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Mr. Dean Allison

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• (0910)

[English]

The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)): I would like to call to order the meeting of the Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities.

Pursuant to Standing Order 108(2), we are studying the Canada Employment Insurance Financing Board.

I want to thank you once again, Minister, for appearing before us. This committee has been seized with this particular issue over the last couple of meetings, and I know that there were a couple of additional questions. I also realize how busy your schedule is, so it's great to have you back in such a short period of time to discuss some of these issues.

I realize you have an opening statement, sir, so why don't we just get started with that. Then we'll go around with a few rounds of questions. We only have one hour, so we will try to get everyone as many questions as we can.

Minister, the floor is yours, sir.

Hon. Monte Solberg (Minister of Human Resources and Social Development): Thank you very much, Mr. Chair.

I'm pleased to have with me today Mr. Paul Thompson, associate ADM for skills and employment at HRSDC.

[Translation]

Thank you for the opportunity to appear before this committee regarding the proposed Canada Employment Insurance Financing Board, or CEIFB.

[English]

The governance and management of the EI account has been an issue for several years. In 2005 the standing committee heard from stakeholders through the study, and subsequently reported its findings in "Restoring Financial Governance and Accessibility in the Employment Insurance Program". Views have also been expressed regarding EI financing through annual sessions on rate-setting.

Bill C-50 addresses concerns expressed by a wide range of stakeholders representing workers, employers, experts, and elected officials regarding how the EI account should be managed.

As a small crown corporation working at arm's length from the government, the CEIFB will ensure that EI financing decisions are taken independently and separate from the government's responsibilities regarding benefit determination and payout.

The proposed Canada Employment Insurance Financing Board will be responsible for implementing an improved EI premium rate setting mechanism that will ensure EI revenues and expenditures break even over time; managing a new bank account, separate from the government's general revenues, where any excess EI premiums from a given year will be held and invested until they are used to reduce premium rates in subsequent years; and maintaining a \$2 billion cash reserve as a contingency fund that will support relative premium rate stability.

In addition, the EI premium rate-setting mechanism will be improved so that any surplus premiums and income from investments from one year will be taken into account when setting the subsequent year's rate. This measure will ensure that premiums collected over time will not exceed benefits paid.

[Translation]

To contribute to the relative stability of employment insurance premium rates, the board will be limited to the extent to which it can change the rate by a maximum of 15¢ per year.

[English]

It is important to note the Government of Canada's contribution of \$2 billion to establish a real cash reserve. This money, coming from existing government revenues, will provide a contingency fund in support of relative premium rate stability. If, in a given year, the EI premiums does not collect enough money to cover the cost of EI benefits to be paid that year, then the money in the reserve will be used to offset premium shortfalls that could arise as a result of the 15¢ limit in premium rate increases.

It is important to recognize that the \$15 billion reserve figure mentioned in 2000 by the chief actuary was characterized as the amount required to avoid raising premium rates throughout a severe economic downturn, similar to that experienced in the 1980s. This is not a figure that is consistent with the government's approach, which aims to match program revenues and expenditures each year. Nor does this figure take into account changes to the EI program structure, size, and clientele, or today's significantly improved economic conditions.

With respect to the \$54 billion notional cumulative surplus prior to 2009, this is simply a bookkeeping entry reflecting the difference in prior credits and debits in the account. We are improving the system going forward by creating a separate account with a real cash reserve. The Canada Employment Insurance Financing Board will be run by seven part-time directors who have the necessary skills and expertise to effectively carry out the organization's mandate.

Qualified members will be selected, following recommendations made by a nominating committee that would include the commissioner for workers and the commissioner for employers, and will be appointed through governor in council.

[Translation]

Through this process, business and labour can be assured that the most qualified individuals are selected to manage decision-making on the financing of the employment insurance program.

[English]

It will be up to the board of directors to develop a corporate plan and a budget for consideration of the Treasury Board, and Parliament as part of the estimates process. The incremental costs of operation for the new activities and responsibilities of the CEIFB are expected to represent only a fraction of the additional returns on investment not previously realized under the old system.

I wish to emphasize that the CEIFB will have responsibilities related only to EI financing. HRSDC will continue to have policy responsibility—related to EI benefits and through Service Canada for program delivery—to ensure that the program remains responsive to the needs of Canadians and is delivered efficiently and effectively.

Our plan is one that looks to the future and ensures independent decision-making regarding the management of EI funds and making sure that these funds are used only to pay for EI benefits;

[Translation]

that premium rates reflect actual program costs and take into account investment returns so that Canadians pay the right premium rates, just sufficient to cover the cost of benefits received;

[English]

and ensures that the program is on a firm financial footing going forward, well positioned to withstand changing economic conditions.

Mr. Thompson and I will be pleased to address the committee's questions.

Thank you. *Merci.*

• (0915)

The Chair: Thank you very much, Minister.

It's been proposed that we go with five-minute rounds of questions, just so we can get a few people in there. If that's okay with the committee, we'll proceed in that fashion.

Mr. Savage, we'll start with you, sir. You have five minutes.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thanks, Chair.

