CHAPTER FOUR

CONCLUSIONS AND RECOMMENDATIONS

I. A PLAN OF UNEMPLOYMENT INSURANCE

1. As stated in Chapter One, we believe that a plan of unemployment insurance should be designed to take the first impact of unemployment and should be based on insurance principles appropriate to a social insurance scheme of this type.

2. The fundamental insurance principle to be kept in mind, whatever the type of insurance, is that insurance is indemnity for loss. Different types of insurance indemnify for different types of loss and the concern of unemployment insurance is to indemnify the insured persons for loss of wages resulting from unemployment.

3. In this connection it is to be noted that a man cannot be said to lose what he never had. It could not be held that if a man normally works from Monday to Friday he has suffered a loss of wages because he is not working (i.e., is "unemployed") on Saturday and Sunday. Similarly, if he normally works from April 1 to December 1 and is normally idle the rest of the year, he cannot be said to have "lost" any wages from December 1 to April 1. It is true that he may need some outside assistance to enable him to tide over the idle period but this is not the concern of insurance and it would be a distortion of an insurance plan to provide such assistance under the guise of insurance.

4. A plan of unemployment insurance should therefore confine itself to payment of indemnity for wages lost by reason of the failure to obtain employment where the person concerned could, in the light of his previous employment record, reasonably expect to have obtained it.

5. It is another general insurance principle that the event insured against must be outside of the control of the insured person or, if it is within his control, it must be undesired so that there is no inducement for him to bring about the event of his own volition. Unemployment insurance suffers particular difficulties in this regard because the event insured against—unemployment—is not always undesired by the insured person. He may bring it about personally (voluntary quitting) or, once unemployed, he may prefer that state to employment. Thus it is important to see to it that the amount of indemnity is not so large in relation to wages as to encourage insured persons to prefer unemployment to employment. On the other hand, from the viewpoint of the social effectiveness of the plan, it is desirable to have the indemnity as nearly as possible equal to the lost wages.

6. The extent of indemnity provided by unemployment insurance should not be more than can be provided while still avoiding undue inducement to stay on benefit, or at least serious removal of incentive to seek and accept employment. The plan should therefore have a benefit structure designed to provide insurance benefits somewhat less than the normal wage. However, the benefit may be a higher percentage of the normal wage at low income levels than at high, and a higher percentage of the normal wage for claimants with a dependent than without. Once unemployed, the economic pressure to seek re-employment is, in general, greater for people of low income than high and is greater on those having responsibility for the support of a dependent than on single persons. Thus for an insurance benefit representing a given proportion of normal wage, the decrease in incentive to seek employment will generally be less for persons responsible for the support of a dependent than for single persons and less for persons normally earning low wages than for persons earning higher wages.

7. The concept of insurance involves the concept of a pooling of the risk or, to use another phrase, a sharing of the losses amongst the insured group. This is usually accomplished by the payment of premiums by or on behalf of the insured persons into a fund to be used to meet the indemnity payments. The successful operation of an insurance plan thus requires that the risk be predictable within some manageable range in order that the premiums may be determined at such a level as to meet the losses and thus accomplish the desired sharing. So far as unemployment insurance is concerned, it appears possible to predetermine an appropriate premium to cover losses arising from more or less normal short-term unemployment. However, losses arising by reason of general unemployment in times of economic depression cannot be predicted in

any reliable fashion or in any such fashion as would make it feasible to prescribe and collect premiums in advance designed to meet the entire wage loss, or even any reasonable proportion of it. Similar comments apply with respect to long-term unemployment arising in any individual case. Here again the circumstances leading to unemployment that lasts beyond some relatively short period are likely to represent some unusual problem, either personal or economic, of such a nature that it passes beyond the range of an insurance plan. Thus it appears that the application of insurance principles to unemployment insurance requires that the plan undertake to indemnify only in respect of reasonably short-term unemployment within some more or less predictable range.

8. The present unemployment insurance plan, although satisfactory enough in its basic structure, has by reason of amendments over the years departed unduly from insurance principles appropriate to such a plan. Undoubtedly each such amendment appeared justifiable at the time in terms of the social problem that the amendment was designed to meet, but as such amendments have accumulated, the insurance concept has been pushed more and more into the background. The existing situation is one where, in attempting to assess the validity of any proposed amendment, it is impossible to determine any consistent set of principles by which the amendment can be judged. The plan is neither a valid insurance plan in its present form nor is it a socially desirable type of income supplement, since in many cases the income supplement goes where it is not needed and fails to go where such supplement should go.

9. Under the existing plan, benefit may be paid to seasonal workers during their off season, even though they have never worked in the off season and have no expectation of doing so. This is an income supplement rather than an insurance benefit. Some claimants may receive benefits that represent amounts far in excess of any insurable interest that the claimant may have. This occurs when the qualification rules permit persons with but intermittent or inconsiderable attachment to insured employment to qualify for relatively long periods of benefit. The plan has been extended from time to time to cover degrees of unemployment that are beyond the proper scope of an insurance plan, as for example, the extension of the period for payment of Seasonal Benefit and the establishment of formulas that may lead to a benefit payment running as long as 76 weeks in individual cases. Coverage has been extended to persons who are not employees in an employer-employee relationship and there is, in such cases, no sound measure of the existence of involuntary unemployment.

10. In the light of the comprehensive program that we are recommending, we believe that the existing insurance plan should be modified to bring it back to a plan based upon insurance principles appropriate to such a scheme. The amendments that we consider necessary to accomplish this will now be discussed.

A. Coverage

11. We believe that to accomplish an appropriate sharing of the losses arising from unemployment, all those who occupy the position of employees in an employer-employee relationship should be covered by the unemployment insurance plan, insofar as coverage is practicable within the necessary administrative requirements. As compared with the existing plan, then, we believe that coverage should be extended to all of the excepted groups who are in the position of employees, subject to exclusion only on administrative grounds. The principal groups that are now excepted are: employees of municipal and federal governments designated by such governments as "permanent"; employees of provincial governments other than those groups of employees made subject to the plan at the option of the provincial government with the approval of the Unemployment Insurance Commission; employees of non-profit hospitals and charitable institutions; teachers; members of some police forces; members of the Armed Forces; employees who are working in agriculture; and domestic servants. There is one further broad excepted class not on an industry or occupation basis; namely, those persons earning more than $5,460 a year and paid on other than a daily, hourly, or piece-work basis.

12. The traditional reason for the exception of groups such as government employees, policemen and teachers has been that unemployment is essentially a feature of industry and consequently coverage should be confined to those who are engaged in industrial employment in all its many varieties. The view was that employments such as government service, teaching and police work were apart from industry and were not subject to risk of unemployment. However, activities of governments at various levels have now extended so widely as to be virtually indistinguishable in many cases from employments that fall within industry. Also, there is active movement of employees between such excepted employments and employment in industry. We believe, therefore, that the traditional reason for excepting such groups, whatever validity it may have had in the past, is not valid now.

13. In our opinion, the fact that these or any other groups carry virtually no risk of unemployment is not a valid reason for excepting

them from coverage. Already covered by the scheme are many groups of employees who have secure employment, indeed employment no less secure than that offered by the excepted classes and perhaps in some cases more secure.

14. With reference to government employees, we are informed that there is no constitutional or legislative difficulty involved in extending compulsory coverage to employees of municipal governments and employees of the federal government. However, we are informed that it is not within the competence of the federal Parliament to apply compulsory coverage to employees of provincial governments. In this connection, we recommend that coverage be extended on a compulsory basis to all levels of government employment insofar as this can be done. Where it cannot be done for constitutional reasons, as in the case of employees of provincial governments, we believe that the co-operation of each province should be sought with the objective of obtaining universal coverage. In any event, we recommend strongly that the existing practice whereby a provincial government may insure certain classes of its employees and exempt other classes, be discontinued. An option of this type will and does result in a tendency to insure only those who are subject to a high risk of unemployment and to exclude those who are in relatively permanent positions.

15. We recommend also that coverage be extended to persons, other than members of religious orders, engaged in teaching. It may be objected that the employer-employee relationship does not exist in teaching to the same extent as in other occupations. We believe that the relationship may be somewhat different but nevertheless we hold to the view that there is no valid reason for excluding those engaged in teaching from the general insurance plan. We believe that the employer-employee relationship is sufficiently close to that generally existing in industry to require coverage of this group in consistency with our philosophy of universal coverage. As noted above, the probability of unemployment is not, in our view, a valid basis for determination of coverage.

16. We recommend that the existing earnings ceiling on coverage be removed and coverage be extended to all persons who are in the position of employees in an employer-employee relationship, without regard to their income. We believe, however, that the insurance plan should extend only to a certain proportion of the income of those in the higher income brackets and consequently we contemplate a maximum limit on the contribution and the benefit.

17. The main reason advanced for the exception from coverage of those earning more than a specified annual amount has been that the unemployment insurance plan should extend essentially to those below the rank of foreman, on the grounds that persons of a higher rank may have a substantial degree of control over their own employment. This suggests that the persons concerned could adjust their employment patterns to work against the insurance fund. Also, the view has been expressed that for persons of high income the risk of unemployment is slight and the need for insurance does not exist.

18. Although the first reason may have some validity in connection with small closely-controlled firms, we do not think that the problem is of such magnitude as to justify an exception from coverage for all persons earning above a specified amount. It seems unlikely that there are more than a relatively few persons who have such a degree of control over their employment conditions that they could contrive to make themselves unemployed at their own choice and so draw benefit. Perhaps the main problem in this area relates not so much to the general class of persons earning more than a specified annual amount, but rather to officers and directors of small closely-controlled corporations. This question will be referred to later.

19. As already noted, we do not accept the criterion of probability of unemployment as a basis for inclusion in or exclusion from the scheme. We are aware of many classes of employment where persons with virtually no risk of unemployment are compulsorily covered by the scheme, whereas those in similar employment conditions and earning a little more are excepted. In our view, the philosophy of universal coverage requires coverage to be extended to all persons in an employer-employee relationship without restriction based upon the amount of earnings.

20. Concerning coverage for employees in agriculture and in domestic service, we are impressed with the administrative difficulties that such coverage would present. We cannot, therefore, recommend immediate coverage for these groups. Instead, we believe that coverage should be extended only when practicable administrative procedures have been devised. We are aware that coverage is already being extended to certain fringes of agricultural employment and we believe that this practice should continue. We recommend that the general principle be followed of extending coverage as broadly as possible so long as the necessary administrative procedures may be carried out to see to it that the rules of the plan are adhered to in a satisfactory fashion.

21. Representatives of employers in agriculture have expressed the view that coverage should be made available to employees in agriculture on a voluntary basis. We do not favour the adoption of the concept of voluntary coverage in any respect. We believe that to do so would not only create financial problems through the tendency for coverage to be elected only in respect of groups that would profit from it, but would also make it difficult and perhaps impossible to justify the philosophy of compulsory coverage in other occupations.

22. It has been brought to our attention that there is at present a special problem in connection with employment in horticulture where there are both office staff and staff employed in greenhouses and in the growing fields. It has been held that the office staff is not engaged in agriculture and so is covered, while the greenhouse staff and field workers are engaged in agriculture and so are excepted. We believe that this creates undue problems, both for the employers concerned and the Unemployment Insurance Commission. We recommend that decisions as to coverage should apply to the entire employing enterprise rather than only to certain groups of employees within it.

23. We do not recommend that coverage be extended to members of the Armed Forces and by analogy we believe that it would be appropriate to except members of the Royal Canadian Mounted Police since this force is organized on lines very similar to those applying to the Armed Forces. In each case enrollment is for a fixed period. The persons concerned are not free to come and go as they choose and the discipline and conditions of employment are quite unlike the normal employer-employee relationship existing in the other areas of the economic system.

24. We find no valid reason for the continuation of the present exception relating to the employees of hospitals and charitable institutions. We note that the extension of coverage to these groups of employees has been recommended on a number of occasions in the past by the Unemployment Insurance Advisory Committee and is sought by the union representing a substantial number of these employees. There are no administrative problems that suggest the continuation of the exception and we recommend, therefore, that coverage be compulsorily extended to the groups concerned.

25. Of other exceptions that are now in effect, some are based primarily on administrative reasons and we do not recommend any change except to the extent that future changes in employment patterns or administrative procedures make it possible to cover the persons concerned. Some exceptions may be based upon the lack of any real

employer-employee relationship. Where such a relationship is lacking, we do not believe that an insurance plan is appropriate. Other exceptions are based on the difficulty of avoiding abuse and we believe that such exceptions should continue, and should be extended as circumstances reveal any new type of abuse. Some points in this connection are mentioned below.

26. One area of existing coverage where an employer-employee relationship does not in fact exist is that relating to the coverage of self-employed fishermen. This question is discussed subsequently in this chapter; consequently it will be sufficient here to state our view that this group should not be covered by the unemployment insurance plan that we are recommending. We recognize that there are many economic and social problems in connection with fishermen and the fishing industry in general, but they are not being satisfactorily solved, in our view, by the attempt to make the existing unemployment insurance plan apply. Indeed, this attempt is leading to difficulties and distortions within the fishing industry and in the application of the plan to other groups.

27. We recommend also that persons under the age of 18 be excepted from coverage. Persons below this age are, for the most part, still at school and their entry into the labour market is likely to be on a part-time basis only, perhaps during holidays, on Saturdays or after school. They are not likely to be eligible for benefits since they would be attending school if not working. If, however, persons below age 18 are neither working nor attending school, the payment of an unemployment insurance benefit is not an appropriate solution to their unemployment problems. Such persons are at the outset of their employment career, a time when steps such as further education, vocational guidance and training, and relocation are most easily applied and are most beneficial. The administrative machinery established in connection with the unemployment insurance plan is not appropriate to deal with the problems of this age group.

28. We are informed that the Unemployment Insurance Commission finds considerable abuse of the plan in connection with family employment; that is, the employment of one member of a family by another whether paid or unpaid. We recommend that these types of employment be excepted from coverage, either by the Act or regulation, since the opportunities for abuse are too great to be adequately controlled by administrative procedures.

29. The exception relating to truck owners who are hired with their trucks to perform certain tasks should, we believe, be extended to apply in a consistent manner where the hiring arrangement covers other major equipment (for example, bulldozers and tractors) supplied by the person hired. Also, the Unemployment Insurance Commission should have the power to except such employment, even where there are separate agreements relating to the equipment and to the personal employment, to prevent fictitious arrangements being made to circumvent the exception.

30. Another exception founded on the prevalence of abuse of the true intention of the insurance plan relates to casual employment. This deserves some comment. The abuse in question arose because, under former regulations, any person could provide unemployment insurance stamps to any workman that he hired for a casual job (lasting six days or more) even though the job might have no relationship to the employer's normal business or industry. This practice gave rise to collusion between individuals to establish a fictitious relationship of employer and employee for the purpose of providing stamps to the person occupying the employee position. The occasions where one person can hire another for a few days' work now and again are innumerable and the opportunities for abuse are great indeed. We recommend very strongly that the existing rules excepting from coverage any casual employment not related to the employer's business be retained. We recognize that there may be some legitimate cases of an employer-employee relationship that are thereby placed outside the ambit of the unemployment insurance scheme but, in our view, the opportunities for abuse and misuse of the scheme that arise through the practice of providing stamps for casual employment are so great as to make it impossible to apply any administrative procedures that will assure that the provision of stamps is restricted to legitimate cases.

31. Briefs presented to us have in some cases suggested that when an employee is temporarily absent from his employment on union business he should be permitted to continue his contributions just as though he were an employee of the union. Examples have been produced to show that an employee who secures leave of absence from his employment to serve his union on a temporary basis is at a disadvantage as compared with another person doing similar duty for a union but who is employed by the union directly. We recognize the distinction between the two cases but, in our view, coverage under the unemployment insurance plan should be limited to persons occupying the employee side of an employer-employee relationship. We

do not believe that a union member serving his union on a committee or for some special project, not being an employee of the union, occupies this special position and we do not recommend that this case be made an exception from the general rule that coverage under the plan be limited to employees.

32. There is at present a general exception from coverage in respect of officers and directors of corporations. The exception extends to any person who is both an officer and a director of a corporation, other than a person who can show that he does not in fact perform the functions and duties of the position. The basis for this exception is that, were it not in effect, persons who are normally self-employed could form a corporation and have themselves hired by it as employees. They would thus establish, technically, an employer-employee relationship and so become covered under the insurance plan. Since they would own and control the corporation, they could have themselves laid off by the corporation in a slack period and so qualify for benefit. Under the existing plan, with coverage limited to those earning less than $5,460, it is not likely that many officers and directors of corporations are affected by the exception. We are, however, recommending that coverage be extended to all employees regardless of income, and the question arises whether the exception relating to officers and directors of corporations should be continued. We do not think that it would be appropriate to continue such a general exception merely to avoid a relatively small area of abuse and we recommend, therefore, that the exception be ended. However, to control the abuse we recommend that the Unemployment Insurance Commission be empowered at its own discretion to except any employment where, in its view, the employment is in its true nature substantially self-employment or family employment, whether there is a corporation involved or not.

B. Contributions and Financing

33. Under the existing plan, the premium payments provided to meet the losses are shared by the insured employees, their employers and the government. The premium or contribution payable by each insured employee is determined on the basis of his wage class, each employer contributes an amount equal to the contribution by his employees and the government contributes one-fifth of the total employer-employee contribution.

34. It is reasonable, in carrying out the principle of a sharing of loss, to expect the insured persons to make a contribution. They are the

beneficiaries under the plan and thereby secure not only indemnity for loss of wages when unemployment strikes but also the ability to tide over a period of unemployment in the sense that some income is made available and the opportunity is offered to seek employment suitable in the light of their skill and experience. They are freed from the economic pressure to seek any type of employment regardless of acquired skills and experience. Furthermore, we believe that if employees share the cost, they gain thereby an effective voice in any considerations or discussions respecting the scope of the plan and amendments to it.

35. We do not believe, however, that the insured persons should be required to carry the entire burden. If some degree of unemployment is regarded as almost unavoidable, the burden of that unemployment should not rest exclusively on the employee side of industry. We believe that the cost of a plan of unemployment insurance should be shared by employers. Such a sharing of insurance costs is consistent with the general approach to the insurance of many risks that affect employees as is illustrated by the widespread application of group insurance.

36. Having in mind the purpose that an unemployment insurance plan is to serve in the program that we have outlined, we believe that it is appropriate that the cost of benefits be shared equally by employers and employees and that there be no contribution from the general taxpayer towards the basic insurance plan. The adoption of the principle of universal coverage for all those engaged as employees in an employer-employee relationship would ensure that nearly all those who have any chance of suffering unemployment would be covered. Consequently, we think that the cost should be shared by those groups and that other members of the community representing principally the self-employed and the few remaining groups of employees that are not covered by the plan should not be asked to share in this general insurance plan. Thus we recommend that there be no contribution from the government to the insurance plan (except in its capacity as an employer), at least so far as the funds necessary to pay benefits are concerned.

37. We believe, however, that the present practice whereby the administrative costs are met from the general treasury should be continued. Adequate administration is a most essential feature in the operation of any widespread social insurance program such as unemployment insurance. We do not think that the extent and efficiency of administration should be dependent upon money in the Insurance Fund. Administrative problems and the cost of administration are likely to be at a peak when unemployment is high, a time when the Fund will be

under its greatest strain to meet benefit payments. If the Fund were required to carry administrative expenses as well as benefit costs, there might be a tendency to cut back on administrative expenses just when administrative problems should be receiving increased attention.

