human Resources and Social Development Canada. We thank you for joining us, Nathalie Martel, acting director of old age security policy; André Thivierge, acting director of international policy and agreements; Michel Montambeault, director in the Office of the Superintendent of Financial Institutions Canada, Canada Pension Plan and old age security; and Cathy Doolan, senior counsel and litigation support specialist. We appreciate your presence here today.

We will begin. Colleagues, the preamble is postponed, pursuant to Standing Order 75(1), as I'm sure you're all aware. We shall vote on it after all the clauses have been dealt with.

We are on clause 1.

We have had no amendments submitted for this bill, so if there are any....

Madam Dhalla.

Ms. Ruby Dhalla: I have a question. We have witnesses as well. I believe we have the acting director and other people from HRSDC. Would we be able to hear from them?

The Vice-Chair (Mr. Michael Savage): They are here to answer questions, not to make comments.

Ms. Ruby Dhalla: Can we ask them questions?

The Vice-Chair (Mr. Michael Savage): You can ask them questions. That's what they're here for as we go forward.

So we're on clause 1. Do you have a question regarding clause 1, Ruby?

While we're considering that, you received three pieces of information during the break. Two are pieces of information we asked Madame Beaumier to provide, and her office has sent that. It's with regard to the costing of this bill. The other was a request to find out who Canada had international social security agreements with. Those pieces of information have been put in front of you, in both official languages, for your consideration.

On clause 1, Ms. Dhalla.

Ms. Ruby Dhalla: Clause 1 speaks about the three years. Could the acting director, Ms. Martel, who has done a great job in terms of steering this file, perhaps tell committee members where we're at in terms of signing these agreements? What does Canada look for when these agreements are signed? And why is it that individuals from certain countries who came before us, as an example, India or China, don't have agreements signed with Canada?

Ms. Nathalie Martel (Acting Director, Old Age Security Policy, Department of Human Resources and Social Development Canada): Thank you for your question. I have with me my colleague, André Thivierge, who is the director of international agreements. If I may, I will ask André to answer your question.

•(1015)

Mr. André Thivierge (Acting Director, International Policy and Agreements, Department of Human Resources and Social Development Canada): Thank you.

As you see, we have agreements signed with 51 countries. We're limited to agreements with countries that have social security

systems like Canada's so we can coordinate and we can add periods in the two countries to meet minimum requirements for a benefit.

Currently we have undertaken some negotiations with Argentina and Brazil, and we've begun discussions with Romania. Our goal is to have agreements with as many countries as possible, to protect the rights of our immigrant population.

Unfortunately, we are unable to have agreements with countries such as India or China. India in particular has recently instituted a pension system, and there are issues, in our view. We were in India about five years ago. There are issues with respect to administration, and they don't have a centralized social insurance index that would allow us to exchange information. We monitor developments in India very closely, with the hope that in the not too distant future we can begin discussions with India. China, on the other hand, does not have a social security system in place with which we can coordinate our pension system.

I don't know, Ms. Dhalla, whether I've responded to all your questions.

Ms. Ruby Dhalla: In terms of the countries that don't have the social system and the infrastructure we have in Canada, the old age benefits that the seniors are advocating and fighting for are non-contributory payments. Could this bill, in essence, still move forward? Let's say it passes in Parliament and there is no agreement signed with these particular countries. What would be the costing for this?

Mr. André Thivierge: I don't have that information.

Perhaps I didn't understand your question correctly. You're saying that if this bill were to pass and we reduced the minimum residence period to three years, what would be the cost related to...?

Ms. Ruby Dhalla: What would be the cost in terms of ensuring that all of these seniors are receiving their benefits after three years instead of ten years? Then you wouldn't need agreements with any countries, because it would have gone through Parliament—providing the government had implemented it.

Mr. André Thivierge: There is the issue that we have 51 agreements. There's a question as to whether we would have to renegotiate some or review them to determine if there are any changes required.

The agreements, though, go beyond old age security. They also affect the Canada Pension Plan and Canada Pension Plan disability and survivor benefits. There are also provisions with respect to detached workers who can be exempted from paying social security contributions in the other country when they work there temporarily.

All that is to say that if these amendments were made we could still have social security agreements with other countries. In my view, it may create a disincentive for some countries, because there would be less in it for them; nevertheless, there is still a basis for negotiating agreements.

Ms. Ruby Dhalla: But technically, for the old age security portion of it you wouldn't need any agreements.

Mr. André Thivierge: You would need an agreement to meet the three-year minimum for the very small number of individuals who perhaps reached 65 years of age with only one or two years of residence, but otherwise the agreements would not affect the payment of old age security benefits in Canada.