Minister, thank you very much for coming. You have made yourself available to this committee on a number of occasions, quite voluntarily, which I appreciate; I think we all do. Thank you for that.

In terms of the background on this issue, as you know, we had proposed some hearings on this new Employment Insurance Commission. Even among many people who support the idea of a separate fund for EI, there are concerns about just how arm's-length this commission is going to be. While we understand it's on the "setting of the premium" side and not on the benefits side—that would be a parliamentary responsibility, a government decision, a minister's responsibility—there is some concern that some decisions of the board may end up impacting on the benefits side as well—either purposely or, more likely, not on purpose. So there are a number of issues.

I know that colleagues will ask you about the \$2 billion reserve and whether that's sufficient, and people will ask you about the accountability side of this fund.

I want to talk about two things, first of all. One is that when we did these hearings, on very short notice a number of people made themselves available. We heard from employers, from employees, from CFIB, from the Canadian Council of Chief Executives, from the actuaries, from a number of people. So there seems to be a lot of interest in this.

I wonder whether you think, especially in light of the fact that if we had not had these hearings at this committee there would have been no public or national dialogue of any kind around the setting up of this corporation, there's room for more input from Canadians on the composition of the board and the set-up of this new crown corporation.

Hon. Monte Solberg: First of all, thank you for the question.

Mr. Chairman, this is an important issue, but I would point out that this has been discussed for a long time. First of all, the principle of having a separate arm's-length body has been discussed for some time. The actual makeup of the board is to a large degree governed by the Crown Corporations Act, and a precedent in establishing other crown corporations.

Because the function of this board is quite narrow, we think we have put in place all the safeguards and the proper mandate to get the outcomes we want, which is to have premiums and benefits brought into balance in a consistent way.

Mr. Michael Savage: I recall, for example, that when Mr. Dannie Hanson, from the great independent state of Cape Breton, came before this committee, he indicated that he should take the time to make sure that there are solid bureaucratic controls of the corporation. I would suggest to you that there are many Canadians who would still like to have input into this process, which was only announced in the budget, with some hearings here. And we will make some recommendations.

Let me tell you that having gone through this process and having heard from your officials and from you, I am somewhat reassured that there's no devious plan to dramatically undermine employment insurance. But I'm not convinced that enough time has been taken to ensure that we don't go down a road we might look back on and say, "If we had taken more time, we could have done things differently."

Let me also....

Did you want to make a comment?

Hon. Monte Solberg: I was just going to say that there is precedence, of course, for establishing these boards. The CPP Investment Board is an example of that. We do have a bit of a template in terms of making sure we establish a board that really understands its mandate and is focused. These people are put in place to perform some professional functions.

Although I do understand the concerns, I can assure you that no one is more interested in getting this right and doing a good job than I am.

Mr. Michael Savage: On the composition of the board, Minister, a number of people have raised issues around the fact that it's not explicitly laid out exactly how the board will be composed. The FTQ says that the bill does not mention that the board of directors must be representative in terms of premium payers, for example. The construction trades council sent us all some very specific concerns about how the board should be composed to ensure representation from all sides. Garth Whyte from CFIB said in his testimony that informally it's been identified that the nomination committee will be the EI Commission, but it's not formally stated in the act. He would like to see it formally stated.

I wonder if you could give us some consideration on how people can be assured that their views, as employers or employees, will be equally represented on this EI Commission.

Hon. Monte Solberg: I guess what I would say is that I don't want to send the message that this is about benefits by putting in place people who have opinions and axes to grind on the benefits issue. What we're really looking for are people who are experts when it comes to investments. That's why, in the terms and conditions for establishing who this committee would be made up of, we talk about people with a background in forecasting, insurance business, banking, and these kinds of things. It's really all about the investment, similar, again, to the CPP Investment Board.

That's part of the reason why I'm not anxious to bring forward people just on the basis of positions they've taken in the past on really what amounts to the benefits side of it. I would be quite concerned about that.

So while I'm not unsympathetic to your concerns, my focus is really about making sure that this is done professionally, that benefits and premiums are brought into balance consistently year over year, that the money is invested well, that there is a return, and that any extra premiums are returned back to workers and employers.

• (0920)

The Chair: Thank you, Mr. Savage.

On that point, Minister, I know that one thing we heard was that when we explained to people exactly what was going on, they felt better about it. So maybe there could be some PR explaining some of the changes. I think it was enlightening for some people to find out that money wasn't going to be taken out; it was just doing the same thing but at arm's length. They were reassured. Although they were unsure of the changes period, some things we were able to clarify. That's what we're trying to do for the rest of the members today.

We'll move now to Mr. Lessard. You have five minutes, sir.

[*Translation*]

Mr. Yves Lessard (Chambly—Borduas, BQ): Mr. Chair, I suggest that you give the Liberal Party two minutes more. I do not appreciate the fact that you changed the rules like that. By limiting participation to five minutes, you are taking two minutes away from the Bloc Québécois and the NDP. You are therefore changing what we agreed to at the beginning. I think that we could get around the table if you kept with the seven minutes.

[*English*]

The Chair: Here's what we'll do: we'll have a vote on that.