38. It is in the national interest that any plan for the payment of benefits on such a widespread scale as would result from unemployment insurance be administered in such a way that it is fair to all and that abuses be kept to a minimum. The responsibility for seeing to it that the established rules are adhered to is one that is linked to the responsibility for applying the compulsion that makes all employees members of the plan. In addition, it is to be noted that a substantial portion of present administrative costs stems from the operation of a national employment service and this is essentially a community responsibility. Further, the administrative machinery should be designed in such a way as to make available as much information concerning the insured population as will be useful in the carrying out of a national employment and manpower program. For all of these reasons, we recommend the continuation of the present practice whereby administrative expenses are met by the government from its general revenues rather than by the Insurance Fund.

39. To summarize, then, we recommend that the insurance plan be supported by contributions shared equally between employees and employers with no contribution from general tax revenues except the amounts required to administer the plan.

C. Contribution Methods

40. In our general consideration of the problems placed before us we have thought it appropriate to limit our study to the general principles that should be adhered to in a program of support for the unemployed. We have therefore avoided, so far as possible, entering into discussion or consideration of detailed administrative procedures. We believe that it is appropriate to leave to the administrators on the scene the decision as to the most efficient methods of carrying out the established principles. In a scheme such as unemployment insurance, however, affecting as it does such large numbers of people in such varied circumstances, some aspects of administrative procedures bear directly on the carrying out of basic principles contemplated by the plan and the avoidance of abuse. We have felt it desirable, therefore, to study and comment upon certain administrative procedures.

41. One of these administrative areas relates to the methods used to determine and collect contributions and to the use of a record of contributions to measure attachment to insured employment, to determine eligibility for benefits and to determine the rate and the duration of benefits.

42. In the application of the principle of indemnity for loss, it is necessary to arrive at a measure of the insurable interest of each claimant; i.e., at a measure of the loss he has suffered by reason of unemployment. This can be determined in an objective way only by examining the actual employment record of the individual concerned. Thus the plan must contain administrative procedures to enable such an examination to be made.

43. Under the existing plan a contribution must be made by and on behalf of each insured person for each week in which he performs any insured employment. The amount of the contribution is determined on the basis of the earnings in the week. The contribution record shows whether a contribution was made for the week, or not, and records the amount of any contribution made. It does not, however, record the number of days of work during the week.

44. The contribution record may consist of an unemployment insurance book in which the employer places a stamp of appropriate denomination for each week in which there is any insured employment, or it may consist of an unemployment insurance book in which the record of a contribution is imprinted by means of a postage meter, or again it may consist of an unemployment insurance book having attached to it a separate contribution card recording the individual weeks and the amount of contribution for each week. The rules relating to qualification for benefit and amount of benefit entitlement are then based on the weeks of contribution. It can be seen that in these circumstances a "week of contribution" may represent anywhere from one day to six (or even seven) days of work.

45. In our view, the best test of attachment to insured employment is a test based upon the extent of such employment within some prescribed period. Any such test should, we think, apply in a uniform manner to all insured persons. Tests based upon weeks of contribution where a contribution may represent anything from one day to six days of work do not adequately measure attachment to insured employment and do not operate in a fair manner as between one insured person and another. We believe that tests of attachment to insured employment should be based upon the actual days worked in that employment. If

convenient, the tests can be expressed in terms of weeks of employment but in that context a "week of employment" should mean a complete working week. Broken weeks of employment would be converted to complete weeks at the rate of five days of work equalling one week. We believe that tests designed in this way would operate in a fair and uniform manner amongst the insured persons and would also enable the tests to be designed on an objective basis having in mind the extent of attachment to insured employment that is considered to be sufficient to permit qualification for benefit.

46. In order to permit tests to be applied on this basis, it is necessary for the contribution record to show not merely the weeks in which a contribution has been made but to show also the actual number of days worked in any week that has not been a full working week for the person concerned.

47. There is another problem in connection with the determination of contributions and rates of benefit. Under the present plan, contributions are based upon actual earnings in the week and benefits are based upon the average weekly earnings over a period of 30 weeks as computed from the record of weekly contributions. A person earning $16.00 a day will contribute in the wage class "$69.00 and up" if he works five days in the week, but in the wage class "$27.00-$33.00" in a week in which he works only two days. His benefit rate would be determined not in relation to his normal earnings rate of $80.00 a week but, instead, in relation to his actual weekly average, giving the same weight to a partial week as to a full week. Thus it may be to the disadvantage of an insured person to accept work for part of a week since his benefit rate in a subsequent claim might thereby be reduced.

48. This is a real problem under the existing plan as is illustrated by the fact that subsequent to the adoption of the weekly contribution system in 1955, an amendment was made preventing the benefit rate from dropping more than one class below the rate established at the last previous claim. This has, however, gone too far and some persons are, by virtue of this provision, drawing benefit at a rate out of all proportion to their insurable interest as shown by their recent employment record.

49. We believe that the contribution system should be based upon wage classes established in terms of a weekly earnings rate for full-time employment, and the contribution for a broken week should be an appropriate proportion of the contribution for a full week in the wage class represented by the full-time weekly rate of earnings. Further, the

benefit rate should, in our view, be based upon the weekly rate of earnings for full-time employment over a recent period of the employment history. These changes would provide an indemnity more in accordance with the actual loss of wages resulting from the unemployment.

50. In the light of the above remarks, we recommend that where an insured person works for the full working week for an employer, a contribution be required for that week based upon the earnings of the week and that where an insured person works less than the full working week for an employer, a contribution be required for each day worked equal to one-fifth of the contribution that would have been required had the work extended for a full working week. We recommend also that the contribution record for each insured person show not only the amount of the contribution for each week but also, in respect of partial weeks of employment, the actual number of days worked. We recommend that the qualification tests for benefit be expressed in terms of full weeks of work, with broken weeks being converted to full weeks at the rate of five days of work equalling one week, and that the rate of benefit be based upon the average contribution per full working week over the 20 most recent full weeks (or the equivalent in broken weeks) of employment.

51. This is substantially the system in effect before the amendments of October 1955, the principal change being that a partial week of employment would require contribution at the rate of one-fifth of the full weeks' contribution for each day worked instead of one-sixth as formerly, and would carry a correspondingly higher credit towards qualification for benefit. This change is justified, we believe, because of the fact that the majority of the insured population are now working a five-day week.

52. These recommended changes in the contribution procedure would unquestionably involve some additional administrative complexity both for employers and for the administrators of the unemployment insurance plan. However, it is known that the general procedure is administratively feasible because it was in effect for some 15 years, and we think the procedure is necessary to enable the application of adequate tests of attachment to insured employment and the determination of an appropriate benefit entitlement.

53. Our view in this connection is further strengthened by the fact that many persons are now qualifying for benefit under the existing scheme with but little real attachment to insured employment. They are

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thus becoming entitled to benefits at the expense of other contributors without any adequate justification. It may well be that the persons concerned are not large in number compared with the total insured population but they involve persons on the fringe of insured employment who are able to dip in and out of such employment almost at will. By virtue of working one or two days a week they are able to qualify for substantial periods of benefit. It is true that the benefit so obtained would usually be at a low rate but in our view no benefit should be paid to persons who are not attached to insured employment in any substantial way.

54. We think that the contribution record should show the actual time worked in insured employment and that the contributions and benefits should be based on the weekly rate of earnings for full-time employment. Beyond this, we do not think that the method of collecting contributions or the method of establishing the contribution record is of basic importance so far as principles of the plan are concerned. However, these methods may be of importance as respects administrative procedures, and we shall make a brief comment concerning some suggestions that have been placed before us for consideration.

55. Some views have been expressed to us to the effect that the present stamp system should be abandoned and that, instead, a system should be adopted whereby contributions are remitted directly by employers to the Unemployment Insurance Commission. The contribution record would be obtained from the employer on request or would be handed to the employee when his employment terminates. This suggestion is usually accompanied by the further suggestion that contributions be determined on the basis of a percentage of payroll (subject, presumably, to some maximum contribution in any individual case) and that the existing system of wage classes for contribution purposes be abandoned.

56. First, in connection with the matter of direct remittance and the contribution record, we have found that under present practices a large number of employers are in fact operating on a direct remittance method. These employers are on the so-called "bulk pay" system and remit their contributions and employees' contributions directly to the Unemployment Insurance Commission. A record of the employment and contribution history of each employee is kept on a separate ledger card. This card is affixed to the employee's unemployment insurance book at termination of employment or at the time of the annual exchange of old unemployment insurance books for new. Thus the

inconvenience of purchasing and affixing adhesive stamps to a book is avoided. This method is available generally to employers who maintain reliable records and have a stable work force. For employers who have not adopted the bulk pay system, the procedure of affixing the stamp record by a postage meter is available, or the adhesive stamp system can be used.

57. We thus find that within the present administrative procedures different types of employers can be accommodated. We believe that there is a considerable advantage in an adhesive stamp for those who employ small numbers of employees and have a large turnover. We think also that there is much advantage in having the contribution and employment record in a book belonging to each employee as compared with a system that involves the accumulation of a series of termination slips handed to the employee each time his job terminates; identification is more positive, errors are less likely and the possibility of fraud is reduced.

58. As respects the use of a "percentage of payroll" basis for contributions compared with the system of earnings classes, it appears to us that the administrative advantages contemplated are much less where a contribution is required from employees than they would be if a contribution were required only from employers. Where a contribution is required from employees, it is necessary to determine the contribution in absolute amount so that an appropriate deduction can be made from the employee's pay. Also, the percentage would not apply in a uniform manner to the whole payroll if there is to be a maximum contribution. Thus the matter would not be one simply of applying a single factor to the whole payroll and remitting the amount so determined. In addition, the percentage of payroll system is not as easily adapted to producing a record of actual time worked as is a system based upon earnings classes, and we place great importance on such a record. Where a "percentage of payroll" contribution system is in use for unemployment insurance, the practice is to determine qualification for benefit on the basis of earnings during a specified period rather than on the basis of time worked. We think that qualification tests based on time worked are fairer since they do not give a special advantage to persons with high earnings as compared to persons with low earnings and they are more objective in determining attachment to insured employment.

59. We do not, therefore, recommend any change in the present contribution procedures other than those already specified. We believe, however, that the Unemployment Insurance Commission should continue its efforts to extend the bulk pay system as far as it can be

extended in an efficient and useful manner since that system seems to provide a saving in administration as compared with methods involving the affixing of stamps to a book.

D. Qualification for Benefit

60. A plan of unemployment insurance should be designed in such a way that it will constitute a protection from a hazard that threatens those who normally occupy the position of employees in an employer-employee relationship; i.e., those who would suffer by reason of unemployment. It should not be designed in such a way that qualification for benefit is so easy as to attract people into insured employment merely for that purpose. Consequently, while anyone who enters insured employment should be required to contribute under the plan from the first day of his employment, we do not think that he should be permitted to qualify for benefit on becoming unemployed until he has worked for some time in that employment. The minimum time required should be enough to establish that insured employment has an important, if not the principal place in his manner of earning a living, and enough to establish a presumption that he has not entered insured employment principally for the purpose of qualifying for benefit.

61. In addition to testing the extent of attachment to insured employment, qualification tests should also require some degree of recent attachment. Otherwise, a person might be able to qualify for benefit long after he had dropped out of the labour force. Further, the qualification tests should contain some requirement as respects requalification after an insured person has drawn a period of benefit. Once the benefit entitlement for a particular benefit period is used up, it would not be reasonable to permit the insured person to requalify unless he had a record of further employment since the benefit period was established. To do otherwise would enable a further amount of benefit to be obtained on the basis of the same employment record. This would defeat the purpose of the "benefit formula"; namely, to provide an amount of benefit that bears some relation to the insurable interest of the claimant as revealed by his previous employment record, and to limit the application of the unemployment insurance plan to relatively short periods of unemployment.

62. Under the existing plan, the test of attachment to insured employment is the requirement of a least 30 weeks of contribution in the two years preceding the claim. The requirements as to recency and requalification are found in two further tests, the first calling for at least eight weeks of contribution in the period of one year preceding the claim or

in the period elapsed since the establishment of the last preceding benefit period, whichever period is shorter, and the second calling for at least 24 weeks of contribution in the period of one year preceding the claim or in the period since the establishment of the last preceding benefit period, whichever period is longer.

63. In our opinion, these tests are unsatisfactory in two principal respects. The first is that they are based on weeks of contribution, and in this context a week of contribution may represent anything from one to six days of work. Thus it is possible for persons to qualify for benefit on the basis of an inconsiderable attachment to insured employment provided it is spread over a large enough number of weeks. The second is that the tests are unduly complex. They are hard to understand and hard to apply.

64. The existing plan has a further set of qualification tests relating to Seasonal Benefit. This benefit is available from December 1 of each year to the following May 15 and qualification requires at least 15 weeks of contribution since the March 31 preceding the claim, or requires that a period of regular benefit have terminated subsequent to the May 15 preceding the claim.

65. These tests are also unsatisfactory, in our view. A period of 15 weeks of attachment to insured employment is too short to justify the payment of an unemployment benefit under an insurance plan. We believe that it is relatively easy for persons who are normally not in insured employment, or even in the labour market, to obtain 15 weeks of contribution and so qualify for benefit. This is emphasized when it is noted that a "week of contribution" may represent as little as one day of work. Also, the 15 weeks of contribution required may, in some cases, represent the same 15 weeks that were used to establish a claim for regular benefit. Thus the requirements as to requalification set forth in the tests for regular benefit are defeated.

66. As respects the other test for Seasonal Benefit, namely, a record of termination of a regular benefit period subsequent to the preceding May 15, we believe that while qualification for a period of extended benefit may reasonably be related to a previous period of regular benefit, it is not sound to let such a long time elapse, with possibly no record of contribution or attachment to the labour force, while still preserving entitlement to Seasonal Benefit. Qualification for a period of extended benefit should be closely linked to the period of regular benefit to preserve the true character and intent of the concept of an extension.

67. We have examined the qualification tests used in a number of plans of unemployment insurance in effect in other countries. In most cases the test is based upon the employment or contribution record in the one year immediately or closely preceding the claim. The usual requirement seems to be about 25 or 26 weeks of employment in the year preceding the claim. Some plans require as little as 20 weeks but rarely less. Some plans also call for additional contributions in respect of the first claim. The problem of requalification seems to be most commonly dealt with by requiring a year to elapse after establishment of a benefit period before permitting a subsequent benefit period to be established; in effect, the required number of weeks of employment must be subsequent to the establishment of the last preceding benefit period.

68. We believe that a test requiring at least 20 full weeks of employment (or the equivalent in broken weeks) in insured employment in the one year preceding the claim provides an appropriate test of recency of attachment and, except for new entrants and persons who move into and out of insured employment frequently, is probably adequate as respects the extent of attachment. To meet the problem posed by the new entrants and those who move into and out of insured employment frequently, we think that there should be a further test of attachment calling for a minimum of 30 full weeks of employment (or the equivalent in broken weeks) in insured employment in the two years preceding the claim; this corresponds generally to the basic test of attachment that has been in the existing plan throughout its history. The 30 weeks required by this second test would not be in addition to the 20 weeks in the first test; the same weeks of employment might be used in both tests.

69. To deal with the problem of requalification, we believe that the best course is to require that in seeking a minimum of 20 weeks of employment in the one year preceding the claim, only weeks of insured employment that occurred since the beginning of the last preceding benefit period be taken into account. This appears to us as preferable to adopting the requirement of some other unemployment insurance plans whereby at least a year must elapse after the establishment of a benefit period before a subsequent period may be established. We think that it would be unduly severe to deny benefit to a claimant who has exhausted his entitlement but has enough "new" weeks of employment to meet the qualification tests.

70. We recommend, therefore, that qualification for the establishment of a benefit period be that the claimant has a record of at least 30 full weeks of employment (or the equivalent in broken weeks at the rate of five days equalling one week) in insured employment in the two years preceding the claim, of which at least 20 weeks have occurred in the one year preceding the claim and since the beginning of the last preceding benefit period, if any. The qualification requirement could be expressed equally well in terms of full weeks of contribution since a week's contribution would, under our recommendation, be evidence of a week of employment in insured employment. We recommend also that the existing rules under which the periods taken into account for qualification purposes may be extended in certain circumstances, continue to apply.

E. Duration of Benefit

71. As already noted, qualification for benefit, on becoming unemployed, should be limited to persons who can show a reasonable degree of attachment to insured employment both as to extent and recency. Once a person meets these qualification tests the next question is one of determining the duration of benefit to which he is to become entitled. In some plans of unemployment insurance in effect in other countries this problem is dealt with by using a uniform duration for all persons who qualify. In other plans the duration is related to the employment record. In our view, a plan that relates the duration of benefit to the employment record is the better approach of the two. Having in mind the wide variety of circumstances that a nation-wide insurance plan is required to cover, we believe that the formula for determining the duration of benefit should take into account the employment record and thus establish, to some extent at least, a connection between the indemnity paid on the occurrence of unemployment and the extent of the attachment of the insured person to insured employment. This has been the pattern used in Canada since the unemployment insurance plan has been in effect and we believe that it is a sound approach to the problem. It results in much greater equity between the person who has a record of solid employment and the person whose employment is only intermittent, and a better application of the principle of indemnity for loss.

72. The formula for regular benefit (as distinguished from Seasonal Benefit) in the existing plan provides one week of benefit for each two weeks of contribution. The formula in effect before the major change in 1955, although it was more complex in its terms, resulted in substantially the same relationship of benefit to contribution record. We recommend, therefore, that in a revised plan, the benefit formula provide one

week of benefit for each two full weeks of contribution (or the equivalent in broken weeks) occurring in the 52 weeks preceding the claim and since the beginning of the last preceding benefit period, if any. Since, according to the qualification tests that we recommend, a person must have a record of at least 20 weeks of contribution in this period to qualify for benefit, this formula will result in a minimum of 10 weeks of benefit. The maximum would be 26 weeks. It appears to us that this formula represents a reasonable relationship between benefit and the interest the insured person has established in insured employment.

73. Basing the formula on the employment record in a period of 52 weeks preceding the claim results in simplifying the calculation but carries with it the disadvantage that it puts additional emphasis on the recent employment record as compared with previous formulas that were based on a longer period. However, we believe that the advantage of simplifying the calculation and the record keeping outweighs the desirability of using a longer base period.

74. The maximum benefit period of 26 weeks represents a sharp reduction from the maximum of 52 weeks now available but a reduction that is, we think, wholly justifiable and indeed essential if the insurance plan is to be confined to unemployment that is insurable. We believe that an insurance plan cannot undertake to cover the risk of unemployment for a greater period without beginning to depart from insurance principles, and to assume burdens that should properly rest in other places. In our view, a continuation of unemployment benefit for a full six months to a person who has had a solid employment record for a year should provide enough time to enable the person to become re-employed if his unemployment is of the type that should be the essential concern of an insurance system. If unemployment continues beyond that period we think that generally it stems from some causes that require special treatment and should be dealt with in a manner different from that appropriate to short-term unemployment.

75. For persons with a broken employment record, we think that shorter periods are appropriate in recognition of equity between different classes of employees and recognition of the true insurable interest of the persons concerned.

76. It may be noted that 90 per cent of the claims under the existing plan would be fully met if the maximum period of benefit were 26 weeks instead of 52. Thus the reduction would not affect more than a small proportion of the claimants.