However, I should add that it would affect the payment of old age security benefits outside of Canada, because we still have a 20-year requirement for the payment of the benefit abroad. A person who lives in Canada for 15 years could export that pension under an agreement through the totalizing provisions.

Ms. Ruby Dhalla: I have one last question.

Ms. Beaumier gave us a set of estimates in terms of the costing and the analysis for this, how much it would cost if this bill went forward and how many citizens at this point in time are being excluded. Do you have a costing of this particular bill?

We've received so many different numbers, so if you could just tell the committee, for the benefit of all members, that would be really helpful.

Mr. Michel Montambeault (Director, Office of the Superintendent of Financial Institutions Canada, Canada Pension Plan, Old Age Security, Department of Human Resources and Social Development Canada): We have estimated the total cost of changing the rule from ten to three years to be \$700 million. It would probably imply having around 93,000 more people put under the benefits of OAS, about 85,000 more on the GIS, and about 2,000 more on the allowance. For the OAS it would be \$84 million, for the GIS around \$600 million, and for the allowance around \$14 million.

•(1020)

The Vice-Chair (Mr. Michael Savage): Mr. Lessard.

[Translation]

Mr. Yves Lessard: Isn't it true that there is a form or reciprocity in these agreements, so as to guarantee our own immigrants some security when, for example, they go to countries covered by an agreement? I'm not talking about cases where there's a social security net that is similar or different, or whatever.

Mr. André Thivierge: Pardon me, but I'm having trouble understanding you, as a result of the echo. I don't have any earphones. Could you repeat your question?

Mr. Yves Lessard: Isn't it correct to say that there is a reciprocity agreement in some respects with the countries where these agreements apply? That's the case, for example, for people from here who emigrate to those countries. In some countries, there is a social security net, whether its comparable or different.

Mr. André Thivierge: We can pay benefits outside the country. One agreement enables people who are in Canada to meet the minimum requirements to receive an old age security pension, but we can transfer the pension outside the country under an agreement. So that works on both sides.

The idea is to protect people coming into Canada who receive benefits from their country of origin and, naturally, people who return to their country. Canadians who leave Canada before the 20 years required by the act can take their old age pension with them.

Mr. Yves Lessard: Ultimately, the amounts you're announcing provide security for people who come here as immigrants, and this reciprocity agreement ensures security for our people who go to those countries.

Mr. André Thivierge: Yes, that's the case. However, I'm going to let Mr. Montambeault address the cost issue. I believe it's equivalent to the old age pension payment inside Canada. If the number of years is reduced to three, that will change nothing for the people who leave the country. People will always have to meet the 20-year requirement for the pension to be exportable.

Have I correctly explained the matter?

Mr. Yves Lessard: Yes. We can consider that these agreements make it so that a portion of the costs has an impact on the security of our Canadian citizens who immigrate.

Have you calculated the balance of costs?

Mr. André Thivierge: Yes. In 2006, we paid approximately \$110 million outside the country, either in respect of old age pension or under the Canada Pension Plan. The other countries paid approximately \$550 million in Canada. That amount came directly under the agreements. So it appears that, for every dollar paid outside the country, five dollars enter the country.

Mr. Yves Lessard: Thank you very much.

[English]

The Vice-Chair (Mr. Michael Savage): I have one quick question for Monsieur Montambeault.

You've given us the cost from HRSDC of going from ten to three years. Have you costed going from ten to any other number of years—five or seven, or any other?

Mr. Michel Montambeault: No, I have just costed to go from ten to three years.

The Vice-Chair (Mr. Michael Savage): Thank you. Are there any other questions on clause 1?

Ms. Bennett.

Hon. Carolyn Bennett (St. Paul's, Lib.): Yes. I was just wondering about the parallel with Canadians who live away for awhile and then return, in terms of their residency requirement or how long they have to be here in order to obtain their benefit when they return to Canada.

Mr. André Thivierge: The 10-year rule presently applies to anybody. We're looking at 10 years after the age of 18, so it applies to somebody who enters the country, a new immigrant. It equally applies to someone who may have left the country at an early age and returns perhaps to Canada to retire. So if I left Canada at age 22, I only have four years of residence after age 18. If I come back at age 65, I don't meet the 10-year requirement, nor would I meet the 20-year requirement for payment abroad if I stayed abroad.

So the 10-year requirement applies to everybody equally, regardless of national origin.

•(1025)

Hon. Carolyn Bennett: This bill only applies to immigrants. Is that right?

Mr. André Thivierge: No, it applies to anybody who resides in Canada and does not have 10 years of residence in Canada.

Hon. Carolyn Bennett: So this bill would also apply to Canadian citizens who have gone away.