Would members like to have five-minute rounds right now?

Some hon. members: Agreed.

The Chair: It looks like we'll be going with five-minute rounds.

Yes, Mr. Savage.

Mr. Michael Savage: On a point of order, just for Mr. Lessard's clarification, it had been my suggestion, through the chair, that we move to five minutes so that more people...in light of the fact that it was only an hour. I didn't try to take time from anybody, and I'm sure we can provide flexibility as the chair allows, but that was my recommendation.

Thank you.

The Chair: Thank you.

Mr. Lessard, it's your turn, sir, for five minutes.

[*Translation*]

Mr. Yves Lessard: Mr. Chair, I am totally opposed to this way of conducting business. As I have already said, this change in the rules has the effect of depriving the two opposition parties of the time set aside for their questions. I do not appreciate that approach at all. I suggest that, next time, our Liberal friends remember what I have just said. Otherwise, there is no point in establishing the rules at the beginning. I find this situation annoying.

Mr. Minister, clearly, we support the idea of creating a fund and we support the contributions of employees and employers being used exclusively for the purposes of the employment insurance fund. But we would like you to explain the functions of the new board compared to those that the commission presently fulfills.

The other day, you told us that the objective was to make the operation more transparent, specifically when it comes to setting contribution rates. The reason why this function is being taken away from the commission is not clear to us. We are not opposed to the idea, but we would like to understand clearly the roles of each of the two bodies.

• (0925)

[*English*]

Hon. Monte Solberg: Thank you for the question.

I think the most important way in which the process will be made more honest, if I can put it that way, is that the new commission will look both forward and backward when it comes to setting the rate. So that's one of the most important changes being made. Today the commission does not look backward at, for instance, surpluses that have occurred in the current year. The new EI Commission will look forward and backward when it sets these rates, and of course it will be subject to scrutiny by this committee and by others who question whether or not it's meeting its objectives.

As the EI Commission, it will have the same scrutiny and will be subject to all the regular terms and conditions that any crown corporation will be subject to. So there will be the same transparency, but because it's arm's length, it will be independent and ultimately it will have that extra ability to look backward as well and make better judgments, I think, on what premium levels should be.

[Translation]

Mr. Yves Lessard: You know that we are not of the same mind about the \$54 billion surplus. You say that this is a theoretical amount, but, actually, it is real money contributed by employees and employers. Last time, you agreed that it was real money and that it had been diverted to other uses. You agreed to that again.

Under the conditions that the treasury is going to establish itself—I will just use the term “treasury” for convenience—it will be able to lend sums of money to the board. Under those conditions, why not use the money to gradually pay back the money that the fund is owed?

[English]

Hon. Monte Solberg: First of all, the way this will work is that the funds will pass through the CRF to the account.

Our concern going forward is to make sure we don't end up in the same situation we've ended up in the past. The way we think we need to do that is to establish a cash reserve, and the best way to ensure that funds are protected is to turn them back to the people who earned them in the first place: workers.

So if we reduce premiums, that's the best way of all, in my judgment, to ensure that workers are protected, instead of taking the approach you're arguing for, because of course that \$54 billion you're talking about would still be within the government. I'm arguing that the best way to protect workers is to give that money back to them.

[Translation]

Mr. Yves Lessard: Mr. Minister, you are aware that you are telling me that employees are going to be repaying money that they have already contributed. Lowering contributions will be done at the expense of people who lose their jobs, because their employment insurance benefits are going to suffer. I feel that you are well aware of that. They will have paid in twice, in two places.

Mr. Chair, because the Bloc Québécois and the NDP have been deprived of two minutes of their time, I am going to end by asking what happened to the report on older workers prepared by experts in the commission. I think that the report was submitted to you last February 8 or so. Some of its recommendations apparently advocate income support for older workers. Is that so? Why have you not released that report. Mr. Minister?

[English]

The Chair: Minister, I'll let you finish the answer.

Hon. Monte Solberg: I'll just quickly say that we have the report. We are reviewing it and we will be releasing that report and responding to it very soon. We want to make sure we take the time to review it thoroughly. It's an important document. Once we've gone through that process it will be released, and certainly, I'm sure, you'll have many comments on it.

As a final point, Mr. Chairman, by reducing premiums, one of the most important things you can do when certain sectors are struggling is to reduce profit-insensitive taxes like EI premiums. That helps those in the forestry sector, in the manufacturing sector, in a very important way. I think we shouldn't lose sight of the ability to reduce premiums like these in order to help employers who want to not only retain jobs but also hire people.

● (0930)

The Chair: Thank you, Minister.

Now we're going to move to our next round.

Mr. Martin, sir, five minutes.

Mr. Tony Martin (Sault Ste. Marie, NDP): Welcome, Minister, and thanks for coming.

I just have a couple of areas. I have no real difficulty—others have indicated this as well—with establishing this entity in itself to manage this important fund and to make sure it does what it was set up to do. But I have two concerns that were raised in the hearings. One is the makeup of the board, which I want to explore with you. The other is the concern raised by the actuary who came in here, that there won't be enough money in the fund if we run into some turbulent times. That concerns me.