F. Rate of Benefit

77. Recognition of the concept of insurable interest requires attention not only to the duration of benefit but also to the rate of benefit. Having in mind the wide variation of income levels between different parts of Canada and between different classes of employees, we believe that it would be impossible to settle upon a single rate of benefit appropriate for all areas. Instead, we believe that the principle now in use whereby the benefit is related to the normal earnings of the insured person up to some maximum limit is the most appropriate both from the point of view of equity and from the point of view of enabling the plan to best fulfil its purpose; namely, to indemnify the insured person for loss of earnings by reason of unemployment.

78. In theory it might be argued that the rate of benefit should be equal to the rate of earnings since the full rate of earnings measures the loss that the insured person has suffered. However, for most employees the "take-home pay" is less than the gross earnings, and the take-home pay is probably better than gross earnings as a measure of the actual loss suffered. Also, in practice it must be recognized that a rate of benefit that is unduly high in relation to earnings or in relation to living costs can have the effect of greatly reducing the incentive of an unemployed person to seek work. The objective should be to achieve a rate of benefit that is sufficiently high in relation to earnings to enable a person to tide over a relatively short period of unemployment, without being so high as to constitute an inducement to any significant number of claimants to remain on benefit rather than seek employment. Also, there should be a maximum limit on the benefit, regardless of earnings, since high benefits may be much above living costs even though much less than gross earnings in the higher brackets. They may therefore tend to remove incentive to work.

79. Under the present plan the standard used is substantially that of providing a benefit equal to 50 per cent of the insured wage for claimants having a dependent, subject to a maximum benefit of $36.00 weekly. In the lower earnings classes, however, the ratio of benefit to normal wage may be higher. (See Table 19 on page 93.) This recognizes that in the lower earnings classes it is necessary to provide a benefit that bears a somewhat higher relationship to normal earnings in order to enable a person to tide over a period of unemployment.

80. It is our view that the 50 per cent standard used in the design of the existing plan is somewhat low. We have received evidence that in a

substantial number of cases, persons on unemployment insurance are required to resort to assistance schemes to obtain supplementation so that they may maintain a minimum standard of living. There are no adequate statistics to show how widespread this supplementation has become, but there is no doubt that it exists. We do not think that a somewhat higher benefit standard would result in any substantial diminution of the will to work although we recognize that some maximum limit must be in effect. It appears to us appropriate to establish a general benefit standard of 60 per cent of the insured wage for claimants with a dependent, rather than 50 per cent as at the present time, and to increase the benefit standard for claimants without a dependent in a consistent manner. This standard could be graded up as at present in the lower income classes. Such a plan would, on the basis of the present wage classes, provide a maximum benefit of about $44.00 weekly for a claimant with a dependent compared with the present maximum of $36.00, and about $33.00 weekly for a claimant without a dependent compared with the $27.00 at present.

81. In considering rates of benefit, reference has been made to a maximum benefit. Under the present plan the maximum wage class recognized by the plan is one covering persons earning $69.00 a week and more. In effect, only the first $69.00 of weekly wage is insured. The benefit available in the top wage class is $36.00 a week for persons with a dependent and $27.00 a week for persons without a dependent. The rate of $36.00 a week for a person with a dependent represents about half the normal wage for persons earning slightly more than the minimum of the wage class. For a person earning, say, $100.00 a week, however, the maximum benefit of $36.00 represents only a little more than one third of his normal earnings. It appears to us that in the light of the proportion of the insured population now in the top wage class (see Table 2 on page 52), the present benefit standards provide a benefit of considerably less than 50 per cent of normal wages for a very substantial proportion of the insured population. In these circumstances, we believe that an increase should be made in the portion of normal earnings that is insured. We recommend, therefore, that an additional wage class be established encompassing all those earning $80.00 a week and more. For this class we recommend, on the 60 per cent standard, a maximum benefit of $48.00 a week for persons with a dependent; for persons without a dependent we recommend a benefit of $36.00 a week. On this basis we believe that the benefit rate would represent a more

satisfactory relationship to normal earnings for the bulk of the insured population.

82. In view of the fact that the above recommendation would increase the number of earnings classes and so increase the administrative problems to some extent, and the fact that the two lowest classes together now contain only 1.3 per cent of the contributors and will contain even less if the classification is made on the basis of the weekly rate of earnings for full-time employment rather than on the basis of actual earnings, we recommend that the two lowest earnings classes "under $9.00" and "$9.00 and under $15.00" be combined into one class "under $15.00".

83. The suggestion has been made that instead of having only two benefit rates available in each wage class, one for claimants without a dependent and a higher rate for claimants with a dependent, the plan should provide for additional higher benefit rates related to the number of dependents. We have considered this suggestion but we recommend in favour of the continuation of the present benefit structure. The existence of a program of family allowances as part of the general social security program goes a long way to meet the social objective of benefit rates related to the number of dependents. We do not favour the use of the unemployment insurance plan to extend this program.

84. We believe that the payment of a higher rate of benefit to claimants having a dependent than to single claimants can be justified without abandoning the insurance character of the scheme. It is true that employees without dependents would pay the same contribution rate as employees with dependents, but it is also true that employees would pay only half the contributions required to support the plan. Thus the employer's contribution would pay part of the cost for both classes of employees but a somewhat larger part for employees with dependents. There is, then, no inequity between the two classes of employees so far as their contribution rates are concerned. The same circumstances exist substantially under the present plan.

85. The following table shows the wage classes and rates of benefit under the existing Act and also illustrative rates of benefit that would be in accordance with the increases we recommend. These rates should be taken as illustrative only and subject to such minor changes as may be required for convenient administration.

Table 24

PROPOSED EARNINGS CLASSES AND RATES OF BENEFIT

Earnings Class	Existing Weekly Rates of Benefit		Proposed Weekly Rates of Benefit	
	Without Dep.	With Dep.	Without Dep.	With Dep.
$	$	$	$	$
0 and under 9.00 9.00 and under 15.00	6	8	8	10
15.00 and under 21.00	9	12	10	13
21.00 and under 27.00	11	15	12	16
27.00 and under 33.00	13	18	15	20
33.00 and under 39.00	15	21	17	23
39.00 and under 45.00	17	24	19	26
45.00 and under 51.00	19	26	22	29
51.00 and under 57.00	21	28	24	33
57.00 and under 63.00	23	30	27	36
63.00 and under 69.00	25	33	30	40
69.00 and under 80.00	27	36	33	44
80.00 and over	—	—	36	48

G. Allowable Earnings

86. Under the existing plan benefit is paid on a weekly basis. Any person who has suffered unemployment during a week may, if he is otherwise qualified, claim benefit for that week. The amount of benefit payable is the maximum prescribed for the claimant's wage class less any earnings during the week in excess of a specified minimum amount. This minimum amount is referred to as the amount of "allowable earnings" for the particular wage class. Under the existing plan, the amount of allowable earnings represents approximately 50 per cent of the maximum benefit in the class.

87. In our view, the amounts of allowable earnings now permitted are excessive and would be even more excessive in the light of the increase in the maximum benefit rates contemplated by our recommendations. If the benefit rates were to aim at a standard of 60 per cent of the insured wage for claimants with a dependent and if allowable earnings were permitted to stand at 50 per cent of the maximum benefit, a claimant would still be able to draw some benefit when his earnings were as high as 89 per cent of his insured wage. By working only long enough to earn the specified amount of allowable earnings for his class he could still draw an income from insurance and earnings combined

equal to 90 per cent of his insured wage. Many persons might consider that 90 per cent of normal income for one or two days of work is preferable to 100 per cent for five or six days of work. In such circumstances there is little financial incentive to perform any work in a week once the prescribed amount of allowable earnings has been reached. In fact, some evidence was placed before us that suggests that even under present benefit standards, a combination of benefit and allowable earnings is high enough in many cases to remove the incentive to work beyond one or two days in a week unless work is available for the whole week.

88. We recommend that the allowable earnings be reduced to represent about one-quarter of the maximum benefit in each wage class rather than one-half as at present. With an increase in the general standard of benefits as contemplated by our recommendations, this would permit a claimant with a dependent who has had earnings equal to or in excess of the allowable earnings for his class to receive insurance benefit to the extent necessary to bring his income from insurance benefit and earnings combined to about 75 per cent of his normal insured earnings. In the lower earnings classes where the benefit rate would exceed 60 per cent of the normal wage, the combination of benefit and allowable earnings would represent an even higher proportion of the normal wages. While opinions may differ concerning the level of benefit that will induce a claimant to prefer idleness and insurance benefit to work and earnings, it is our view that no insurance benefit should be paid that would have the effect of bringing the combination of benefit plus allowable earnings to more than approximately 75 per cent of the normal insured earnings in the principal earnings classes. We see less objection to allowing the ratio to rise somewhat higher in the lower earnings classes because of the practical necessity of establishing a benefit rate sufficient to enable the maintenance of a minimum standard of living.

H. Seasonal Unemployment and Seasonal Benefit

89. Under the present plan a basic program of regular insurance benefits is supplemented by a program to provide what is known as Seasonal Benefit. This benefit is available during the period running from December 1 to the subsequent May 15 and is available to persons who can show some attachment to insurable employment but cannot qualify for regular benefit, and also to persons who have exhausted their regular benefit. The benefits are "seasonal" in that they are confined to a certain season of the year and no doubt they are availed of to a very considerable extent by persons who are in seasonal occupations and who

find themselves unemployed in a regular pattern during the winter months of each year. The payment of Seasonal Benefit is not, however, confined to persons who are occupied in seasonal employments in the normal sense in which that term is used. It might be more appropriate, therefore, if this program were referred to as a program of "Winter Benefit" rather than "Seasonal Benefit".

90. Under the program that we recommend, Seasonal Benefit in its present form would disappear. It would be replaced to a substantial extent by the plan of extended benefits to be described subsequently, and the existing unemployment assistance plan.

91. We may say that the existing Seasonal Benefit was the subject of more criticism in briefs that we received than perhaps any other single feature of the existing plan. It appeared to us that the criticism rested on two points. The first was that to a substantial extent the recipients of Seasonal Benefit are persons who are engaged in seasonal employment and expect to become unemployed during the winter months of each year as a regular pattern. Thus the critics complained that the benefit is not an "insurance" benefit at all but is, instead, a subsidy to persons who are engaged in insured employment for only part of the year as a regular pattern. The objection was not so much that persons who work in insured employment only part of the year receive a subsidy during the off season, but rather that the subsidy is drawn from the insurance plan and is financed by insurance contributions.

92. The other major criticism related to the qualification for Seasonal Benefit. Many critics felt that, having in mind the maximum duration of 52 weeks for regular benefit, the addition of up to 24 weeks of Seasonal Benefit resulted in an unduly long period of benefit to be financed by any insurance plan. Further, they felt that the qualifications for receipt of Seasonal Benefit Class A were too easy. These require only 15 weeks of contribution since the March 31 preceding the date of claim, and, as already noted, 15 weeks of contribution might represent as little as 15 days of work. Many persons seemed to feel that the payment of Seasonal Benefit would perhaps not be objectionable in itself if it were financed by the general taxpayer rather than by those who were contributing to an insurance plan.

93. The problem of dealing with seasonal unemployment, using this term to represent unemployment arising in a regular pattern by reason of the impact of the seasons on certain types of employment, extends beyond the question of Seasonal Benefit. This problem has received considerable attention during the history of the existing plan and the

efforts to devise and administer appropriate regulations that would avoid the payment of benefits to persons who were in the off season of their normal employment have been referred to in Chapter Two. At the present time there are no such regulations in effect and persons can draw insurance benefit without regard to the repetitive seasonal nature of their unemployment. Thus a considerable amount of regular benefit (as distinguished from Seasonal Benefit) is paid to persons who expect to become unemployed at a certain time each year as a regular pattern.

94. A plan based upon insurance principles should be required only to provide indemnity for loss. As already noted, it cannot be held that a person has lost wages during an idle period when his past work pattern shows that he had no expectation of working during that period.

95. Efforts to devise appropriate regulations to avoid the payment of benefits during the off season of seasonal occupations have in the past been based on the principle of attempting to identify certain industries as seasonal. Persons employed in seasonal occupations within these industries were required to meet certain additional conditions before they became entitled to benefit in the off season. Such regulations were beset with many difficulties. Seasonal patterns vary widely from one part of Canada to another and an industry that is seasonal in one area might be a year-round industry in another. Also, the extent of the employment fluctuation that would cause an industry to be classed as "seasonal" had to be determined in an arbitrary way. Thus it was never possible to devise any wholly satisfactory regulations that were acceptable to all concerned.

96. The fact is that unemployment insurance really applies to individuals, not to industries, and there are many types of employment in Canada that, although not seasonal in themselves, enable persons to move in and out at will. Thus an individual may, of his own volition, have a seasonal pattern in his employment although the occupation to which he is attached is not in itself seasonal. Further, many industries have a considerable seasonal fluctuation although they do not close down completely in the off season. In such circumstances some part of the work force will be continued but there will be some layoffs in a seasonal pattern. It was almost impossible to deal with the seasonal problem on an industry basis where the fluctuation was not wide enough to enable the industry to be definitely classified as a seasonal industry.

97. To solve this problem we believe that the best approach is to have regard for the individual work pattern of the insured person. If that work pattern shows a period of unemployment occurring in a certain season

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of the year and repeated in the same season for several years, the implication is that the person concerned has a seasonal pattern either by reason of his occupation or by reason of the work pattern that appeals to him. Such persons should not be entitled to insurance benefit in the off season established by their own employment record.

98. We recommend, therefore, that regulations be adopted under the insurance plan to provide that the employment record of each claimant be scanned for a two-year period preceding the date of claim. Any gap in the contribution record of five or more weeks occurring within the period from 52 weeks to 104 weeks preceding the claim, that is matched by a corresponding gap falling at the same place in the calendar in the period from zero to 52 weeks preceding the claim would establish an off season for that particular claimant and no regular benefit would be available to him in that off season with respect to the benefit year established at the date of claim.

99. A minimum period of five weeks is suggested to avoid a capricious effect that might result if a person suffered illness or had a gap in his employment record for some reason not related to seasonality. Also, such a minimum would avoid the application of the regulations in minor cases of unemployment.

100. It may be noted that a similar procedure is followed under the unemployment insurance plan in effect in Great Britain and appears to work in a satisfactory fashion.

101. Such regulations would have to make special provision for persons who have entered insured employment during the two-year period for the first time or after an absence of some time. For such cases the regulations should apply only from the appearance of the first contribution in the two-year period. Special provision would have to be made also on a transitional basis as respects persons that become insured by reason of extension of coverage. Here reliance would probably have to be placed on a personal statement of the claimant as to previous employment history; this statement would be used as a basis for applying the regulations as nearly as possible in the way that they would have applied had the coverage during the two-year period been in accordance with our recommendations.

102. We recommend that any week in which less than three days of work is recorded should be considered as representing a gap in the employment record for the application of this rule. Otherwise, it would

become too easy to avoid the rule merely be getting the odd day of work; an inducement would thereby be held out for collusion between employees and employers for this purpose.

103. Seasonal regulations of this nature would be intended to exclude from the insurance plan any unemployment that recurs in a regular manner as part of the normal work pattern of the individual. Such regulations would avoid much of the problem that has arisen with relation to seasonal employments under the present plan. However, in our discussion of the plan of extended benefits later in this chapter, we are recommending that, subject to certain conditions, benefits under that plan be available to persons who are unemployed by reason of a regular seasonal fluctuation in their employment pattern and who would therefore be unable to qualify for regular benefits because of the proposed seasonal regulations.

I. Abuses

104. The principal classes of alleged abuse that were drawn to our attention in representations made to us, apart from the question of payment of benefit to seasonal workers during their off season as just discussed, related to (a) the drawing of benefit by married women who are not in fact seeking employment; (b) the drawing of benefit by persons who have retired on pension and who are not in fact seeking employment; (c) the taking of too narrow a view by claimants and possibly by the administration as to the types of employment that constitute "suitable employment" in any individual case; (d) the failure by some claimants to disclose earnings during weeks of partial unemployment; (e) the failure by some claimants to disclose the true facts concerning their availability for employment; and (f) collusion between employers and employees in failing to give adequate information respecting the reasons for termination. We shall discuss these in turn; certain other abuses in connection with coverage have already been discussed in section A of this chapter.

(a) Married Women

105. By reason of the ability of some married women who are not the sole support of their household to work in industry or not work, as they choose, they have an unique ability to move into and out of the labour force at will. The extensive growth in the service industries in recent years with their special demand for women has made this type

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of employment pattern more readily available than it might have been under other conditions. Thus, while not suggesting that only married women abuse the plan through drawing benefit while not genuinely seeking work, it seems reasonable to conclude that some married women are in a particularly favourable position to use the insurance plan in this way.

106. A further problem arises in connection with this class of insured persons in that many women who are employed in industry withdraw from such employment on or shortly after marriage. In so withdrawing some may file claim for benefit and draw benefit as long as they are able to do so; i.e., until benefit is exhausted or until they are referred to suitable employment and are disqualified for failing to apply for or for refusing an offer of employment.

107. It has also been brought to our attention that in many cases married women whose employment has terminated by reason of pregnancy, file claims for benefit and are able to draw benefit although their availability for employment is extremely doubtful.

108. At one time regulations were in effect that required married women to meet certain additional conditions subsequent to their marriage before qualifying for benefit. When in effect, these regulations provided, generally, that where a woman voluntarily left her employment at or within two years following marriage, she would be disqualified for benefit for that period of unemployment; these regulations did not apply if she had a record of a specified minimum number of weeks of contribution subsequent to marriage.

109. In the views placed before us, there were many complaints concerning the abuse that arises in this general area and some recommendations that the married women's regulations be restored. Other submissions, while admitting some abuse, took the view that the abuse amongst married women was not greater than that amongst other classes of claimants and strongly opposed any special regulations applying only to married women.

110. We have given these questions careful consideration by reason of the prevalence of the complaints concerning them and we do not recommend the enactment of special regulations relating to married women as such. We recognize that the abuses complained of do exist but we are not satisfied that they can or should be cured by regulations setting up special conditions for one class of insured persons.

This is not to say, of course, that any such abuses should merely be tolerated without effort to control and remove them. We believe that the changes we are recommending as respects the qualifying conditions and the maximum duration of benefit, will to a considerable extent reduce the abuse arising from claims by persons who are employed in an intermittent fashion or who have in fact withdrawn from the labour market. We recommend in addition a more active program of claims supervision and more vigorous follow-up of cases where referrals to job opportunities have been made without successful placement. Moreover, steps should be taken to improve the accuracy of information given by employers as to reason for termination of employment. All of these steps would help to control abuse of the plan by claimants who are not really in the labour market, whether they be married women or any other class of claimant.

111. With respect to pregnant women, the question at issue is really one of availability for employment. At the present time pregnant women are considered unavailable for employment for a period of six weeks before and six weeks after confinement. We recommend that a women whose employment terminates by reason of pregnancy be considered as unavailable for employment until eight weeks after confinement; and that if employment terminates for any other reason, a woman who is pregnant be considered unavailable for employment for eight weeks before and eight weeks after confinement. Further, we believe that any married woman who has children below school age should be considered unavailable for employment unless she can prove to the satisfaction of the Unemployment Insurance Commission that she has made satisfactory arrangements for the care of the children should she receive an offer of employment.

112. Regulations of this type would not be intended to discriminate against pregnant women or the mothers of young children but they would be intended to preserve the insurance character of the unemployment insurance plan by preventing payment of benefit to persons who are in fact unavailable for employment. It has been pointed out in briefs submitted to us that an unemployment insurance plan should not be made to provide benefits that are properly within the sphere of some other social security plan. If it is desired as part of a general program of social security to provide maternity benefits for women who are normally engaged in industrial employment, this should be considered on its merits and should not be swept in as part of an unemployment insurance plan.