Mr. André Thivierge: That's correct.

Hon. Carolyn Bennett: Okay.

The Vice-Chair (Mr. Michael Savage): Ms. Dhalla.

Ms. Ruby Dhalla: André was saying that the bill would also be applicable to Canadian citizens living abroad, because the requirement for the residency component would change. So does the costing you gave us also take that into account? Or has your costing just been reflective of the immigrants or citizens who are living in Canada now?

Mr. Michel Montambeault: It includes everything.

The Vice-Chair (Mr. Michael Savage): Mr. Lessard, did you have a question?

[Translation]

Mr. Yves Lessard: Yes. I understand that, in other countries, the number of years required to be entitled to the old age pension varies. If we lower the number of years from 10 to 3, would we necessarily be trying to have other countries change that number as well? What do you know about the number of years required by other countries for pension access purposes?

Mr. André Thivierge: If the act were amended to lower the required number of years from 10 to 3, that would have no impact on other countries. They each have their own acts. To be eligible, you need 25 years in certain cases, and 10 years in others. A minimum is established, and many factors are taken into consideration.

Few countries have an old age security system based on residence. In Australia and New Zealand, however, a minimum of 10 years is applied. The systems of those two countries are similar to Canada's. Most foreign systems are based on contributions, as in the case of the Canada Pension Plan. The number of years required varies from country to country. It's 25 years in Japan, 20 years in Italy and 5 years in Germany, I believe.

Mr. Yves Lessard: In the case of countries that apply a system based on contributions, the benefit or pension is based on the number of contribution years.

Mr. André Thivierge: There are various ways to calculate pensions, but, in fact, you're right. The amount of the benefit is usually directly related to the number of years the person has contributed to the plan. There may be minimums and maximums, but you're nevertheless right.

Mr. Yves Lessard: Thank you.

[English]

The Vice-Chair (Mr. Michael Savage): Ms. Dhalla.

Ms. Ruby Dhalla: Just so we're all on the same page, for the benefit of all members, when you're signing these international social security agreements with other countries, the purpose of signing these agreements with these other countries is for contributory pensions or benefits in those particular countries.

This bill Ms. Beaumier is putting forward and what the seniors and organizations like the Old Age Benefits Forum are advocating

for is with regard to old age security, which is non-contributory. So just for that element of it would you need a social service agreement?

• (1030)

Mr. André Thivierge: We coordinate Canada's public pension system, which is a two-tier system, old age security and the Canada Pension Plan, with whatever type of system the other country has. Very few countries have residence-based schemes—I mentioned a few—and most of them are contributory.

Yes, we would have to have agreements to help people qualify for benefits from that country and for the Canada Pension Plan or old age security abroad and for people who have less than three years of residency in Canada.

As I mentioned at the beginning, other features of social security agreements affect detached workers who are sent to work abroad temporarily. It protects them and allows them to continue to contribute to the Canada Pension Plan for a temporary period and to be exempted from paying contributions in the other country, so this results in savings for the companies that send these Canadian workers abroad.

The Vice-Chair (Mr. Michael Savage): Okay. Are we ready for the question on clause 1?

(Clause 1 agreed to)

(Clause 2 agreed to: yeas 6; nays 5)

Ms. Ruby Dhalla: Can we have a recorded vote for all the clauses, please?

(Clause 3 agreed to: yeas 6; nays 5)

Ms. Ruby Dhalla: Did Mr. Lake say no? Does that sound familiar, Mr. Lake?

The Vice-Chair (Mr. Michael Savage): He is recorded as voting against the motion.

Mr. Mike Lake: I am not in favour.

(Clause 4 agreed to: yeas 6; nays 5)

The Vice-Chair (Mr. Michael Savage): We'll go back to the preamble. The fact that the bill was unamended should make this relatively simple.

Shall the preamble carry? We'll have a recorded vote.

(Preamble agreed to: yeas 6; nays 5)

The Vice-Chair (Mr. Michael Savage): Shall the title carry? We'll have a recorded vote.

(Title agreed to: yeas 10; nays 1)

• (1035)

The Vice-Chair (Mr. Michael Savage): Shall the bill carry? We'll have a recorded vote.

(Bill C-362 agreed to: yeas 6; nays 5)

The Vice-Chair (Mr. Michael Savage): Shall I report the bill to the House? We'll have a recorded vote.

(Agreed: yeas 7; nays 2)

The Vice-Chair (Mr. Michael Savage): I'll report this to the House: that everybody loved the title, but they were mixed on the bill.

Is there anything else?

Folks, have a good week next week. We'll see you the week after.

The meeting is adjourned.

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