On the first one, it seems to me that a fund that is contributed to by both employers and employees should make sure it's in the interests of both because each one is going to be concerned as to the contribution that each will make and then, at the end of the day, what benefit will accrue. And the benefit will be based primarily on the kind of money that's in the bank and coming in.

I want to explore with you a little further why we're not seeing here a commitment of some sort toward making sure there's a balance on this board, from both the employer side and the employee side.

Hon. Monte Solberg: Thank you very much for that question, Mr. Chair, through you.

I think we need to be clear about what it is we're trying to do here. What we really want is for those people who pay into the fund to get the best professionals possible in terms of managing that funding. And remember, there are four main objectives that have been established for the people who make up that board: to set the premium rate under section 66 of the act; to maintain a reserve in accordance with that section; to manage amounts paid to it under section 77; and to invest its financial assets with the view to meeting its financial obligations.

I would argue that the positions people have taken in the past—they come from the labour side or they come from the employer side—really aren't relevant to those rules. What we're looking for are people who truly are professionals when it comes to managing those funds, similar to what we've seen on the CPP Investment Board. I think it's entirely appropriate for people from labour and people from business to make their arguments when it comes to the benefit side. That will of course continue to be in the realm of my ministry and Parliament as a whole, but when it comes to this, what we're really concerned about is that this money is properly managed.

Mr. Tony Martin: I would respectfully disagree and suggest to you that setting the rates is something that will require some sensitivity in terms of who can afford to pay what. And in terms of looking at how the fund will grow or not grow, depending on investments, I find it a little bit—I hate to use this word—"arrogant" to suggest that workers, for example, may not have some interest in where that money might be invested so that it might contribute and make sure that the fund stays healthy.

I understand that your ministry will take care of the benefits side of things, but the benefits side of things will be paid for by what's in the account, isn't that right? So I would think there would be certainly a very direct and important interest, on behalf of employees across the country, in how that fund is actually built up and managed.

Hon. Monte Solberg: I guess I would say that nothing we're proposing precludes anybody coming from a labour background, for instance, from being involved. I'm simply arguing that their background in that regard isn't nearly as relevant as the skills they bring to the table when it comes to managing the account. Their job is to ensure that these things are brought into balance, which benefits both employers and employees over time. It's in everyone's interest to make sure that is done.

We want to make sure that, on the one hand, we don't take any more money than is necessary from employees so that we can, over time, if situations warrant, reduce premiums, which helps workers. On the other hand, we want to make sure that we have adequate revenues coming in to pay for the benefits.

You know, when the mandate is so narrowly described—and I think it's appropriate that it should be—what becomes a lot less relevant is your previous attachment, whether it's labour or on the government side. It's really the skills that you bring to the table when it comes to managing these funds that become very important. But again, it doesn't preclude people from labour being involved in this, which I'm guessing would be your interest.

• (0935)

Mr. Tony Martin: It's that we would have a balance.

Hon. Monte Solberg: Yes.

Mr. Tony Martin: I will just very briefly go on to the next piece, which was the amount of money that you're putting into the fund, the \$2 billion. From what we've heard, that's just not enough. You're convinced it is. So I guess I ask you, what happens? Who picks up the slack if in fact we run into a difficult time in the economy?

I was in the Government of Ontario in the early 1990s, when we had that huge recession that was worldwide in nature. The challenge

to government to take care of people, to make sure that they don't fall below the water in those times, becomes quite significant.

So what if there isn't enough money in that account? What happens then?

The Chair: That's all the time we have, sir; just a quick response.

Hon. Monte Solberg: First of all, there is no money in the account right now, so we're adding \$2 billion, so there's \$2 billion more than there would be. Secondly, in the event that this cushion is used up in the event of a downturn, just like today, benefits would be backed up by the consolidated revenue fund and by the resources of the Government of Canada. But the one difference I think between now and the 1980s and times in the past is that the nature of the labour force has changed quite dramatically in Canada. This fund would certainly get us through a mild downturn like we saw in 2001-02, but there's reason to believe that with the demographics being the way they are, we don't face quite the same challenges today as we faced in the past in terms of job loss in the event of an economic downturn, because we have so many labour shortages today.

I'll give just one final example. In the past, economist experts would tell you that we'll never see the unemployment rate drop below 7%. That was called the NAIRU. The NAIRU was supposed to be 7%. The experts were all wrong on that. The nature of the labour force today has changed so much, and demographics are working against us—or for us, depending on how you look at it—in terms of there just being so many more opportunities for workers today than there have been in the past.

The Chair: Thank you, Minister.

Thank you, Mr. Martin.

Now we're going to move to the government side. I believe we have Ms. Yelich and Mr. Tilson sharing the time.

Mrs. Lynne Yelich (Blackstrap, CPC): I would like to thank you very much, Minister, for attending today. You have always made yourself available, as was mentioned. On this particular issue, I think you've already given us quite a bit of time, so I was surprised you were asked to return. I thought you did a very good job in your first presentation.