(b) Pensioners

113. The complaints relating to the abuse of the plan on the part of pensioners are largely of the same type as the complaints relating to married women as noted above. The fact is that persons who have retired on a pension are, if their pension is other than a very small one, free to accept work or not as they choose. Thus they are to some extent in the same position as married women who are not the sole support of their families, since they are substantially relieved of the economic pressure to obtain employment.

114. It appears that there are a considerable number of persons who have retired on pension and have in effect withdrawn from the labour market, but who, nevertheless, file claims for unemployment insurance and succeed in drawing benefit. No doubt the cases cover a wide range from those retired persons who have only a small pension and must find work in order to sustain themselves, through the group who have a reasonably adequate pension and would work if some job that appealed to them could be found, to the extreme of the persons who have no intention of taking a job of any type but are drawing benefit on the general philosophy that they will get all they can from the plan. It is perhaps only the latter group that should be the subject of severe criticism, but having in mind the difficulty of finding suitable employment for persons who have passed the retirement age for their regular employment, it is extremely difficult to isolate and control this area of abuse.

115. It is our view that unemployment resulting from compulsory retirement pursuant to an employer-employee pension plan is not a type of unemployment that was ever intended to be covered by an insurance plan. The termination of employment does not arise from any of the usual reasons that cause unemployment; instead it results from an established and generally socially desirable program providing that when an employee has reached a moderately advanced age he will be relieved of the compulsion to attend work daily and will receive in compensation a regular income for the rest of his life. We do not think that anyone would suggest that persons who have retired from their normal employment and have been granted a pension should be barred from participation in the labour market. A real question does arise, however, concerning the extent to which an insurance plan should assume the obligation of paying compensation to such persons if they are unable to obtain employment.

116. There appears to be no difficulty at reaching a decision with respect to persons who are in receipt of a pension that is reasonably adequate in comparison with their normal earnings. The case of those who have retired with very small pensions is, however, more difficult. They have not in fact been relieved from the economic necessity of earning a living and to this extent the basic social purpose on which employer-employee pension plans are based is not achieved. It is difficult to hold to the view in such cases that such persons should be barred from participation in the unemployment insurance plan.

117. This problem has received extensive attention from the Unemployment Insurance Commission and from the Unemployment Insurance Advisory Committee almost from the time that the existing plan came into effect, without an effective solution. In the early years of the plan the problem was not of any consequence because of the high level of employment and because of the fact that it took some time before benefit rights were built up to a maximum. When the problem became more pressing in subsequent years it became correspondingly more difficult to deal with. In our view, the matter should not be allowed to continue in its present state.

118. We are convinced that there is some degree of abuse of the basic intention of the unemployment insurance plan on the part of persons who have retired from their normal employment and are in receipt of adequate pensions. We believe also that if coverage is extended to all employees regardless of earnings there will be a substantial increase in the number of retired persons covered by the plan who have reasonably adequate retirement pensions; thus the extent of this type of abuse would increase with this broadening of coverage.

119. We recommend, therefore, that the pension received on retirement under an employer-employee pension plan be treated as earnings for purposes of determining benefits under the unemployment insurance plan. Thus, to the extent that the pension exceeds the allowable earnings, a deduction would be made from the insurance benefit otherwise payable. Having in mind our recommendations concerning rates of benefit and allowable earnings, this would permit a pensioner having a small pension and being otherwise entitled to benefit in any of the earnings classes other than the top class, to draw some benefit, the limit being the smaller of the full benefit for his class or the amount required to bring his total income from insurance benefit, earnings and pension combined to about 75 per cent of his normal earnings (or somewhat more in the low earnings classes). For pensioners

otherwise entitled to benefit in the top earnings class, the maximum benefit available would be the smaller of the full benefit for the class or the amount required to bring his total income from insurance benefit, earnings and pension combined to $60.00 a week. These figures relate to claimants having a dependent; if there is no dependent, the limits would be somewhat less.

120. In the application of regulations of this type, care would have to be taken to see to it that employer-employee pension plans are not set up in such a way as to permit an employee to retire and have his pension deferred until he has had opportunity to exhaust the available unemployment insurance benefits. Our recommendation is that the basic idea be set out in the Act or in regulations as may be considered appropriate, and that power be retained to adopt additional regulations to correct any abuses that seem to be growing up by reason of attempts to avoid the intention of the provision.

121. We believe that these regulations should apply to all retirement pensions arising out of a contract of service and to income payments given as indemnity for a temporary period for lost wages under workmen's compensation or employer sickness or disability insurance plans. They should not apply to pensions paid under the Old Age Security Act, nor to pensions arising on occurrence of permanent injury, whether in respect of military service, under workmen's compensation legislation or under employer-employee insurance plans.

(c) Suitability of Employment

122. In some of the presentations made to us it was suggested that the rules of the Unemployment Insurance Commission relating to the types of employment that would be considered suitable for a claimant are not sufficiently flexible. These suggestions seemed to stem from the feeling that claimants are allowed to be too selective concerning the employment that they will take. It was felt that the Unemployment Insurance Commission should be more ready to require persons to seek or accept employment in occupations alternative to their principal occupation. We have given consideration to these views but we do not find that the policies hitherto prescribed by the Commission are open to valid criticism. In our view, the purpose of a plan of unemployment insurance is to permit the insured persons to tide over a period of unemployment without requiring any major upset in occupation, residence or living standards. During the time that the insurance benefit

is available we believe that it is reasonable to try first to find employment opportunities that are close to those that the claimant has been accustomed to and are suitable in the light of his experience and recent employment history. We agree that after some limited period the employment offices might well refer the claimants to alternative employments, and we believe that this practice can now be followed within the terms of the existing Act and regulations. We do not, therefore, recommend any change in the existing Act or regulations in this respect so far as the insurance plan is concerned. We do, however, have some views to express in this connection with respect to the plan of extended benefits. There we recommend a broader approach to the concept of suitable employment than we think is appropriate in an insurance plan.

(d) Failure to Disclose Earnings

123. The Act provides that the benefit otherwise payable to a claimant who has suffered unemployment in a particular week will be reduced by the amount of the claimant's earnings during the week in excess of the prescribed amount of allowable earnings. Each claimant is therefore required to disclose his earnings for each claim week and deliberate failure to do so constitutes fraud on the Fund. There is no doubt that some claimants fail to give accurate and complete information concerning earnings but it is impossible to determine the full extent of this abuse. It has been pointed out in Chapter Two that of all probably fraudulent claims, 80 per cent were due to failure to disclose earnings.

124. To the extent that the earnings arise from insured employment, they will be recorded in the claimant's insurance book and may be discovered by a post-audit procedure. We understand that the Unemployment Insurance Commission now follows a practice of carrying out post-audit procedures for a large proportion of claims and thereby brings to light many of the cases where earnings were not properly reported. We believe that this practice should continue and we recommend that efforts be made to increase these auditing procedures with the objective of checking every case. Such procedures should, eventually, eliminate fraudulent concealment of earnings in insured employment although there will inevitably be cases where failure to disclose earnings arises from ignorance or forgetfulness.

125. Post-audit procedures based on an examination of the insurance books cannot, of course, reveal earnings from own-account work or

uninsured employment. There is no one thing that can cure this abuse but much can be accomplished by continued vigilance on the part of the administrative staff and by extensive inspection of claims in the field. If claimants learn that concealment of earnings is difficult and that prosecution will follow where concealment is discovered, the extent of this abuse should fall.

(e) Availability for Employment

126. It appears that many cases occur where a claim is filed by an unemployed person who is in fact unavailable for employment. If unemployment is heavy it may be impossible to test such claimants by an offer of employment and so benefit is paid that should not be paid if the true facts were reported. We have no complete solution for this problem; no means have yet been devised to ascertain the true intentions of a claimant if he does not wish to disclose them. We believe, however, that properly designed interviews with claimants may yield the true facts in many such cases and we recommend continued efforts in this direction. The interviewing officers must however receive the full support of their superiors if this technique is to be effective and all those having responsibility in connection with the adjudication of claims must be imbued with an understanding of the true nature and intent of the plan in this regard; namely, that benefit is payable only where the claimant is truly available for and capable of employment and that justice to the main body of contributors demands that no one receive benefits unless clearly entitled to them.

(f) Information Supplied by Employers

127. Some submissions made to us have indicated concern with respect to the practices followed by some employers in reporting reasons for termination to the Unemployment Insurance Commission. It was suggested that this information is not accurate or complete in all cases. Sometimes cases of voluntary separation are reported as lay-offs, thus enabling the person concerned to go on benefit immediately as compared with suffering a disqualification for up to six weeks.

128. We believe that it is essential to the proper functioning of a scheme of unemployment insurance that all those concerned realize the principles on which the plan is based, and pay attention to these principles and the part they play in the operation of the plan. We think, therefore, that employers should be diligent to see to it that their reporting of the reason for termination of employment is accurate in all cases.

We recommend that the Unemployment Insurance Commission undertake a vigorous campaign of education aimed at demonstrating to employers the importance of accurate reporting. We recommend also that the Commission use the power now available to it to prosecute employers who can be shown to have supplied false information. There can be no justification for employers failing to co-operate in the proper administration of the plan. Not only is the basic function of the plan thereby destroyed, but those employers who do attempt to follow proper practices are placed at a disadvantage in their competition for labour.

129. In this same connection, it has been suggested that employers may at times be reluctant to give accurate and complete information to the Unemployment Insurance Commission as regards cause of separation because of fear of libel suits by aggrieved employees. We do not believe that this fear is well founded or that there is any need for statutory provisions making such information privileged communication. We are advised that the giving of information pursuant to the requirements of a statute does not expose one to an action for damage for libel or slander, even if the information given is not true but is given without malice. Accurate reporting in this connection would do much to correct abuses arising from certain groups, particularly married women.

J. Termination Pay

130. A problem somewhat related to the problem of retired persons in receipt of pensions concerns amounts received at termination of employment, although the termination may not represent retirement because of age. Examples of such payments are payments received as bonuses, gratuities or severance pay at termination of employment, and holiday pay or credits given to an employee at separation. We believe that the principle discussed earlier in connection with retirement pensions applies to these types of termination pay also and we recommend that they be considered as earnings for purposes of benefit payments under the unemployment insurance plan. Where a lump sum is received on termination, we recommend that the employee be regarded as being in receipt of earnings at his normal weekly rate for a number of weeks following termination determined by dividing the lump sum by the normal weekly rate of earnings.

131. This recommendation raises a question in connection with contributions. If a person who is in receipt of termination pay is regarded as being in receipt of earnings at his normal weekly rate for a number of weeks following termination of employment and is, as a

result, ineligible for benefit during those weeks, should they be considered as weeks of employment and so give rise to contributions and credits towards future claim entitlement? We recommend that they should not be so regarded.

132. We believe that these various types of termination pay should be taken into account as earnings for benefit purposes in recognition of the insurance character of the plan we are recommending. An employee who receives the equivalent of a number of weeks' pay on termination of employment has suffered no loss of wages by reason of that termination, and thus no insurance indemnity should be forthcoming unless and until unemployment extends beyond that number of weeks. The recognition of this principle does not, however, require the creation of a fictitious employer-employee relationship during that period with all the administrative and other difficulties that such a fiction would create.

K. Waiting Period

133. Under the present plan the waiting period consists of one week in the case of continuous unemployment and the equivalent in financial effect in the case of unemployment that is not continuous. While there have been some suggestions that this waiting period should be eliminated and others that the waiting period should be increased, it is our view that a waiting period of one week represents a reasonable rule in combination with the rule relating to allowable earnings. We believe that the retention of a waiting period is desirable since it avoids the necessity of processing a large number of small claims and it provides an inducement to employees and employers to avoid the odd day of unemployment. It does not result in a reduction in benefit to claimants who suffer long periods of unemployment and exhaust their benefit rights. We do not recommend that any change be made in this provision.

L. Merit Rating

134. A number of the presentations made to us have suggested that the experience of individual employers or sometimes of individual industries or classes of industries be taken into account and be used as a basis for fixing the rate of contribution payable by those employers, or employers in the specified industries, as the case may be, to the insurance plan. While it was not made clear, we presume that

the contribution rates required of the employees of such employers would be similarly adjusted. We are aware that procedures of this nature are followed in most of the unemployment insurance plans in effect in the United States. They are not, however, followed in the unemployment insurance plans in any other countries.

135. We have given consideration to these views but we recommend in favour of a general pooling of the risk with contribution rates that vary only by earnings class rather than in favour of a method that takes into account the unemployment experience arising from individual employers or industries.

136. We believe that the changes we are recommending in the insurance plan will substantially remove the factors that lead to the suggestion of merit rating. These changes would remove the more glaring inequities in the present plan.

137. We do not propose to discuss in extensive detail the pros and cons of merit rating. Much has been written on this subject and a detailed discussion would indeed be a lengthy exercise. It will, we think, suffice for present purposes to indicate, as follows, the main reasons why we do not recommend the adoption of a system of merit rating.

(1) We favour a system of broad pooling of risk and this is the foundation of our recommendation for universal coverage. We believe that the frictional unemployment that can properly be taken care of by a plan of unemployment insurance is a more or less normal phenomenon of a free economic system, but it emerges strongly in certain industries and occupations in the system and scarcely at all in others. This variation is not, however, the result of particular management decisions. It is, instead, a function of the basic nature of the industry or enterprise and is largely beyond the control of the employers concerned.

(2) A plan of merit rating would have the result of raising the contribution rates for some of the basic industries that play an important part in Canadian export trade; this would put them at a competitive disadvantage in the international markets.

(3) We have not observed any decisive evidence to substantiate the claim that the operation of a merit rating system would have any significant effect in reducing unemployment.

(4) The adoption of any such system would create serious administrative problems, particularly in the Canadian scheme involving as it does the contributions from employees as well as from employers. So far as employees are concerned, the risk of unemployment may in some cases vary on the basis of seniority or occupation within an industry just as much as it does from one industry to another.

(5) The argument is sometimes advanced that if unemployment insurance contributions are adjusted to take into account the actual unemployment experience in a given industry, the consumers of the product concerned bear an appropriate charge for the unemployment related to that particular industry. An industry that has high unemployment would have to pay high contributions and these in turn would be reflected in the price of its product. The argument is that this results in a proper economic distribution of the cost of unemployment.

We find that this argument is not consistent with the view often expressed that merit rating has its principal justification in the incentive it creates to reduce unemployment and thus reduce the contribution rate. If the additional charge resulting from higher contribution rates is passed on to the consumer, then it cannot represent any incentive to the employer. If it is not passed on to the consumer, then it does not have any effect in spreading the economic cost of unemployment. The fact is that it is extremely difficult, if not impossible, to judge where the effect of an increase in contribution rates for a particular industry will eventually come to rest in the economy. Frequently, perhaps usually, this depends upon the nature of the product and the nature of the competitive market in which the product is sold. Industries servicing the export market would be at a particular disadvantage in this respect since they are perhaps least able to pass on higher costs to their consumers because of international competition. In such cases, the result of merit rating would be an increase in the cost for export industries by reason of unemployment that is not within their control.

(6) There is some evidence to suggest that the existence of merit rating encourages undesirable practices on the part of some employers. They may tend to oppose claims merely for the sake of improving their position with respect to merit rating.

They may oppose socially desirable extensions of the unemployment insurance scheme for the same reasons, and they may indulge in practices relating to hiring and firing of employees designed to minimize the effect on the unemployment insurance plan.

138. In summary, our considerations of the problem has led us to recommend that the practice be continued in Canada of a general pooling of the risk and the use of rates of contribution that vary only by wage classes.

M. Disqualifications

139. Under existing practice, if an employee voluntarily leaves his employment without just cause, he will be disqualified for benefit for from one to six weeks even though his contribution record meets the qualification tests. After the expiration of the disqualification period, however, he can commence to draw benefit if suitable employment is not available, and may then draw his full entitlement if this is less than the remainder of his benefit year. Thus the disqualification in such cases results in a postponement of benefit but not in a decrease of benefit. A postponement of benefit does not, in our view, constitute any real penalty with respect to those members of the labour force who can and do move into and out of the labour force at will.

140. We do not recommend a permanent disqualification from benefit for persons who leave their employment voluntarily, although the view may reasonably be taken that in an insurance plan no indemnity should be paid to a person who voluntarily brings about the event that he is insured against. We feel that it is important to maintain as much freedom as possible for an individual to choose or to change his employment when he wishes. It is essential, therefore, to recognize a claim for benefit when an employee leaves his employment voluntarily if he can show that he had just cause for leaving. However, it is not always easy to judge when the reason for leaving constitutes a "just cause". We believe that to adopt a rule involving permanent disqualification in the event of voluntary termination of employment would be too severe a restriction on the freedom of movement of employees. On the other hand, we feel that the contributors to the insurance plan should not be required to bear the full cost of insurance indemnity when an insured person brings about the occurrence of the event insured against at his own volition. We recommend, therefore, that any disqualification with respect to voluntary termination of employment without just cause have

the effect not only of postponing the benefit entitlement of the person concerned but also the effect of reducing the entitlement to the extent of the disqualification.

141. We recommend also that any disqualification resulting from the refusal of a person to accept an offer of suitable employment should similarly become a penalty disqualification rather than merely a deferment of benefit.

N. Supplemental Unemployment Benefit Plans

142. In recent years a number of employers have established plans for the payment of supplemental unemployment benefit. These plans are usually the result of union negotiation and are designed in such a way that when employees of the particular employer are laid off and become entitled to unemployment insurance benefits, those benefits will be supplemented from a fund established by the employer. The payment of the supplemental benefit from the employer's fund is linked to and is dependent upon the payment of unemployment insurance benefit, except in some specially defined circumstances. The question arises whether this supplemental benefit should be considered as earnings or not. If it is considered as earnings, then the effectiveness of the supplemental unemployment benefit plans is greatly reduced since the unemployment insurance benefit would have to be reduced to the extent that the supplemental benefit exceeds allowable earnings. The argument has been advanced, and apparently accepted by the administration, that the supplemental benefit payment is not in fact earnings for the employee.

143. While bearing some superficial similarity to termination pay, supplemental unemployment benefit payments are different in several important respects. An employee is entitled to the benefits only so long as he is unemployed and (subject to minor exceptions) is drawing unemployment insurance benefit. Thus he does not have an individual personal title to the payments as he would have to termination pay, regardless of whether he obtained employment or not. It is difficult to hold to the view that the supplemental unemployment benefit payments are compensation for work performed by the individual. We are concerned, however, with the fact that the supplemental unemployment benefit, when added to the normal insurance benefit and allowable earnings, may sometimes result in an income to the claimant that is equal to or even in excess of his normal earnings. In such cases, there is little incentive for the unemployed person to seek alternative employ-

ment even on a short-term basis, and the obstacles placed in the way of the Employment Service in its effort to find work for the claimant are great indeed. The existence of such plans may thus defeat the considerations taken into account in fixing the rate of benefit in relation to normal earnings and in determining the amount of allowable earnings.

144. Whatever may be the arguments concerning whether these supplemental payments are earnings or not, we believe that if they are large they tend to threaten the proper functioning of the unemployment insurance plan. We believe also that the increases we are recommending in the benefit rates and the addition of another wage class will, to a considerable extent, remove the need for supplemental payments.

145. We recommend, therefore, that supplemental unemployment benefit payments to which any claimant is entitled, or to which he would be entitled if in receipt of unemployment insurance benefits, be treated as though they were earnings for purposes of computing the benefit payable from the unemployment insurance plan, subject, however, to a special provision applicable to claimants in the top earnings class.

146. In the top earnings class the sum of the weekly benefit rate and the amount of allowable earnings, both in accordance with our recommendations, is equal to 75 per cent of the weekly earnings at the bottom of the earnings class for claimants with a dependent and to 56¼ per cent of those earnings for claimants without a dependent. However, where the claimant is in receipt of normal weekly earnings above the minimum of the class, the ratio of the sum of benefit and allowable earnings to normal earnings would be lower. We do not think that it would interfere with the proper operation of the insurance plan if supplemental unemployment benefit payments were permitted to the extent necessary to permit the total income to reach these percentages in terms of the actual weekly earnings.

147. We recommend, therefore, that for claimants in the top earnings class the unemployment insurance benefit be the smaller of the benefit that would be paid apart from the supplemental unemployment benefit plan or the amount necessary to provide the claimant with a total income for the week from earnings, supplemental unemployment benefit and unemployment insurance benefit combined, equal to 75 per cent of his normal weekly earnings if he has a dependent and 56¼ per cent of his normal weekly earnings if he has no dependent. For this purpose, we recommend that the normal weekly earnings be taken as the average weekly rate of earnings over the period used to determine

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the rate of insurance benefit, ignoring the maximum limitation used for the insurance plan; i.e., $80.00 a week under our recommendation. The application of this rule would, of course, require the administration to obtain additional information as to the earnings of the claimants concerned, since the contribution record under the unemployment insurance plan would classify the top earnings group as merely $80.00 a week and up.

148. For a claimant in the top earnings class whose normal earnings are, say, $100.00 weekly, the maximum unemployment insurance benefit available according to our recommendations would be $48.00 a week if he had a dependent. The rule that we recommend as respects supplemental unemployment benefit payments would permit such a claimant to draw supplemental unemployment benefit payments up to $27.00 a week without reduction in the unemployment insurance benefit (assuming that there were no earnings during the week). Any higher supplemental unemployment benefit would result in a corresponding reduction of unemployment insurance benefit.

O. Continuation of Benefit when Claimant Directed to Training Course

149. We believe that it would be appropriate, where a claimant has been directed to take a course of training, to make use of the general vocational training programs that are now being developed. Such persons should, we believe, become eligible to draw training allowances while taking a training course and should not continue to receive unemployment insurance benefits. Retraining of the work force is a matter of community interest and can reasonably be expected to be carried out at the expense of the community rather than at the expense of the Unemployment Insurance Fund. In providing training facilities for an unemployed person, the community is attempting to make it possible for him to re-enter the labour force and thus become a productive member of the community. He is no longer in a state of unemployment such as is contemplated under the unemployment insurance plan.

150. It has been suggested too, that there is the possibility of emphasis being placed on finding a job for an insurance claimant as compared with referring him to a training course, even though the latter might be the best both for the claimant and the community in the long run. The former action might be taken because of a desire to reduce the claim load on the insurance plan. We believe it desirable to avoid any possible conflict of interests of this nature. We recommend, there-

fore, that where claimants are directed to training, living allowances be provided as part of the general vocational training program and unemployment insurance benefits be discontinued.

P. Labour Disputes

151. Under the existing plan insured persons who have lost their employment by reason of a labour dispute in which they have taken some part or have some interest are not eligible for benefit. The refusal to cross union picket lines is considered to be evidence of taking part in the labour dispute that has led to the establishment of those lines. We believe that this rule is sound and should apply whatever the reason given for failure to cross the picket lines. Sometimes employees fail to cross picket lines by reason of threats of force, real or alleged. If an exception is made for such cases, we believe that an inducement is created to the use or threat of force on a picket line, since non-striking employees who refuse to cross the picket line would then be eligible for insurance benefits; furthermore, we do not think that the administration can undertake to determine whether the threats were real or not. A further important consideration is that the use of force on picket lines is illegal; the remedy is a proper enforcement of the law, not an overt condoning of the illegal action by payment of benefits under another statute.

152. A further problem has arisen in connection with labour disputes; this relates to a labour dispute that affects a number of different premises. It appears that interpretations of the existing legislation require that a labour dispute that affects a number of different premises be treated as a separate dispute at each of these premises. The consequences of this interpretation have been extensive and costly both in terms of benefit paid and in administration expense.

153. The main problems have arisen in connection with the construction industry where several different unions may have master agreements with an association of contractors and where there may be many different premises within the area covered by the agreements. Where a dispute arises under one of these agreements it is, of course, a dispute involving all members of the union in the area covered by the agreement. If a work stoppage occurs at one or more premises by reason of the dispute, all members of the union concerned who lose their employment as a result of the dispute are ineligible for benefit; so far there is no special problem. The difficulty arises in connection with sympathizing workers who participate in the dispute by refusing to cross picket lines at one or more projects. We recommend that any

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such refusal by workers of a given grade or class at any project constitute participation in the labour dispute by all workers of that grade or class not only at the project where the refusal took place (which is the present rule) but also at all other projects in the area covered by the agreements that gave rise to the original dispute.

Q. Rates of Contribution

154. In earlier sections of this chapter we have discussed the method of collecting contributions with particular attention to the determination of earnings classes and the use of a contribution record as a measure of attachment to insured employment. However, no reference has been made to rates of contribution.

155. The determination of rates of contribution—i.e., the premiums for insurance coverage—must necessarily await the determination of the other features of the plan. The contribution rates must be such as to provide enough revenue to meet the benefit payments as these average out over a period of years. They must, therefore, be based not only on the terms of the plan but also on some assumptions concerning the economic climate within which the plan will likely have to operate. The economic climate involves both the level of employment and the level of unemployment; the level of employment will determine the revenue yielded by any particular set of contribution rates and the level of unemployment will determine, in general, the benefit load to be carried by the plan.

156. As respects the revenue of the plan, past experience shows that changes in employment conditions such as those occurring in recent years have had but little effect. Revenue has changed little from year to year apart from changes in contribution rates. The average number of contributions per person per year has remained practically constant even in the face of relatively wide swings in unemployment. There has been some increase in the absolute amount of revenue by reason of the normal growth in the insured population and increases in salaries and wages, but this can be ignored for present purposes since such influences would be offset by corresponding growth on the benefit side.

157. As respects the benefit load to be carried by the plan, it may be noted first that the number of unemployed persons in the labour force is not synonymous with the number of persons drawing benefit under the insurance plan. Some persons may be unemployed but unable to qualify for benefit; some may have exhausted their insurance benefits and still be without work; some may be drawing benefit though

not seeking employment and so not declaring themselves as "unemployed" in the Labour Force Surveys. However, experience shows that there is a strong correlation between the number of unemployed persons in the labour force and the number of persons on the unemployment insurance benefit rolls.

158. It is impossible to predict the levels of unemployment in future years with any degree of confidence. About all that can be done in this regard is to determine from past experience and a projection of known trends, some probable range within which future unemployment experience may lie. However, as will appear, we do not think it necessary to settle upon any precise figures as to future unemployment experience, having in mind the present condition of the Unemployment Insurance Fund, the existing contribution rates and the changes that we are recommending in the plan. For the reasons outlined below, we are led to recommend the continuation of contribution rates at approximately the existing levels (subject to the adoption of a suitable rate for the new top earnings class) until experience shows an improvement in unemployment rates as compared with the recent past, and until some reserve is accumulated in the Fund.

159. As a first move, calculations were made to determine the probable benefit load that would result if the terms of the plan were changed in accordance with our recommendations and on the basis of several different assumptions concerning future unemployment experience. Calculations were also made to determine the probable annual revenue resulting from the present level of contributions having in mind the broader coverage we are recommending and the addition of a new wage class. The calculations were based on the assumption of a contribution of $1.05 per week from each person in the new top wage class, with an equal amount from his employer. This rate was used in the calculations since it bears approximately the same relationship to the proposed benefit rate for the new class as existing contribution rates in the other classes bear to the proposed benefit rates in these classes. As a result of these calculations, it appears that the present contribution rates, with an appropriate comparable rate for the new top class of $80.00 a week and up as noted above, would support the plan that we are recommending over the next several years even if the average rate of unemployment should be as high as 6 per cent.

160. An average rate of unemployment of 6 per cent over a period of years is a very high rate indeed and it is strongly to be hoped that the actual rate of unemployment in future years will be substantially less. However, we could not ignore the fact that past experience has

shown that the actual rates of unemployment have exceeded this level and have remained high for at least a short period of years. We considered also, that in making calculations to determine the effect of the changes that we are recommending in the terms of the plan, some degree of uncertainty is inevitable. Such calculations must be based on adaptations of past experience but it can never be known in advance, with certainty, how the insured population will adapt to a revised plan. For example, the revision in the qualification rules for benefit, particularly in comparison with the present qualification rules for Seasonal Benefit, may result in a considerable change in work patterns; this would result in a benefit load different from that expected on the basis of past experience. Also, the Unemployment Insurance Fund is virtually exhausted and it is highly desirable that some reserve fund be built up as quickly as possible.

161. Having the above considerations in mind, we recommend a continuation of the contribution rates and wage classes at approximately the existing levels, subject to the changes mentioned earlier in connection with partial weeks of employment, the addition of a new class to cover those earning $80.00 a week and up (with a contribution rate related to the higher benefit), and the amalgamation of the two lower classes into one. It may be, of course, that administrative requirements will call for some minor revisions in earnings classes and contribution rates to implement our recommendations. We see no objection to such revisions so long as the general levels are maintained.

162. Should experience in the next few years prove to be favourable, opportunity will be afforded for the Fund to accumulate some necessary reserves. When the reserves have reached a reasonable level, we believe that the contribution rates should be adjusted to prevent undue growth in the size of the reserves. It would not be appropriate for us to attempt, now, to fix any particular level at which reserves are to be considered adequate; this can be judged only from time to time in the light of the then existing circumstances. However, we believe that a close watch should be kept on this aspect of the plan by those responsible for its financial management and we believe also that appropriate adjustments should be by way of adjustments to the contribution rates rather than to the benefit structure. This is not to say, of course, that changes in the benefit structure may not be considered advisable from time to time in the future. It is important, however, to emphasize that changes in the benefit structure if they are made should be based on the merits of the case and should not be made merely as a means of using up some excess moneys in the Fund.

163. It is possible that in a particular year unemployment experience might be such as to cause the benefit load to rise above the income of the year and to exhaust the Fund. To meet this eventuality, we recommend that power be provided in the legislation to permit the government to advance money to the Unemployment Insurance Fund by way of loans to tide it over such periods. The Fund would have the responsibility of repaying such loans from excess income in good years. Those responsible for the financial condition of the Fund would have to see to it that the contribution rates determined from time to time were sufficient to enable the Fund to meet its current obligations and to repay any such loans that may have been contracted. Having in mind our proposed comprehensive program for the support of the unemployed, we believe that it is extremely important to see to it that the insurance part of the program is maintained on a solvent, self-supporting basis.

R. Unemployment Insurance Fund

164. The Unemployment Insurance Act established an Unemployment Insurance Fund to which is credited all moneys received by way of contributions, and against which is charged all moneys required to pay benefits. Pursuant to the Act, any amounts standing to the credit of the Unemployment Insurance Fund may, on requisition of the Unemployment Insurance Commission, be applied to purchase obligations of, or guaranteed by the government of Canada, and any such obligations so purchased are considered to be assets of the Unemployment Insurance Fund. The investments are made by the Minister of Finance subject to the authorizations of an Investment Committee consisting of the Governor of the Bank of Canada, one member nominated by the Minister of Labour and one member nominated by the Minister of Finance.

165. By reason of the low levels of unemployment during the years of World War II and for some 10 years subsequent to the end of that war, the assets of the Unemployment Insurance Fund increased rapidly and there were large amounts invested in accordance with the provisions of the Act. In the early years, the investments were in bonds of quite short maturities, but as the Fund increased in size and when the transition from a war-time economy to a peace-time economy was made without major unemployment, the maturities were somewhat lengthened.

166. In the nine years from March 31, 1947 to March 31, 1956 there was no significant change in the average maturity of the bonds

held by the Fund; the maximum average maturity at any point during that period was slightly over nine years and the minimum about seven and one-half years. At March 31, 1956 the average maturity was about eight years. Having in mind that the Fund was then very large (it amounted to more than $800 million at March 31, 1956) and that the Fund had shown increases in every year except one since the inception of the plan, we believe that this average maturity was reasonable and provided ample protection against possible future reductions in the Fund in years of heavier unemployment. On the other hand, we feel that the most prudent course, from the point of view of the Fund itself, was not followed in the fiscal year ended March 31, 1957 when almost $70 million worth of bonds were bought having a term longer than 20 years; of this amount $50 million was invested in bonds having a maturity of 40 to 42 years.

167. The greatest alteration in the portfolio took place in the fiscal year ended March 31, 1959 during which the very large 1958 Conversion Loan took place. The Fund disposed of its entire holdings of 3% Victory Bonds maturing from 1959 to 1966, amounting to more than $402 million and purchased more than $306 million of various Conversion Loan new issues with a considerable lengthening of maturity. This transaction took place in a year when the Fund was declining rapidly under the impact of much heavier unemployment than had been experienced for many years. Indeed, about 25 per cent of the new Conversion Loan issues so acquired had to be sold before March 31, 1959 to raise funds to meet the rising benefit load. However, we believe that the course of action taken by the Investment Committee was practically inevitable when one considers the atmosphere and publicity surrounding the Conversion Loan at the time. A nation-wide effort, backed by the full weight of the federal government and supported generally from coast to coast, resulted in a very large percentage of Victory Bonds issued during World War II being exchanged for longer term, higher yielding government bonds—a desirable result for federal debt management. It seems unlikely that the Investment Committee could have done other than dispose of its 3% Victory Bonds and give strong support to the Conversion Loan operations in the summer and fall of 1958.

168. Over the entire period from the inception of the Fund to the present time, net losses of $30,517,000 were suffered by the Fund on sale of securities. Further losses of approximately $35 million would have been suffered except for the action taken in September 1961, when

all of the securities held by the Fund were exchanged for interest-bearing, non-marketable securities specially issued by the government of Canada pursuant to Order in Council, P.C. 1961-1396, for purposes of the exchange. The exchange was based on the amortized cost price of the bonds held by the Fund, the new securities having a par value equal to that amortized cost price and being redeemable at par on demand, subject to 30 days' notice. The possibility of further losses on sale has thus been avoided.

169. The losses on sale actually suffered should be considered in relation to the fact that the Fund earned over $306 million of interest from its inception to March 31, 1961. Thus the losses sustained on sale of securities were only about 10 per cent of the interest earned. If the Fund had been invested exclusively in bonds of five years or less in term over its entire history, it would have suffered practically no losses on sale but it would not have earned as much as $275 million of interest, this being approximately the amount of interest earned less the losses suffered. Accordingly, it is clear that the losses on sale of securities have had relatively little to do with the main problem that we have been asked to deal with; i.e., the fact that contributions have been far lower than benefits paid since the fiscal year ended March 31, 1957.

170. As respects the future management of the Fund, we recommend, as a permanent policy, the approach adopted pursuant to the Order in Council referred to above whereby moneys standing to the credit of the Unemployment Insurance Fund and not required to meet current benefit payments may be invested in interest-bearing, non-marketable securities of the government of Canada redeemable on demand subject to 30 days' notice at par plus accrued interest. We believe that it would be appropriate to fix the rate of interest on such securities on a basis similar to that described in the Order in Council referred to. This provides for the use of a yield approximating the yield on outstanding government bonds of three-year maturity.

171. If this plan of investment is adopted in substitution for the present provisions of the Unemployment Insurance Act in that respect, the Unemployment Insurance Fund will not again be involved in questions relating to the management of the federal debt. Also, in these circumstances, we do not think that it would be necessary to have an Investment Committee.

172. Having in mind the revised circumstances resulting from this change in investment procedure, we think it would be desirable that

there be a statutory requirement on the Unemployment Insurance Commission to prepare a financial statement showing in a full and complete manner the condition of the Fund at the end of each fiscal year and the income and expenditure occurring during the year. We think also that this statement should be certified by the Auditor General and should be placed before Parliament as soon as may conveniently be done following the date of its preparation. The revised investment procedure would, of course, remove problems relating to the valuation of assets and to this extent the problem of preparing a full statement of affairs would be less difficult than it once was. Nevertheless, we believe that it is desirable in principle that an audited statement be laid before Parliament annually. The present provision calling for a report by the Minister of Finance would then not be necessary.

173. In Appendix II, certain charts are shown illustrating the maturity dates of bonds held by the Fund from time to time.

II. A PLAN OF EXTENDED UNEMPLOYMENT BENEFITS

174. The amendments to the existing unemployment insurance plan as outlined in the foregoing section are intended to reshape the plan to enable it to carry out effectively the functions appropriate to a plan of unemployment insurance in a general program of support for the unemployed. The recommendations we are making would result in the insurance plan bearing the first impact of unemployment but the first impact only. The insurance plan would not be concerned with unemployment that has extended beyond a reasonably short period or unemployment that occurs in a repetitive seasonal pattern.

175. We recommend that a plan of extended benefits be instituted to absorb the main impact of unemployment that has extended beyond the area covered by the insurance plan, the cost to be met by the federal government from its general taxation revenues. Although we refer to this as a plan of extended benefits, we have in mind that benefits under this plan would be available in certain cases to persons who are unemployed because of a repetitive seasonal pattern in their occupation.

176. The main purpose of the plan of extended benefits would be to assume the burden of unemployment that has extended beyond the period that can properly be dealt with on an insurance basis. The operation of such a plan would be accompanied by bringing to bear the full effort of a national employment program on the problems that are causing this extended unemployment. The plan of extended benefits

would occupy a middle position between unemployment insurance and an assistance plan; it would thus relieve the public assistance plans of what would otherwise be a serious burden of additional claims.

177. We have given consideration to the possibility of a program of support for the unemployed that consists of only two parts, namely, an insurance plan and a needs-test assistance plan, but, in our view, an intermediate plan is necessary. In the absence of an intermediate plan, the inevitable results will be either pressure on the insurance plan to try to make it assume more and more of the load, or an additional burden on the assistance plan beyond the administrative capacity of existing organization and beyond the financial ability of some of the provinces and municipalities that share in the cost. We believe that the present difficulties of the unemployment insurance plan are to a considerable extent the result of efforts to stretch the plan to cover cases and provide benefit that should not have been swept within an insurance plan but were beyond the capacity of the existing assistance plans.

178. We believe that by instituting a plan of extended benefits along the lines that we will outline, the insurance plan will be enabled to maintain its validity as an insurance undertaking, the assistance plans will not be swamped with additional claims and attention can be focussed on unemployment that has reached a serious or chronic stage.

179. We think that extended benefits should be available only in cases where unemployment has become a serious problem. Thus the plan should be concerned only with persons who can show by their employment history that working as employees in an employer-employee relationship is a normal and substantially important part of their working life, and who are suffering some special unemployment problem. To accomplish this, we would limit eligibility to those who have qualified for unemployment insurance but have exhausted their insurance benefit and to some classes of those who have qualified for insurance benefit but are unable to draw benefit because of the operation of the special seasonal regulations we have described earlier.