At any rate, we will see if there is anything to clear up today. Mr. Lessard complained about the time he had, and yet he started on another topic. Obviously this topic isn't as important as it was perhaps let out to be. I think it would be nice if you would tell the committee that it isn't easy being called in front of them all the time. There's a lot of preparation, and you do have a very big department. It might be helpful if you would remind them that this isn't always easy.

That said, my main question will be about the board, because people are dubious about the board and their mandate. Could we just walk through the duties and the mandate of the board? I understand there will be three committees: the investment, the audit, and, I think, the human resources.

So perhaps you could just walk through the duties of the board as it breaks down into the individual committees. Then I will defer to Mr. Tilson.

• (0940)

Hon. Monte Solberg: Sure, I am happy to do that.

All three of those committees are extraordinarily important. Human resources is, for instance, because you want to find the best possible talent in terms of the people who are working for the board. We're talking about substantial amounts of money. We're talking about the funds of workers and employers. We want to make sure we're very careful about how that money is invested.

It's obviously important to have an audit committee that ensures, again, that all the proper procedures are being followed. It's also important to have an investment committee that on one hand ensures prudence for these funds and on the other hand works to get a decent rate of return for workers and employers who pay into this account. Of course, any revenues that come in from investments ultimately will be used to help reduce premiums.

So those are all important committees of this governance board. Again, they have four main jobs—to set the premium rate, maintain a reserve, manage amounts paid, and invest the financial assets. These are the four main jobs of people on the committee. This is extraordinarily important, and we're looking for people who are of the highest calibre to fill those important roles.

Mr. David Tilson (Dufferin—Caledon, CPC): Mr. Chairman, thank you.

I'd like to follow up on the question of rates, which Mr. Martin started asking. I wonder if you could elaborate on whether there are guidelines for rates, as to how rates go up and how rates go down. Is that dependent on the contingency fund that you spoke of, or is it dependent on the economy? I'm just curious as to how rates are determined.

Hon. Monte Solberg: Rates will be determined by the board and by the actuary who would be working for them and the staff. They would look at what has occurred in the previous year in terms of any excess premiums that came in because, for instance, calculations were not completely accurate for unemployment rates or for benefits that were paid out.

They would also look forward, and this information would come from a number of sources. It would come from the Department of Finance. It would come from the Department of Human Resources and Social Development, and, as it says in the act, from any other source that the board deems to be important.

They would gather all of this information, so it is important that they have expertise when it comes to things like forecasting. It's important that they have an understanding of economics, unemployment rates, the impact on benefits, these kinds of things. Then they would make a judgment, based on all of this information, regarding what the premiums would be so that they could maintain the reserve at \$2 billion but also, of course, bring into balance premiums and benefits.

Mr. David Tilson: Is the reserve or the contingency fund the key to whether rates would go up or down or stay the same?

Hon. Monte Solberg: The goal is to keep the reserve at \$2 billion. The rates would go up and down by a maximum of 15¢, which is what currently happens. That is the policy that is currently in place. The idea is to ensure that there's some stability so that they

don't go up too much or go down too much, because obviously that has an impact on employers and employees. So that is the first thing that is considered when the board of governors is making judgments about premiums.

The second fallback position is the cushion of the \$2 billion reserve.

Mr. David Tilson: Can you elaborate on the qualifications of the people who will be chosen for the board?

Hon. Monte Solberg: It's in the act. We're looking for people “with proven financial ability or relevant work experience such that the Board will be able to effectively achieve its objects”. I've laid out what those objects are: maintaining the reserve, investing the funds, and those kinds of things.

So we're really looking for people who have that kind of experience in their work lives.

• (0945)

Mr. David Tilson: Thank you.

The Chair: Thank you, Mr. Tilson, and welcome to the committee. We're glad you're here this morning.

We'll now move to our second round of five minutes. I'll try to do a better job of keeping you actually on five minutes this time. We were slightly over in the last round, as hard as we tried.

Ms. Sgro, you have five minutes.

Hon. Judy Sgro (York West, Lib.): Thank you very much.

Minister, thank you very much for coming again today.

You did a fine job when you were here on your first occasion briefing us. Following that, witnesses raised a lot of questions. I felt it was important to have you back to make sure that they get adequate answers and we're doing the job we're asked to do. EI is an extremely important thing. It's not something anybody wants to have to seek out, but the reality is that it's been a backstop for many people to bridge that day when they find themselves unemployed.

A significant issue that's been raised to us is the difference here between “shall” and “may”. I'll read you a portion of clause 131 that talks about the board's reserve. It says that in the event that it is not sufficient for the payment of the amounts authorized,

the Minister of Finance, when requested by the Minister, may authorize the advance to the Account from the Consolidated Revenue Fund

I'd like to see that word changed from “may” authorize to “shall” authorize. There's a very significant difference between those two words. Some people out there think this is moving one step toward the elimination of an EI program. It's really important to make it clear that it should be “shall” and not “may”.

Do you have any problems with that recommendation?

Hon. Monte Solberg: My understanding from legal counsel is that this is a bit of legal semantics. It has always been the practice with employment insurance to talk about “may” rather than “shall”.

Maybe Mr. Thompson would like to comment on that.

Mr. Paul Thompson (Associate Assistant Deputy Minister, Skills and Employment Branch, Department of Human Resources and Social Development Canada): Sure.

There are provisions elsewhere in the act to ensure that the CRF is an automatic backstop. Since these are statutory benefits, the CRF will be used as the immediate recourse to pay benefits. The clauses around the advance are to essentially formalize the use of the CRF and the terms and conditions around that use. So the CRF is essentially an automatic backstop for the payment of these statutory benefits.

Hon. Judy Sgro: Then there shouldn't be an issue with changing it from "may" to "shall".

Mr. Paul Thompson: The convention in the past has been the use of "may" to enable the minister to determine the provisions around the use of the funds. But a different provision in the act ensures that the CRF is there as the backstop. That's the provision that automatically applies.

Hon. Judy Sgro: It's nice to know that, but it's always better to have several provisions that cover off an issue that matters to Canadians immensely.

On having labour as part of the board, I agree with you that it's extremely important for Canadians that this money be managed effectively. But it's also a matter of having someone on there who understands the implications, who's sensitive. I have always thought that somebody who has never been unemployed in their life probably just doesn't realize how difficult life can be.

Are you prepared to give consideration to having somebody from labour sit on that management board?

Hon. Monte Solberg: Absolutely. When we talked about the CPP Investment Board, no one argued at the time that we should have seniors on that investment board. We argued for people who understood how important it was to be prudent with payroll taxes regarding the Canada Pension Plan, to make sure there was a good return on investment. That has to be the primary kind of consideration when we talk about this as well.

It does not preclude anyone from labour being involved in this. In fact, there are many people with labour backgrounds who would be enormously qualified to sit on this board, and we're completely open to that. But I don't want to leave the impression—which is the very one I think some people in here are concerned about—that somehow this is tied to benefits and we're going to determine benefits through an arm's-length body. We don't want to do that.

So that's my concern, but we're completely open to having someone with a labour background sit on this.

● (0950)

Hon. Judy Sgro: I'm going to share my time with my colleague.

The Chair: Sure, yes.

Mr. Rodger Cuzner (Cape Breton—Canso, Lib.): I have one very quick question.

Thank you, Minister, for being here, as always.

My question will deal with benefits. I think we've done some good things over the years with benefits. We've taken some of the

disincentives out of the program, and it's making more sense now than it did a number of years ago. Such things as maternity benefits have encouraged more women to take part in, to engage in, the workforce during their childbearing years. Sick benefits have proven to be very beneficial to Canadian workers. I know there's a private member's bill to extend that for catastrophic health reasons. It's been talked about, through some of the testimony, that it would be reflected in some benefits, that this might be looked at as a straight insurance policy and workers in seasonal industries may be penalized for accessing the fund in successive years or subsequent years.

So my question to you, Minister, is this. When I see that this is all about making sure these funds are used only to pay for EI benefits, can you give us the assurance that the benefits side will still be a function of the department and will still be a function of Parliament?

Hon. Monte Solberg: Absolutely. We're all sympathetic to people who find themselves in these situations where they lose their jobs, they have a family member who becomes sick, or whatever it is. These are all extraordinarily difficult things for people. As a compassionate society, we want to make sure we have proper benefits in place to help them. The way this will work is that Parliament will decide what the programming will be through employment insurance and then it will be up to this board to ensure that premiums are adequate to pay for those benefits.

The Chair: Thank you, guys.

I believe we're going to have time for two more interventions. We'll go to Mr. Lake, followed by Mr. Lessard.

Mr. Lake, you have five minutes, sir.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

I want to start with a little bit of context. Obviously we've talked about how this EI surplus began to accumulate right around the early to mid-nineties and went up to \$54 billion under the previous Liberal government, but I'm a little confused as to how the surplus was accumulated. Would there not have been a rate mechanism in place at that time to balance things out?

Hon. Monte Solberg: What occurred, of course, is that during that time, the previous government had the ability to set the premium rate, and it was set at a level that was higher than necessary to pay for benefits. So any extra went toward the consolidated revenue fund, and of course it is the source of a lot of concern about how that fund was established. That's why we're talking today about having a separate account, something that is at arm's length from the government, so that future governments can't confuse what is good public policy with what is sometimes good politics.

So we're taking those steps today to ensure that employers and employees have their benefits, their premiums, protected and that the funding is used only for benefits and nothing else.

Mr. Mike Lake: Moving forward; yes.

Now, the Bloc and the NDP have both suggested, in different ways, that the \$54 billion should be paid back. I think Mr. Lessard, at one point in one of the meetings, suggested \$4 billion a year. I would think that would have to basically be added to taxes for Canadians. I'm as frustrated about the fact that the \$54 billion was spent in the first place, but I know within my own constituency the taxpayers wouldn't want to have their taxes go up by \$4 billion a year.

What's your sense on that?

Hon. Monte Solberg: Well, I think we have to be realistic about where we're at today. Of course, \$54 billion is a lot of money, and I think the best way we can serve workers and employers today is to make sure that never happens again and to put in place an arm's length mechanism that really will ensure that, if we maintain a strong economy, those premiums will go down.