180. In line with our philosophy of universal coverage under the insurance plan this would mean that all persons occupying the employee side of an employer-employee relationship would be possible beneficiaries under the plan once they had established some minimum period in that position. Thus persons who have occupied the position of employees for only a short time or to an inconsiderable extent, persons

who are working as employees in occupations still excluded from insurance coverage for administrative reasons, and the self-employed would be excluded from eligibility for the tax-supported extended benefits. While some may argue that there are inequities in providing tax-supported benefits for some members of the community who are unable to find suitable employment and not for others, we believe that, as a practical matter, there must be objective rules for determining eligibility for any plan of tax-supported payments. The plan of payments that we have in mind is related directly to the problem of unemployment that affects persons in an employee relationship. Consequently, we believe that the objective tests should require evidence that this relationship has existed in any individual case long enough to raise a reasonable presumption that this is his normal, or at least an important part of, his working life. It is most important, in our view, to avoid any situation where individuals could become eligible for tax-supported benefits on the basis of an inconsiderable period spent in an employee relationship.

181. It is to be noted too, that under this approach, no one would become eligible for extended benefits until after he had exhausted his unemployment insurance benefits; i.e., the provision he has made in co-operation with other employees to cover the first impact of unemployment.

182. An important aspect of eligibility relates to young persons who are just entering the labour market. If unemployment conditions are such that many of these young persons find it impossible to obtain suitable employment, the view may perhaps be taken that some benefit payments should be made to support them until employment becomes available. We believe strongly that the problem of placing young persons in the labour market is one that requires extensive study and action but we do not think that it can or should be solved on the basis of any series of regular benefit payments. Instead, we believe that this is the group where training, relocation and general guidance and direction is of most importance. Thus we recommend that persons under the age of 18 be excluded from eligibility for extended benefits; we have recommended earlier that this age group should be excepted from coverage for unemployment insurance.

183. With respect to employments that are not eligible for coverage under the insurance plan and so would not be eligible under the plan of extended benefits, the exclusion arises solely by reason of administrative problems. We believe that efforts should continue to reduce these problems and extend the coverage to the maximum extent possible.

184. The payment of benefits under the extended benefits plan would be based on the concept of presumed need by persons who have been unemployed for some time or who regularly suffer seasonal unemployment. Pensions under the Old Age Security Act are similarly based on the concept of presumed need; consequently, we do not believe that the community should undertake to make additional payments, under the extended benefits plan, to persons who are in receipt of such pensions. We contemplate also that the extended benefits plan would not provide for payment of benefits to a married woman who is not the sole support of her household. We believe that the community may reasonably undertake to assist the head of a household after he or she has been subjected to a period of unemployment beyond the duration of insurance benefits but we do not think that there is the same obligation to a married woman who is not the sole support of the household, at least without proof of need.

185. We recommend, therefore, that eligibility for extended benefits be limited to persons covered by the unemployment insurance plan exclusive of persons over the age of 70 who are in receipt of pension under the Old Age Security Act, and married women who are not the sole support of their households.

186. As noted in our reference in Chapter One to a plan of extended benefits, we do not believe that extended benefits should continue without limit. We gave careful consideration to the problem of an appropriate period and we considered both the possibility of a uniform period for all persons and a period that would be related in some broad way to the individual's own record of attachment to employment. We have concluded that in order to achieve some degree of equity amongst various classes of employees and to direct the application of the moneys expended in payment of extended benefits to the classes of employees for whom such benefits are most justifiable, the period of benefit available to any individual should be related to his own work record. We recommend that the maximum period of extended benefits available to any individual be one and one-half times the period of insurance benefit to which he was entitled in his last preceding insurance benefit period. The period of entitlement to insurance benefit would vary from a minimum of 10 weeks to a maximum of 26 weeks under the formula that we are recommending. Thus entitlement to extended benefits would vary from a minimum of 15 weeks to a maximum of 39 weeks.

187. We contemplate that eligibility for extended benefits would commence immediately upon the termination of a benefit period estab-

lished under the insurance plan. Under that plan a benefit period will terminate either at the expiration of 12 months from the establishment of the benefit period, or on exhaustion of the benefit entitlement within the benefit period, if that occurs earlier. Entitlement to extended benefits would begin immediately on the termination of the insurance benefit period and would continue for a further period equal in duration to the maximum entitlement to extended benefits in accordance with the above formula. No extended benefits would be available beyond a period measured by adding to the end of the insurance benefit period the full entitlement for extended benefits.

188. In the normal functioning of the insurance plan, a claimant who is still unemployed when he reaches the end of his benefit period is immediately tested to determine his eligibility for the establishing of a new benefit period. If he has a record of the required number of contributions, he may be able to requalify immediately. If not, he would become eligible for benefit under the plan of extended benefits and would continue under that plan until his rights to extended benefits had been exhausted or until he became employed. When the claimant becomes employed, the payment of extended benefits would end; but should he again become unemployed and be unable to establish a claim under the insurance plan, payment of extended benefits would be resumed if the period of extended benefits established at the end of the preceding insurance benefit period has not then been exhausted.

189. The rate of benefit payable under the extended benefits plan should, we think, be the same as the rate of benefit to which the claimant was entitled under the insurance plan and we believe that the terms of payment should be similar; i.e., the benefit payment in any week should represent the maximum benefit to which the claimant is entitled in accordance with the terms of the insurance plan, less any earnings during the week in excess of the allowable earnings as prescribed by the insurance plan. Some consideration was given to the possibility of providing a reduced rate of benefit during the period of extended benefits as was done under the program of Supplementary Benefit instituted in 1950. However, for both administrative and social reasons we favour the continuation of the rate of benefit established under the insurance plan.

190. We do not contemplate that a claimant would be required to serve a waiting period between the termination of his regular benefit and the commencement of extended benefits. If unemployment is continuous, we contemplate that, when regular benefits have been exhausted, the claimant would be transferred directly to extended benefits.

191. The above paragraphs outline in broad terms the nature and the operation of a plan of extended benefits to absorb the impact of the longer term unemployment. We consider, however, that the plan of extended benefits should be used also to perform another service. This relates to unemployment of a repetitive seasonal character.

192. In our comments relating to the insurance plan, we recommended that the employment record of each claimant be examined over a period of two years preceding the claim and that where this record shows a gap in the contributions for a period of five or more weeks falling in the same place in the calendar in two successive years, the period be considered as establishing an off season for the claimant concerned. He would then be disqualified for the receipt of insurance benefit during that off season. We recognize that the adoption of regulations of this nature would sharply restrict the insurance benefits for many persons who are now regularly receiving them. However, as noted previously, we believe that this type of unemployment is not appropriately included under an insurance plan. It cannot be considered as a risk, arising as it does with certainty in a repetitive fashion year after year, and the individual concerned cannot reasonably look to an insurance fund to compensate him for lack of wages during a time when, according to his own record, he would not normally have been working.

193. Although it may be suggested that persons occupied in seasonal employments receive a higher rate of remuneration in recognition of the seasonal nature of the employment, we doubt that the higher rates of remuneration are such as to take fully into account the fact that the employment continues for part of the year only. In many cases, persons who are occupied in seasonal employments are, unquestionably, in need of employment during the off season to enable them to maintain a reasonable standard of living. Furthermore, for many persons whose work record exhibits a seasonal fluctuation, the employments concerned are not in themselves directly affected by weather or other seasonal conditions, but the seasonal fluctuation is a result, transmitted through perhaps one or more intermediate industries, of effects of the season on some aspect of the industrial organization. While it may be held that the unemployment in question is not properly the subject of insurance, nevertheless it constitutes a problem that the social and economic system must deal with and solve. To some extent, then, the view can be taken that seasonal unemployment occupies a position similar to that of extended unemployment in exhibiting a social and industrial problem that should be the subject of vigorous attack using all

the tools available in a national employment program. Thus we think that unemployment established as seasonal in character and so ineligible for benefit under the insurance plan, should, in suitable circumstances, enable the person concerned to qualify for benefit under the plan of extended benefits.

194. Since the plan of extended benefits that we propose would be supported from taxation revenues and thus by the community as a whole, we believe that the benefit payment should be restricted to those who can reasonably be held to merit community support in this way. Thus with respect to claimants who are disqualified from receipt of insurance benefit by the seasonal regulations, we recommend that eligibility for extended benefits be restricted as already noted in connection with claimants who have exhausted their insurance benefits. Furthermore, persons who normally work for the major part of the year and who have an off season of relatively short duration can reasonably be expected to provide for their year-round needs from their own work and we do not believe that the community need step in to provide support.

195. We recommend, therefore, that persons who are disqualified for receipt of insurance benefit by the operation of the seasonal regulations be eligible for receipt of extended benefits during the period of disqualification if they fall within the classes of persons who would be eligible for extended benefits on exhaustion of their insurance benefit; subject however to the further condition that such persons be permitted to draw extended benefits in this way only if they have worked for less than 40 full weeks in insured employment in the 52 weeks preceding the disqualification. We believe that any person who has a seasonal pattern of 40 complete weeks of employment or more can reasonably be expected to carry through the remainder of the year on his own resources.

196. It would be inequitable, however, to pay a substantial amount of extended benefit during off-season unemployment to a person who had, say, 39 weeks of employment in the preceding 52 weeks and to pay no such benefit at all to the person who had only one additional week of employment. To meet this situation, we recommend that under the extended benefits plan, benefit during off-season unemployment be allowed for no more than the smaller of the number of weeks indicated by the formula or the difference between 40 and the number of weeks of employment in insured employment in the 52 weeks preceding the claim.

197. As mentioned earlier, the maximum duration of extended benefits would be one and one-half times the entitlement to insurance benefit in the preceding insurance benefit period. We recommend that any extended benefits paid during seasonal disqualification be deducted from the entitlement to extended benefits available at the end of that benefit period. We recommend also that all conditions applying to the payment of extended benefits following the termination of an insurance benefit period, apply equally to the payment of such benefits during a period of seasonal disqualification.

198. The above paragraphs describe a general plan of extended benefits and outline the place that it would hold in a program of benefit payments for support of the unemployed. We wish to emphasize, however, that in our view the payment of extended benefits during a period of unemployment that has lasted beyond the duration of regular insurance benefits should not be the sole action taken by the community to deal with the problem, or indeed should not be the most important action. Since the justification for these benefit payments at public expense is that the unemployment in question reflects a basic problem, either in the operation of the economy or as respects the individual concerned, we believe that the payment of benefits should be accompanied by the most active possible program designed to remove the causes of this unusual unemployment.

199. Calculations made for the Committee indicate an annual cost for the plan of extended benefits of the order of $150 million on the basis of unemployment rates comparable to those that have been experienced in the last few years. In accordance with our recommendation, this amount would be met by the government from its general taxation revenues. However, we have recommended that the present government contribution to the unemployment insurance plan be eliminated. In 1961-62 this amounted to $55 million. Therefore the net extra burden on general taxation revenues would be of the order of $95 million. This may be compared with an average reduction in the Unemployment Insurance Fund of over $160 million a year in the last five fiscal years. Now that the Fund is virtually exhausted, this means of financing the current costs of unemployment insurance is no longer available and substantial new sources of revenue would have to be found in any case. To the extent that unemployment in the future is less than recent experience, and to the extent that the effectiveness of the National Employment Service is increased under our recommendations, the cost of the extended benefits plan would be reduced.

61000-6—12

200. We believe that the National Employment Service should consider that the payment of extended benefits in any circumstances reflects problems either in the economy or as respects individuals, and the most vigorous efforts should be made to solve these problems. We believe that far greater emphasis should be placed than has yet been placed on the vigorous development of the National Employment Service; on the problem of adjustment to technological changes; on retraining programs; on problems of occupational and individual shifts; and on all other matters falling within a comprehensive national employment program. Any such program, properly constituted, would require extensive research, extensive accumulation of and dissemination of information, and the co-ordination of all existing efforts concerning the efficient utilization of manpower.

201. If the community is to support a plan of extended benefits payable to persons who are suffering unemployment beyond a minimum amount, the community also would be most unwise if it did not exercise every effort to remove the causes of the unemployment in question, and thus eliminate the need for the extended benefit payments. In essence, the community would have a choice between bearing the expense of the extended benefits or investing enough in the way of effort, initiative and enterprise to solve the problems that give rise to the need for extended benefits. For a period, both efforts may be necessary but it would be hoped that emphasis on the latter approach would gradually lead to decreases in the need for extended benefit payments with the consequential enormous advantages in the way of social and economic betterment.

202. We wish to emphasize in the strongest possible way that a plan of extended benefits supported from general tax revenues such as we have outlined can be justified only if it is accompanied by vigorous and effective action to discover and remove the causes of the unemployment in question.

203. In studying this problem, we have very much in mind that, for some proportion of the labour force, seasonal employment is not only the normal working pattern but the desired working pattern, and the persons concerned do not in fact desire full-time year-round work. We do not think it is the function of either an insurance plan or a plan of extended benefits to compensate persons who normally work in a seasonal pattern and who do not have any real desire to obtain employment during the off season.

204. We believe also that since the cost of extended benefits would

be borne by the general taxpayer, the persons receiving these benefits can reasonably be expected to exercise diligence in seeking employment and to exhibit readiness to take employment of which they are reasonably capable in the light of their ability, experience and physical condition.

205. We recommend, then, that in administering a plan of extended benefits, the concept of suitable employment be broadened beyond that appropriate to an insurance scheme. We think that any person who is in receipt of extended benefits should be expected to accept employment of which he is reasonably capable, whether it is the same as his customary employment or not. We do not, of course, recommend that a policy of this type be carried to extremes and that persons be referred to employment that is so dissimilar to their customary occupation that acquired skills would be destroyed or that their physical capabilities would be strained, but we believe that the community has the right to expect willingness, and indeed eagerness, to accept employment as an alternative to drawing support from the community. The unemployment insurance plan will provide an interim period during which the unemployed person can draw benefits while attempting to find employment in his usual occupation or something closely akin to it. After this period has been exhausted, however, and the community undertakes a further period of support, it is reasonable to expect the person concerned to broaden his outlook as to employment that he will accept.

206. Apart from the specific features described above, we contemplate that the conditions for receipt of extended benefits would be the same as for receipt of unemployment insurance benefit; namely, that the claimant be unemployed, capable of and available for work and unable to find suitable employment. Disqualification would be imposed in the event of unemployment caused by voluntary termination of employment without just cause, refusal of suitable employment and such matters.

207. In the administration of the plan, it is inevitable that disputes will arise between the administrators and the claimants, just as they arise under the existing insurance plan. Most of these disputes are likely to concern the concept of "suitable employment" and "availability for employment". We recommend that an appeal procedure be available whereby a claimant may appeal to the chairman of the local Board of Referees in event of a dispute. We do not recommend that the appeal be to the whole Board; representatives of employers and employees would not be appropriate in the case of extended benefits.

61000-6—12½

III. A PLAN OF ASSISTANCE TO THE UNEMPLOYED

208. As noted earlier, we do not believe that a plan of extended benefits should provide benefit for an unlimited period. After some limited time, we believe that persons who remain unemployed should, if they are in need, be taken care of by a plan that examines their individual need and provides for it in adequate fashion. There is at present an extensive plan of assistance payments in effect in all provinces of Canada. This plan is one in which the cost is shared by the federal government under the authority of the Unemployment Assistance Act. It appears to us that the general design of this plan is appropriate to fill the place that we contemplate should be taken by an assistance plan as part of the general program of support for the unemployed.

209. We are conscious of the fact that only in recent years has the general assistance plan been vigorously developed and until quite recently it would not have been possible to expect it to absorb any substantial proportion of the residual unemployment. Now, however, the plan is becoming better organized year by year throughout the several provinces and half the cost is being borne by the federal government. We do not believe that recommendations with respect to this plan are specifically within our terms of reference and we wish to comment only that since the program of support for the unemployed that we are recommending would require reliance on an assistance scheme to take up the residual problem, efforts should be made to continue the improvement and development of the existing assistance plans.

IV. ADMINISTRATIVE ORGANIZATION

210. In our attempts to formulate a comprehensive program of support for the unemployed, we have been very conscious of the key position played in any such program by a national employment service. As a consequence, we have studied the role played by the present National Employment Service and have considered the function of this extensive organization in relation to general government policy as respects employment and manpower policy. This has, of course, led us to consider the general problem of administrative organization as respects the distribution of duties between the Unemployment Insurance Commission and the Department of Labour.

211. We believe that the plan of extended benefits that we are recommending is so dependent upon the existence of a properly functioning employment service and of a vigorous national employment

policy that it would not succeed in the absence of a substantial improvement in the operations of the employment service and associated manpower policies. In the recommendations that follow, we wish to emphasize that our intention is not one of criticizing the present administrators; they are applying their best efforts within the existing administrative organization and in the light of the limitations that have existed as respects staff and facilities. Our remarks are intended, instead, to recommend changes in the organization that will help the administrators carry out their duties and aid in the establishment of a comprehensive and effective employment service and manpower policy.

212. Although the unemployment insurance plan has been in effect for more than 20 years, it is only during the latter part of this period that unemployment has become anything in the way of a major economic problem in Canada. The National Employment Service was constituted at the same time that the unemployment insurance plan was brought into effect. Although the principal motivation may have been that of solving unemployment problems by finding jobs for the unemployed, it was also known that it is impossible to run a satisfactory plan of unemployment insurance unless there is a national employment service to locate job opportunities and to refer claimants to suitable jobs. As matters worked out, it seems that the National Employment Service was considered as an adjunct to, and rather subordinate to, the insurance plan. This has coloured the development of the National Employment Service all through its history. Further, during the war years, the National Employment Service was used as part of the administration of the wartime manpower program. Because of the degree of control necessary in the national interest during wartime, the National Employment Service had to assume certain duties and functions that were not perhaps popular with the persons affected. Thus the reputation of the Service was not enhanced in the eyes of the public.

213. However, whatever may have been the causes, we believe that the National Employment Service was for too long considered as merely an adjunct to the insurance plan. We are aware that a start has been made towards changing the emphasis in recognition of the fact that the Employment Service should occupy a leading position in the operation and design of a national manpower policy and in the efforts to solve unemployment problems. However, we believe that this change in emphasis should be pressed with much more vigor than has heretofore been the case. The role of a national employment service in this broad sense is well set out in a Convention adopted by the Interna-

tional Labour Organisation in 1948 (reproduced in Appendix III of this Report) and this Convention was ratified by Canada in 1950. However, it appears that vigorous efforts to put the Convention into effect did not take place till some years later. Although the administrative staff of the National Employment Service did what they could to expand their operations and assume the broad role contemplated by the Convention, they were severely hampered by lack of adequate staff and facilities. This seems to have been the result of failure at some level to appreciate the importance of the true role of a national employment service and the result of the divided responsibility for manpower policy between the Department of Labour on the one hand and the Unemployment Insurance Commission through the National Employment Service on the other.

214. The problems that Canada is now facing as respects unemployment, and the problems it is likely to face in the future by reason of rapid and extensive technological change, must surely have made it clear to everyone concerned that a broad and comprehensive employment and manpower program supported by an active and vigorous national employment service is absolutely essential to the national well-being. There should, then, no longer be any limitations placed on the proper development of the National Employment Service by reason of failure to appreciate its importance or the key role it must play.

215. The problem of divided responsibility is, however, a problem that yet requires solution. We believe that the National Employment Service, having the broad objectives outlined in the International Labour Organisation Convention, cannot operate efficiently or even effectively unless there is close co-ordination between those in charge of the Service and the authorities responsible for the design and implementation of government manpower policy; namely, the Department of Labour. Efforts have been made to secure this co-ordination through a multiplicity of committees, but apparently with only limited success; the Unemployment Insurance Commission was made directly responsible to the Minister of Labour as respects the National Employment Service with the same objects in mind but again success has been limited. The existing overlapping of efforts and the failure to provide the National Employment Service with adequate skilled staff and with adequate facilities and services must result to a large extent from the confusion created by the lack of co-ordination of policies.