That's the best way to help workers and employers, in two senses. One, of course, is that they're allowed to keep more money in their pockets; and you know, EI premiums are a substantial tax on people. Second, when businesses have lower payroll premiums, of course that means they can hire more people. EI and other payroll taxes like that—if you want to call it a tax—are actually things that impede the ability of business to hire workers. It's a tax on jobs.

So we have to be very cautious about making sure we reduce those charges whenever it's possible, because they have an impact on the ability of businesses to hire workers.

● (0955)

Mr. Mike Lake: Transitioning to the reserve, it's interesting; Michael Atkinson from the Canadian Construction Association said before the committee the following:

I'm also concerned about having a reserve that's too high and too tempting, quite frankly, to legislators who want to dump programs and other things off the consolidated revenue fund into a fund that's shouldered only by employers and employees.

That would be my concern about having a reserve that's too high.

About the \$2 billion that we're talking about here, I'm curious; where does that \$2 billion come from? Where would that actual cash that goes into the reserve come from?

Hon. Monte Solberg: Well, it comes from general revenues in all the various ways that the government collects revenue.

Mr. Mike Lake: So it's a budget item right now—

Hon. Monte Solberg: Exactly.

Mr. Mike Lake: It would have to be taken as a one-time budget item that goes in to create the reserve. So if you had a \$15 billion reserve, you'd actually have to take a \$15 billion hit on the budget at some point?

Hon. Monte Solberg: I'm sorry, could you repeat the last part?

Mr. Mike Lake: I was just saying, if you had a \$15 billion reserve, you would actually have to find that \$15 billion out of the budget right now to put into the reserve in the first place.

Hon. Monte Solberg: It would have to be allocated out of the government's fiscal framework, and if \$15 billion was moved into the reserve, it would mean the government had \$15 billion less latitude to use for other important services.

Mr. Mike Lake: Other things right now; okay.

Just referring to Mr. Martin's comments about the reserve being too low, it's something that some members have suggested concern with. Dealing with a hypothetical deficit.... Let's say we had a \$4 billion deficit in the program. How would that have been dealt with in the past, and how will it be dealt with in the future—maybe there's a contrast, maybe they're pretty similar—with a hypothetical \$4 billion deficit?

Hon. Monte Solberg: The policy hasn't actually changed at all. Right now, if you have a \$2 billion reserve, that would ultimately mean a \$2 billion deficit if it's backstopped by the consolidated revenue fund. So at some point, the Minister of Finance would determine how that deficit would be paid back, and that would be up to him, in this case, to make that judgment.

The way it would occur today—without the reserve—is there'd be a \$4 billion deficit in the consolidated revenue fund and again it would be up to the Minister of Finance to determine how that deficit would be paid back.

Mr. Mike Lake: Thank you.

The Chair: Thank you very much.

Now we're going to move to our last intervention.

Mr. Lessard, five minutes, sir.

[Translation]

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

First of all, I would like to correct a comment made by our friend Mr. Lake, who distorted the facts a little. I recall that a recommendation was passed unanimously by this committee to the effect that the money that had been removed from the fund would be repaid in the amount of \$1.5 billion per year. This appears in the December 16, 2004 report and again on February 15, 2005. It was recommendation 3 in a unanimous report.

But when we debated Bill C-280, Mr. Peter Van Loan, the government house leader, proposed putting funds into the fund to the tune of \$4 billion per year. Our friend Mr. Lake was perfectly right to describe this proposal as quite irresponsible. But now he is sitting with the government, we are told that it is not responsible to put money back in the fund. When you are a member of the opposition, you sometimes say things that you do not hold to when you become a member of the government. I feel that the Conservatives are presently in that position.

That said, we are very worried about your reasoning on the responsibilities of employees and employers. I recall that, in Quebec, the CSST, like other large public and quasi-public organizations, has employees and employers on its board of directors. This morning, you stated once more that the board's directors, seven in number, would be part-time positions. We must therefore conclude that skilled and specialized people will be in place to advise them.

What is preventing you from adopting the proposals from employees and employers about the way the board's directors should be appointed? I am not talking about the entire board, but at least two people from each group.

•(1000)

[English]

Hon. Monte Solberg: If I understand your question, nothing prevents someone who comes from a labour background being represented, either on the board of governors or as an employee of this organization. I'm only suggesting that can't be the primary consideration. And I've already gone through that, so I'll just leave it at that.

Am I misunderstanding what you're asking?

[Translation]

Mr. Yves Lessard: No, you understood my question very well. You have reserved the right to make the final decision at each stage of the appointment process, whether for the board or for its committees.

What role are employers' organizations and workers' associations going to be able to play in this process?

[English]

Hon. Monte Solberg: Right now, the EI Commission as it currently exists, which has a worker representative and also a business representative along with someone we have yet to appoint, would make up the nominating committee that would nominate people to go on the board.

So there is a role for employee representatives, like the current representative on the EI Commission, to nominate people; again, possibly from a labour background, but the primary consideration, which would be made clear to them, is somebody who has expertise in these areas.

[Translation]

Mr. Yves Lessard: Mr. Minister, in your present approach to the management of the fund, your main concern is to limit contributions as much as you can. Are you not afraid that you may take too much out of the fund that is intended to provide workers with benefits? That would be the same as the situation at the beginning of the 1990s when you were in power. It subsequently allowed the Liberals to use the money for other purposes each time they increased premiums. Are you not worried about that? My impression is that the philosophy is the same as when you reduced the GST. Your plan is to deprive the next government of as much money as possible for their programs, but most of all for paying benefits.

[English]

Hon. Monte Solberg: I would make a couple of points about that.

First, the government still maintains the power to override the financing board in terms of setting premiums, so there are several levels of protection.

Currently premiums can go up by a limit of 15¢ to pay for benefits in the event of a downturn. Then there is a \$2 billion cushion, the reserve, of course. And then ultimately it's backstopped by the consolidated revenue fund.

It's conceivable that if a government determines that raising premiums would be too damaging to the economy in a downturn, they could override that and say, no, we'll just pay for that out of the

consolidated revenue fund because the impact would be too damaging.

[Translation]

Mr. Yves Lessard: You are only keeping a cushion of \$2 billion, while the chief actuary recommends that the amount be \$10-\$15 billion, or the equivalent of one year's reserve.

Given the current employment situation, you seem to think that this is not a useful precaution. I just feel that I am listening once more to the Conservative line from 1989 and 1990. That led to a situation that worries me, as I told you earlier.

•(1005)

[English]

The Chair: Minister, that's all the time we have. I'll let you finish answering this question before we have two more quick questions.

Hon. Monte Solberg: First, Mr. Lessard, I would disagree. The \$2 billion exists today, so we do have a cushion. There was no cushion at that time.

Second, the situation is quite different. Yes, economies go up and go down, but because of demographics, we have so many people retiring today and a lot fewer workers coming up, meaning we have big labour shortages around the country. So even if there were some kind of downturn, the job loss couldn't possibly be nearly as great in exactly the same situation because many jobs are going wanting today.

The Chair: Thank you very much.

Minister, we got started a little late today. If it's okay with you, we'll have one more question—not five minutes but one more question each—from the Liberals and from the Conservatives. All right?

Hon. Monte Solberg: Sure.

The Chair: Thanks.

Mr. Savage.

Mr. Michael Savage: Simply for clarification, Minister, what will be the operating budget, the administrative cost, of this new crown corporation?

Hon. Monte Solberg: The administrative cost still has to be established. The board of governors will bring forward a corporate plan that they will present to Treasury Board. Treasury Board will then have to make a judgment about whether or not that's acceptable.

I guess what I would emphasize is that some of the functions that the new board currently undertake are ones that already exist within the EI Commission. So in some cases it would simply be a transfer of responsibilities. It should be less cost on the EI Commission side and within the department, and more assumed by the board of governors.

The other part of it is that they'll be doing things that we don't currently do, like invest funds and get a return, which obviously has a big benefit, and I would think would be worth any additional expenditure.

Mr. Michael Savage: Will the cost to administer employment insurance be higher than it is now? I think \$1.6 billion is now the estimated administrative cost.

Hon. Monte Solberg: I don't think we can know that yet. They'll bring forward their proposal. If it is higher, it will be higher for a different set of functions, including investing, which will bring in more revenues.

The Chair: Thank you, Mr. Savage.

The last question goes to Mr. Gourde.

[*Translation*]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you very much, Mr. Chair.

Mr. Minister, thank you for being here before us today. Your evidence is very useful for everyone on the committee.

At the moment, we are enjoying a period of prosperity where the unemployment rate is relatively low. If the unemployment rate remains low for another 5 to 10 years, could the rate of contributions go down by 15¢ per year for two or three years? If not, is it going to stabilize at some stage?

[*English*]

Hon. Monte Solberg: There's no question that as the tax base expands, if there is an economic expansion over a period of time, you're talking about an expanded tax base. You have more businesses that pay in. You have more people working, and that would mean that premiums can continue to go down. This has an

extraordinarily beneficial effect in all sectors of the economy. It's that virtuous cycle that economists talk about.

We're in a pretty good position in this country today, being fairly deep in important resources, certainly in natural resources but also human resources, and I think that bodes well in the long run for the country. It also bodes well in the long run for the people we all want to serve, those workers who are currently employed and those unemployed for whom we can use some of these premiums to provide training and, ultimately, help them step into a job and enjoy some of the success that most of the rest of us have always enjoyed.

The Chair: Thank you very much.

I want to reiterate Mr. Savage's comments, Minister. You've been very accessible and you've come before us many times. We appreciate your candour and your willingness to be here answering our questions on a variety of topics.

Thank you once again for your accessibility. The committee always appreciates that, certainly when we need clarification of these new initiatives that governments are bringing forward.

Once again, Minister, thank you very much for taking time out of your busy schedule. I know that all of us appreciate your willingness to appear before us today.

Hon. Monte Solberg: Thank you very much.

The Chair: We'll recess for a second and then come back in camera.

[*Proceedings continue in camera*]

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