216. The actual experience has proved, in our opinion, that the existing administrative organization must be changed in order to achieve the degree of co-ordination necessary to permit the development

and implementation of adequate employment and manpower policies and to free the National Employment Service from existing limitations so that it may play its proper role in such policies. It is, of course, out of the question to transfer the responsibilities of the Department of Labour to the administration of the Unemployment Insurance Commission. A national employment policy is the reflection of the policy of the government of the day and this can be implemented only by a government department under the direction of the appropriate Minister. It appears, then, that in order to achieve the required degree of co-ordination and integration of policy and administration, the National Employment Service should be transferred to the Department of Labour, and we so recommend.

217. The revised organization and the expansion of the role of the National Employment Service, coupled with the importance of a co-ordinated employment policy should lead to the transfer of employment services performed by other government departments to the National Employment Service. It may well be that special problems will require special treatment within the National Employment Service but complete co-ordination of manpower policy cannot be achieved in the absence of unified control over employment services.

218. Any such change in responsibility for the administration of the National Employment Service raises immediate questions as to the administration of the unemployment insurance plan. The local offices of the Employment Service are the essential link between the unemployment insurance plan and the insured persons; we believe that this link must be retained. Our recommendation is, therefore, that the local offices of the National Employment Service continue to administer the unemployment insurance plan as they do now but operating on an agency basis for the Unemployment Insurance Commission.

219. We do not propose to make recommendations concerning detailed division of administrative duties, but the broad pattern that we have in mind would require the local employment offices to operate on an agency basis for the Unemployment Insurance Commission in the acceptance of claims, the determination of benefit rights and the payment of benefit. The entire contact of the individual insured person with the insurance plan would be through the local employment office.

220. It may be necessary in such a re-arrangement of administrative responsibilities to work out some new procedures. For example, the Unemployment Insurance Commission may, through regional offices, find it convenient and efficient to perform certain functions centrally

rather than in the local office. Matters such as this can best be judged by the administrators on the scene and could be worked out as part of the reorganization program.

221. We believe that the Unemployment Insurance Commission should continue to have responsibility for the unemployment insurance plan in the sense that it would continue to perform the adjudication functions necessary in the conduct of the plan, would be responsible for the audit of employers to see to it that they are carrying out their obligations, would be responsible for the formulating of the necessary rules and regulations to enable the insurance plan to function and would carry on all the other existing duties and responsibilities in connection with the insurance plan. The Unemployment Insurance Commission would, however, be relieved of the responsibility for the National Employment Service and the local employment offices.

222. It may be noted that an administrative organization of this type is in effect in the United Kingdom and appears to operate efficiently. Local employment offices are under the Ministry of Labour and perform certain functions on an agency basis for the Ministry of Pensions and National Insurance which is responsible for the unemployment insurance plan.

223. We recommend also that the Unemployment Insurance Commission have responsibility for the operation of the plan of extended benefits to the same extent as it has responsibility for the operation of the insurance plan. Here too, the local office of the National Employment Service would act on an agency basis in the acceptance of claims and the payment of benefits. Administrative procedures must be established to ensure that each claimant knows when he is in receipt of extended benefits as compared with insurance benefit and to ensure that persons drawing extended benefits receive the attention from the employment officers of the National Employment Service that is necessary to lead to the eventual solution of their special unemployment problems.

224. In addition to the general functions noted above that would constitute the responsibility of the Unemployment Insurance Commission under such a reorganization, we recommend that the Unemployment Insurance Commission have the responsibility of appointing the chairmen of Boards of Referees. Since the Commission contains a representative of employers and a representative of employees, we believe that it is an appropriate body to perform this task. These appointments are now made by the Governor in Council.

225. We cannot leave the discussion of the administrative organization without touching on two more important points. These relate to the staff and facilities available to the Unemployment Insurance Commission and the problems of audit of employers and claims supervision.

226. In our view, the carrying out of the duties imposed on the Unemployment Insurance Commission has been hampered and is still hampered by the lack of a staff establishment adequate in terms of both number and level of training and skill for the purpose. This failure has been in evidence both as respects the employment function and the insurance function.

227. As respects the National Employment Service, we believe that there is need of more well qualified placement officers and that existing standards of training and pay should be raised to attract them. There is also need of trained senior staff to press forward and develop the many functions that the National Employment Service should perform.

228. On the insurance side, we believe that the complexity of calculations necessary in connection with benefit payments is not adequately recognized in standards of education, training and pay prescribed in the establishment. In particular, we believe that it is unsound to depend on casual help recruited on the occasion to meet the peak claim loads in the winter months. The rates of pay authorized for such temporary staff cannot attract persons with the necessary educational background, and the training provided is inadequate. A procedure using help on a seasonal basis would be more satisfactory since there would be a good chance of getting the same people year after year; they would thus acquire experience and training.

229. The problem of auditing employers' accounts to see to it that contributions are being made as required needs constant attention. As has been pointed out in Chapter Two, over the 10-year period 1951-1961, the number of employers registered under the Act increased from 226,557 to 398,604 and yet over that same period the field audit staff increased only from 351 to 362. It is also noted that there is an increasing trend in the amount of overdue contributions. In this connection, apart from the question of an adequate audit staff, we recommend that power should be restored to the Unemployment Insurance Commission permitting the prosecution of employers for failure to make contributions as required. The substitution of a penalty provision has not proved to be effective.

230. Adequate claims supervision is largely a question of an adequate number of persons active in the field. Having in mind the large numbers of claims each year and the large proportion of claimants who claim and report only by mail, we believe that it is quite impossible to avoid improper claims in the absence of an investigation staff very much larger than now exists. Inadequate claims supervision is damaging to the reputation of the plan and is unfair to honest claimants and to contributors who are not claimants. We believe that it is most important to improve the extent of claims supervision over the present practice.

231. The office facilities provided for the Unemployment Insurance Commission are in many cases inadequate, particularly as respects the local employment offices. If the National Employment Service is to play its proper role in the national interest, steps must be taken to move the local offices out of the dirty, dingy quarters where many of them are now found to clean, well-lighted and well-located premises. The offices of the National Employment Service are to serve the public and they should be of a standard that such service can be performed in pleasant surroundings. At present, many persons cannot but be repelled by the appearance of some local offices.

232. The lack of adequate staff for development and research can probably be traced to the problem of divided jurisdiction and uncertainty as to function. In any event, the lack exists and should be remedied. With the transfer of the National Employment Service to the Department of Labour, the existing research facilities of that Department, suitably expanded if necessary, can be used to meet the needs of the Service. Special research problems arising in connection with problems of the Unemployment Insurance Commission should be dealt with by an adequate research staff attached to the Commission.

233. We recommend, therefore, a general revision in the attitude heretofore taken as respects the number and quality of the staff of the Unemployment Insurance Commission including the National Employment Service. This revision should recognize the need for more staff as respects development of the National Employment Service and as respects insurance auditing and claim supervision, should recognize the need for improving the educational and training requirements, and so, the salary levels, and should have regard for the need of skilled staff at senior levels to carry out development and research. We recommend also that effective steps be launched to improve the standards of office accommodation provided for the local offices of the National Employment Service.

V. UNEMPLOYMENT INSURANCE ADVISORY COMMITTEE

234. We believe that an Unemployment Insurance Advisory Committee should be continued and should have as its main responsibility the supervision and safeguarding of the financial structure of the plan. Calculations that have been made for us suggest that the present rate of contributions will be sufficient to support the recommended benefit structure over the next few years in the absence of a serious rise in unemployment but it is not possible to predict the benefit load with absolute certainty. Consequently, it is most important that a body be charged with the prime responsibility for safeguarding the financial soundness of the plan.

235. We are conscious of the fact that the present Advisory Committee has responsibilities of this nature. However, it appears that the legislation is not clear as respects the effect of recommendations of the Advisory Committee in connection with financial matters. We believe that this issue should be clarified. Specifically, we recommend that the legislation require that the recommendations of the Advisory Committee either be implemented by the government or formally rejected with reasons given for the rejection. We do not suggest that the recommendations of the Advisory Committee be binding upon the government because, clearly, the government must be supreme. However, we believe that the Advisory Committee should have such a stature that its recommendations must be recognized and either enacted or formally rejected for reasons given.

236. It has been suggested that the Advisory Committee would be strengthened if it contained representatives not only of employers and employees, but also representatives of the public at large. Some views have been expressed to the effect that by the addition of "public" members, possible deadlocks between the employee representatives on the one hand and the employer representatives on the other would be avoided. We believe that appointments of this nature might well be considered by the government. However, in our recommendations, the cost of the insurance plan is to be shared equally between the employees and the employers. There may, then, be less justification for the appointment of public members than would be the case where a contribution to the plan is being made from the public treasury. In this connection, however, it is to be kept in mind that our recommendations contemplate that the public treasury will bear the cost

of administering the insurance plan. Thus the general taxpayer, represented by public members, has some interest in the design and function of the plan.

237. We believe that the Advisory Committee can function successfully only if it has strong representation from the interested groups. If the representatives of employees or employers do not carry the confidence of the groups that they represent, it is not likely that the recommendations of the Advisory Committee will be acceptable to the members of the insurance plan or be acceptable to the government. Thus we believe that organizations representing employees and organizations representing employers should be consulted with respect to appointments to the Advisory Committee. We do not think, however, that the responsibility for appointing representatives should be relinquished by the government and transferred to these organizations. Instead, we recommend that organizations representing employers be invited to nominate a panel from which the government may make appointments to the Advisory Committee representing the employers. Similarly, organizations representing employees would be invited to nominate a panel from which the government could make appointments to the Advisory Committee representing employees. We believe that the Chairman of the Advisory Committee should be a public member in the sense that he represents neither employees nor employers. We believe that it would be desirable that the Chairman be in a position to devote considerable time to the work of the Advisory Committee; this would enable the work of the Committee to proceed more efficiently and more effectively by having appropriate agenda and adequate information laid before it.

VI. FISHERMEN

238. In our recommendations concerning coverage under the unemployment insurance plan, the only important group that is now covered and that, in accordance with our recommendations, would be excluded from the revised plan is the group made up of the self-employed fishermen. In view of the fact that this group has been covered by the plan for some five years and has been the recipient of substantial amounts of benefit, we believe that it is incumbent upon us to make some further remarks in this connection.

239. Our principal reasons for recommending withdrawal of coverage from self-employed fishermen are as follows:

(1) The revised unemployment insurance plan that we have in

mind would be a plan based upon the insurance concept and thus must be confined to persons who occupy the employee side of an employer-employee relationship. We believe that it is impossible to cover self-employed persons and still maintain a consistent insurance approach. Such persons have control over their own activity to such a substantial extent that one cannot determine in any satisfactory fashion when they are employed and when unemployed, at least not with the precision and objectivity necessary for the successful operation of a plan that undertakes to make monetary payments in times of unemployment.

(2) While the payment of benefits to fishermen has undoubtedly been of great assistance to them, it has not operated as a satisfactory assistance scheme since the largest benefits are paid to those who have had the best record of fish sales. Thus those who most need assistance may get the least amount. In trying to fit the unemployment insurance plan to this special group, it was impossible to determine any real record of the time spent in fishing, and as a consequence, recourse was had to a record of the weekly sales of fish by each covered person to be used as a guide to the extent of the attachment to fishing as an occupation. However, this does not work satisfactorily since the amount of fish sold is not directly related to the time spent fishing. Wide differences may occur by reason of luck, equipment, weather, etc. Thus procedures that are appropriate in applying a plan to employees are not appropriate in trying to apply it to persons who are self employed.

(3) A plan of unemployment insurance should be only an incidental part of conditions of employment. It should not loom so large as to encourage people to seek work merely for the sake of the insurance coverage nor encourage them to change their pattern of work for the purpose of drawing maximum benefit. We are convinced that the existence of the unemployment insurance plan has become so dominant a feature in the life of some fishermen that it has distorted the normal economic operation in certain areas. The choice between marketing fresh fish and marketing salt fish, the choice between selling all the catch to one buyer or spreading it amongst several buyers, and indeed even the decision of whether to fish or not, is often influenced by the advantages

or disadvantages that a particular course will give in relation to unemployment insurance benefits.

(4) The administrative problems of seeing to it that the prescribed rules are properly adhered to have proved to be extremely difficult. Many fishing areas are remote and the Unemployment Insurance Commission has not been able to supervise claims and contributions to the extent necessary to avoid abuse.

240. We recognize that there are many problems in the fishing industry. Many fishermen are suffering from chronic under-employment and are not able to maintain even an acceptable minimum standard of living without assistance. We do not feel able to recommend any general program that will solve the problems of the fishermen and the fishing industry. To do so would require a most extensive study of the whole industry and we believe that this is beyond our terms of reference. So far as our study of this problem has gone, however, we have reached some conclusions and these are here set forth by way of a supplement to our general recommendation that coverage for self-employed fishermen under the general unemployment insurance plan should be terminated.

241. It would appear from a general consideration of the problem in relation to unemployment insurance that the main need in connection with fishermen is some kind of income supplement to enable those fishermen who are chronically under-employed to maintain a satisfactory standard of living. This should probably be accompanied by relocation of fishermen away from sub-marginal fishing areas and to areas where they can be expected to fish a long enough season to improve their economic circumstances. Such relocation, even if possible, would be a very slow and painful process and undoubtedly some program of income supplements would have to be maintained for a considerable time.

242. It appears to be impracticable to rely on a needs-test assistance scheme as the basic vehicle for providing such income supplements. If reliance were to be placed on existing provincial administrative machinery for such a purpose, heavy additional burdens would have to be assumed by the provinces concerned or there would have to be a substantial revision in the sharing of assistance costs between the federal government and the provincial governments.

243. So far as we have been able to study this particular problem, we think that it would be possible to establish a separate plan for the

payment of off-season benefit to fishermen perhaps not too far removed from the way in which the existing unemployment insurance plan applies, but subject to the following major changes:

(1) The staff and facilities of the Department of Fisheries should be used to a much greater extent than at present in the administration of any such plan. That Department has fisheries officers at many points along the fishing coasts and thus has available a much more widespread organization than has the Unemployment Insurance Commission in the fishing areas. Further, the fisheries officers are familiar with local fishing conditions and with local fishermen and marketing methods. They are in a better position to see to it that the prescribed rules are adhered to.

(2) A uniform benefit rate should be provided for all fishermen in an area rather than a benefit rate related to the average weekly sales of fish. Perhaps one rate of benefit could be used for all the East Coast and another rate for the West Coast. The benefit rates could be determined in the light of the average rates paid in recent years under the existing unemployment insurance plan. The existence of a uniform rate would avoid some existing abuse since there would then be no incentive to obtain several stamps for a particular week by means of splitting a week's catch amongst several buyers.

(3) The duration of benefit should be uniform for all fishermen who qualify for benefit in a particular area. The qualification tests should require evidence that the person concerned has worked as a fisherman for some minimum period of time in the preceding season. As a practical matter, it may be necessary to continue to rely on a record of fish sales for this purpose. However, if the assistance of fisheries officers were to be retained in verifying these records, we believe that a more accurate picture would be obtained as respects attachment to the fishing industry.

(4) If a fisherman meets the necessary qualifications of attachment to the fishing industry he would then rank for benefit at the prescribed rate for the area and for the prescribed off season. This would be determined on the basis of conditions applicable to the area, taking into account normal fishing patterns and established legal seasons for various types of fish. Here again the assistance of fisheries officers and the technical advice of the Department of Fisheries would be essential.

(5) Contributions from those covered should be required but the excess of benefit costs over contributions should be a charge on the general treasury rather than on the Unemployment Insurance Fund.

(6) There should be no interchange of contribution credits between the fishing plan and the unemployment insurance plan. The fishing plan would be designed as an off-season supplement and would not have any of the elements of an insurance plan. It would be more closely comparable perhaps with the application of the extended benefits plan to off-season unemployment, as discussed earlier in this chapter.

(7) As in the case of the extended benefits plan, there would be no justification for the payment of an income supplement during the off season where the record showed employment for more than a specified minimum number of weeks in the 52 weeks preceding the claim. However, to avoid problems in connection with weeks of employment where the catch was inconsiderable or with short seasons having very heavy and valuable catches, a rule could be adopted limiting the payment of the income supplement to those having fish sales below, in value, a prescribed multiple of the weekly benefit amount for the area.

244. The above recommendations are in broad outline only but represent the pattern that should be followed if a type of income supplement is to be provided to fishermen without application of a needs test on an individual or even on an area basis. Many refinements would be necessary but these can only be settled upon by persons thoroughly familiar with the industry. It is apparent, however, that a plan containing such features cannot be successfully operated as part of the general unemployment insurance plan. A separate plan for fishermen would be required and we think that the main responsibility for carrying it out should rest upon the Department of Fisheries rather than on the Unemployment Insurance Commission. The Department of Fisheries would have available to it, of course, all the facilities of the National Employment Service insofar as those facilities might be of assistance in finding work for fishermen in the off season or solving the problem of under-employment.

CHAPTER FIVE

CONCLUSION

1. The foregoing chapters of this Report have been principally concerned with the difficulties, problems, inadequacies and abuses that have beset the unemployment insurance plan. This is inevitable because, were it not for the importance that these matters have assumed, this inquiry would never have been instituted. In concentrating attention on the difficulties and problems however it should not be forgotten that the existence of an organized plan for support of the unemployed has been of enormous value to Canadians and the Canadian economy. The fact is that, over the years, the plan of unemployment insurance has contributed immeasurably to the welfare and moral support as well as the financial support of persons who suffer unemployment and who are genuinely seeking work. Such persons constitute, at all times, the great majority of the claimants.

2. The existing plan has been in effect for more than 21 years. Considering the extent and rapidity of changes within the economic and social system in the years during and since World War II, the fact that the plan has survived that long without major reconstruction may perhaps be taken as a matter for satisfaction, even though a crisis has now been reached.

3. We are aware that some of our recommendations may be unpopular in some quarters. Some persons who now consider themselves immune from unemployment would be called on to contribute to the plan and thus help directly to bear a share of the cost of unemployment; some persons who now qualify for benefit very easily would find that qualification is more carefully tested; persons who are now able to draw

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benefit for long periods would find the maximum entitlement reduced in certain circumstances; some employers who have been accustomed to deal casually with requests for information by the Unemployment Insurance Commission would find themselves obliged to comply with the requirements.

4. On the other hand, we believe that the increase in benefit rates we are recommending would be of major advantage to persons who suffer involuntary unemployment, the extensions of coverage would be of considerable benefit to many employees not now protected, and the restoration of sound guiding principles in the whole program of support for the unemployed would be welcomed by all who are concerned with the welfare of the community as a whole.

5. Throughout our inquiry we have had constantly in mind the great value that the existing plan has been over its history and the unquestionable necessity of an organized program of support for the unemployed. These considerations, taken in conjunction with the widespread public criticism that has arisen and the fact that the Fund is now on the brink of exhaustion, indicate clearly that corrective measures and basic changes cannot be avoided. The recommendations we have made are, in our view, the measures that are necessary to re-establish a program of support for the unemployed on a basis that will enable it to operate successfully in the current economic environment and the environment that is likely to be facing Canada for some years in the future.

ALL OF WHICH IS RESPECTFULLY SUBMITTED
FOR YOUR EXCELLENCY'S CONSIDERATION.

E. C. Gill

Chairman.

Commissioner.

John J. Deutsch

Commissioner.

J. R. Petrie

Commissioner.

November, 1962.

Roland Humphreys

Secretary

61000-6—13½

APPENDIX I

ORDER IN COUNCIL

P.C. 1961-1040

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Administrator on the 17th July, 1961

The Committee of the Privy Council have had before them a report from the Right Honourable John G. Diefenbaker, the Prime Minister, submitting that it is expedient to undertake a thorough review and analysis of the provisions of the Unemployment Insurance Act and its relation to other social security programmes, both public and private, in the light of developments which have occurred since the Act was passed in 1940.

The Committee, therefore, on the recommendation of the Prime Minister, advise that:

Mr. Ernest C. Gill, President,
The Canada Life Assurance Company,
Toronto, Ontario,

M. Etienne Crevier, President,
La Prévoyance Compagnie d'Assurances,
Montreal, Quebec,

Dr. John James Deutsch, Vice-Principal,
Queen's University,
Kingston, Ontario, and

Dr. Joseph Richards Petrie,
Consulting Economist,
Montreal, Quebec,

be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the suitability of the scope, basic principles and provisions of the Unemployment Insurance Act and the regulations thereunder and the manner of operating thereunder and, in particular, without restricting the generality of the foregoing, the said Commissioners shall inquire into and report upon:

(a) The provisions deemed necessary to deal with seasonal unemployment;

(b) The means of correcting any abuses or deficiencies that may be found to exist; and

(c) The relationship between programmes of support for the unemployed and other social security measures.

The Committee further advise:

1. That the Commissioners be authorized to exercise all the powers conferred upon them by section 11 of the Inquiries Act and be assisted to the fullest extent by government departments and agencies;

2. That the Commissioners adopt such procedures and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time;

3. That the Commissioners be authorized to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement to be approved by the Treasury Board;

4. That the Commissioners report to the Governor in Council with all reasonable despatch, and file with the Dominion Archivist the papers and records of the Commission as soon as reasonably may be after the conclusion of the inquiry; and

5. That Mr. Ernest C. Gill be Chairman of the Commission.

R. B. BRYCE,
Clerk of the Privy Council.

APPENDIX II

CHARTS SHOWING TERM TO MATURITY OF INVESTMENTS IN UNEMPLOYMENT INSURANCE FUND

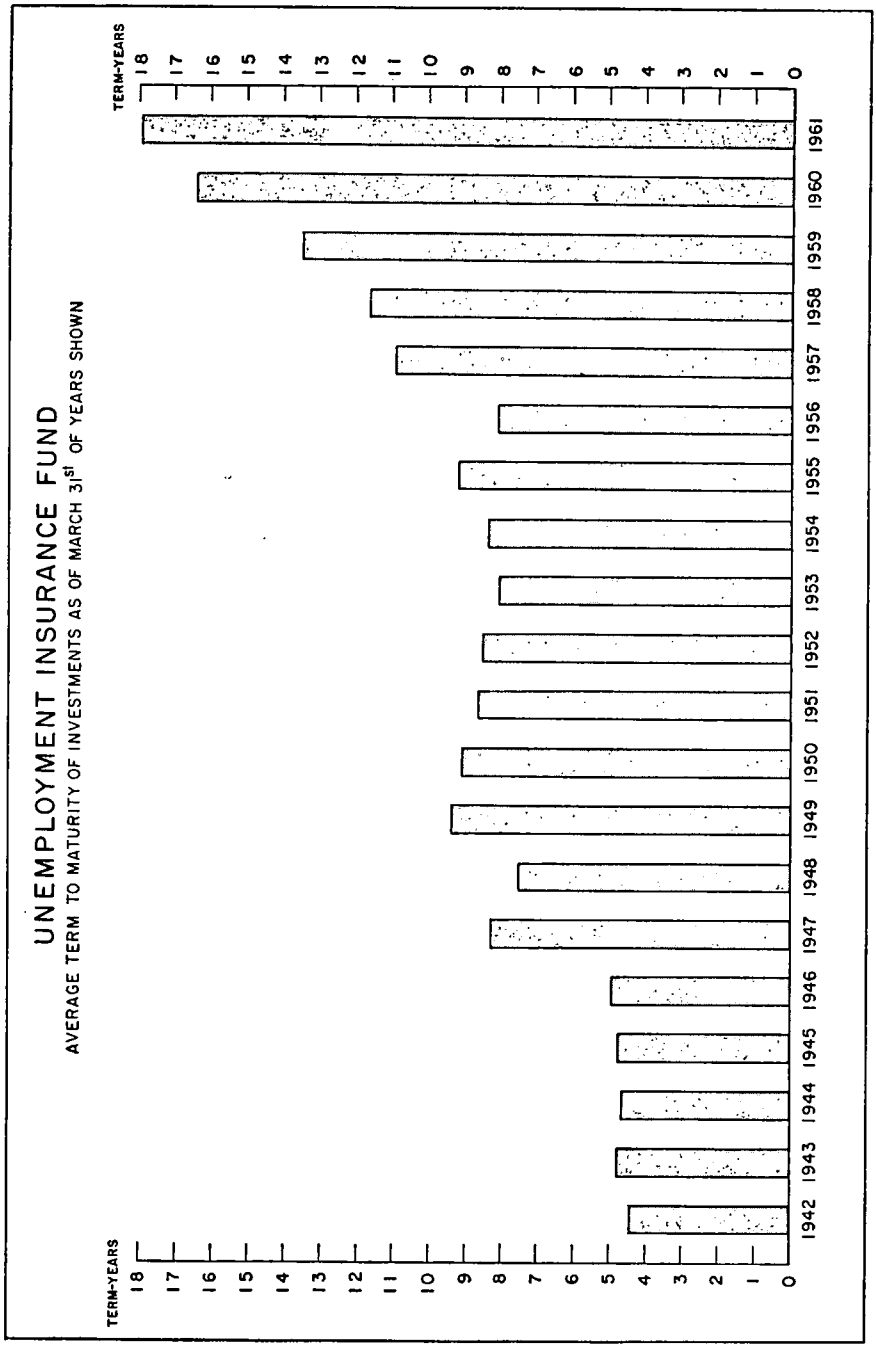
UNEMPLOYMENT INSURANCE FUND
AVERAGE TERM TO MATURITY OF INVESTMENTS AS OF MARCH 31st OF YEARS SHOWN
TERM-YEARS
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18
1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961

CHART - I

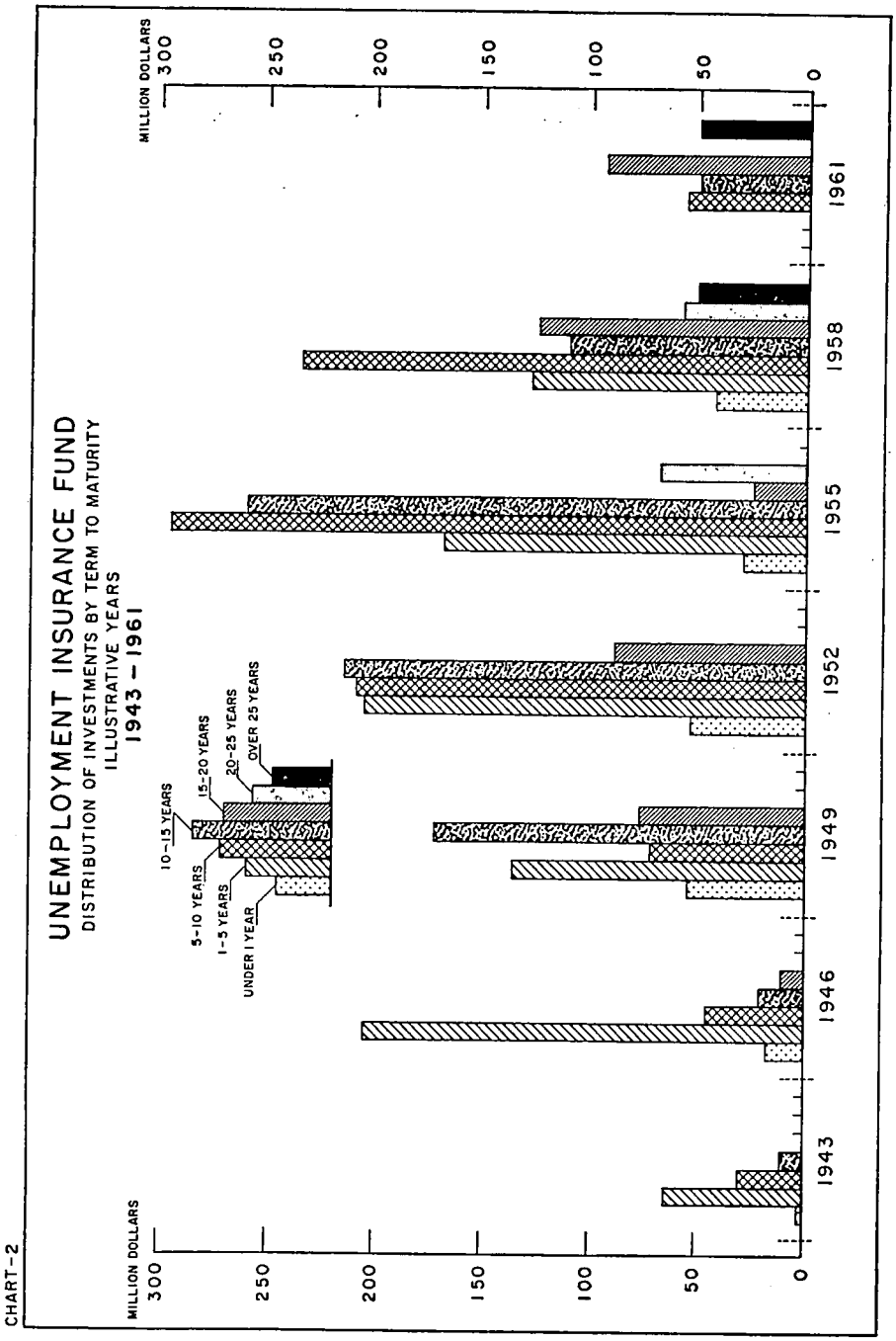
CHART-2
UNEMPLOYMENT INSURANCE FUND
DISTRIBUTION OF INVESTMENTS BY TERM TO MATURITY
ILLUSTRATIVE YEARS
1943 - 1961
MILLION DOLLARS
300
250
200
150
100
50
0
10-15 YEARS
15-20 YEARS
20-25 YEARS
OVER 25 YEARS
5-10 YEARS
1-5 YEARS
UNDER 1 YEAR
1943
1946
1949
1952
1955
1958
1961

APPENDIX III

INTERNATIONAL LABOUR ORGANISATION

CONVENTION (No. 88) CONCERNING THE ORGANISATION OF THE EMPLOYMENT SERVICE

The General Conference of the International Labour Organisation,

Having been convened at San Francisco by the Governing Body of the International Labour Office, and having met in its Thirty-first Session on 17 June 1948, and

Having decided upon the adoption of certain proposals concerning the organisation of the employment service, which is included in the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of an international Convention,

adopts this ninth day of July of the year one thousand nine hundred and forty-eight the following Convention, which may be cited as the Employment Service Convention, 1948:

Article 1

1. Each Member of the International Labour Organisation for which this Convention is in force shall maintain or ensure the maintenance of a free public employment service.

2. The essential duty of the employment service shall be to ensure, in co-operation where necessary with other public and private bodies concerned, the best possible organisation of the employment market as an integral part of the national programme for the achievement and maintenance of full employment and the development and use of productive resources.

Article 2

The employment service shall consist of a national system of employment offices under the direction of a national authority.

Article 3

1. The system shall comprise a network of local and, where appropriate, regional offices, sufficient in number to serve each geographical area of the country and conveniently located for employers and workers.

2. The organisation of the network shall—

(a) be reviewed—

(i) whenever significant changes occur in the distribution of economic activity and of the working population, and

(ii) whenever the competent authority considers a review desirable to assess the experience gained during a period of experimental operation; and

(b) be revised whenever such review shows revision to be necessary.

Article 4

1. Suitable arrangements shall be made through advisory committees for the co-operation of representatives of employers and workers in the organisation and operation of the employment service and in the development of employment service policy.

2. These arrangements shall provide for one or more national advisory committees and where necessary for regional and local committees.

3. The representatives of employers and workers on these committees shall be appointed in equal numbers after consultation with representative organisations of employers and workers, where such organisations exist.

Article 5

The general policy of the employment service in regard to referral of workers to available employment shall be developed after consultation of representatives of employers and workers through the advisory committees provided for in Article 4.

Article 6

The employment service shall be so organised as to ensure effective recruitment and placement, and for this purpose shall—

(a) assist workers to find suitable employment and assist employers to find suitable workers, and more particularly shall, in accordance with rules framed on a national basis—

(i) register applicants for employment, take note of their occupational qualifications, experience and desires, interview them for employment, evaluate if necessary their physical and vocational capacity, and assist them where

appropriate to obtain vocational guidance or vocational training or retraining,

(ii) obtain from employers precise information on vacancies notified by them to the service and the requirements to be met by the workers whom they are seeking,

(iii) refer to available employment applicants with suitable skills and physical capacity,

(iv) refer applicants and vacancies from one employment office to another, in cases in which the applicants cannot be suitably placed or the vacancies suitably filled by the original office or in which other circumstances warrant such action;

(b) take appropriate measures to—

(i) facilitate occupational mobility with a view to adjusting the supply of labour to employment opportunities in the various occupations,

(ii) facilitate geographical mobility with a view to assisting the movement of workers to areas with suitable employment opportunities,

(iii) facilitate temporary transfers of workers from one area to another as a means of meeting temporary local maladjustments in the supply of or the demand for workers,

(iv) facilitate any movement of workers from one country to another which may have been approved by the governments concerned;

(c) collect and analyse, in co-operation where appropriate with other authorities and with management and trade unions, the fullest available information on the situation of the employment market and its probable evolution, both in the country as a whole and in the different industries, occupations and areas, and make such information available systematically and promptly to the public authorities, the employers' and workers' organisations concerned, and the general public;

(d) co-operate in the administration of unemployment insurance and assistance and of other measures for the relief of the unemployed; and

(e) assist, as necessary, other public and private bodies in social and economic planning calculated to ensure a favourable employment situation.

Article 7

Measures shall be taken—

(a) to facilitate within the various employment offices specialisation by occupations and by industries, such as agriculture and any other branch of activity in which such specialisation may be useful; and

(b) to meet adequately the needs of particular categories of applicants for employment, such as disabled persons.

Article 8

Special arrangements for juveniles shall be initiated and developed within the framework of the employment and vocational guidance services.

Article 9

1. The staff of the employment service shall be composed of public officials whose status and conditions of service are such that they are independent of changes of government and of improper external influences and, subject to the needs of the service, are assured of stability of employment.

2. Subject to any conditions for recruitment to the public service which may be prescribed by national laws or regulations, the staff of the employment service shall be recruited with sole regard to their qualifications for the performance of their duties.

3. The means of ascertaining such qualifications shall be determined by the competent authority.

4. The staff of the employment service shall be adequately trained for the performance of their duties.

Article 10

The employment service and other public authorities where appropriate shall, in co-operation with employers' and workers' organisations and other interested bodies, take all possible measures to encourage full use of employment service facilities by employers and workers on a voluntary basis.

Article 11

The competent authorities shall take the necessary measures to secure effective co-operation between the public employment service and private employment agencies not conducted with a view to profit.

Article 12

1. In the case of a Member the territory of which includes large areas where, by reason of the sparseness of the population or the stage of development of the area, the competent authority considers it impracticable to enforce the provisions of this Convention, the authority may exempt such areas from the application of this Convention either generally or with such exceptions in respect of particular undertakings or occupations as it thinks fit.

2. Each Member shall indicate in its first annual report upon the application of this Convention submitted under Article 22 of the Constitution of the International Labour Organisation any areas in respect of which it proposes to have recourse to the provisions of the present Article and shall give the reasons for which it proposes to have recourse thereto; no Member shall, after the date of its first annual report, have recourse to the provisions of the present Article except in respect of areas so indicated.

3. Each Member having recourse to the provisions of the present Article shall indicate in subsequent annual reports any areas in respect of which it renounces the right to have recourse to the provisions of the present Article.

Article 13

1. In respect of the territories referred to in Article 35 of the Constitution of the International Labour Organisation as amended by the Constitution of the International Labour Organisation Instrument of Amendment, 1946, other than the territories referred to in paragraphs 4 and 5 of the said Article as so amended, each Member of the Organisation which ratifies this Convention shall communicate to the Director-General of the International Labour Office as soon as possible after ratification a declaration stating—

(a) the territories in respect of which it undertakes that the provisions of the Convention shall be applied without modification;

(b) the territories in respect of which it undertakes that the provisions of the Convention shall be applied subject to modifications, together with details of the said modifications;

(c) the territories in respect of which the Convention is inapplicable and in such cases the grounds on which it is inapplicable;

(d) the territories in respect of which it reserves its decision.

2. The undertakings referred to in subparagraphs (a) and (b) of paragraph 1 of this Article shall be deemed to be an integral part of the ratification and shall have the force of ratification.

3. Any Member may at any time by a subsequent declaration cancel in whole or in part any reservations made in its original declaration in virtue of subparagraphs (b), (c) or (d) of paragraph 1 of this Article.

4. Any Member may, at any time at which the Convention is subject to denunciation in accordance with the provisions of Article 17, communicate to the Director-General a declaration modifying in any other respect the terms of any former declaration and stating the present position in respect of such territories as it may specify.

Article 14

1. Where the subject matter of this Convention is within the self-governing powers of any non-metropolitan territory, the Member responsible for the international relations of that territory may, in agreement with the government of the territory, communicate to the Director-General of the International Labour Office a declaration accepting on behalf of the territory the obligations of this Convention.

2. A declaration accepting the obligations of this Convention may be communicated to the Director-General of the International Labour Office—

(a) by two or more Members of the Organisation in respect of any territory which is under their joint authority; or

(b) by any international authority responsible for the administration of any territory, in virtue of the Charter of the United Nations or otherwise, in respect of any such territory.

3. Declarations communicated to the Director-General of the International Labour Office in accordance with the preceding paragraphs of this Article shall indicate whether the provisions of the Convention will be applied in the territory concerned without modification or subject to modifications; when the declaration indicates that the provisions of the Convention will be applied subject to modifications, it shall give details of the said modifications.

4. The Member, Members or international authority concerned may at any time by a subsequent declaration renounce in whole or in part the right to have recourse to any modification indicated in any former declaration.

5. The Member, Members or international authority concerned may, at any time at which this Convention is subject to denunciation in accordance with the provisions of Article 17, communicate to the Director-General a declaration modifying in any other respect the terms of any former declaration and stating the present position in respect of the application of the Convention.

Article 15

The formal ratifications of this Convention shall be communicated to the Director-General of the International Labour Office for registration.

Article 16

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Director-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Director-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratification has been registered.

Article 17

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act communicated to the Director-General of the International Labour Office for registration. Such denunciation shall not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 18

1. The Director-General of the International Labour Office shall notify all Members of the International Labour Organisation of the

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registration of all ratifications, declarations and denunciations communicated to him by the Members of the Organisation.

2. When notifying the Members of the Organisation of the registration of the second ratification communicated to him, the Director-General shall draw the attention of the Members of the Organisation to the date upon which the Convention will come into force.

Article 19

The Director-General of the International Labour Office shall communicate to the Secretary-General of the United Nations for registration in accordance with Article 102 of the Charter of the United Nations full particulars of all ratifications, declarations and acts of denunciation registered by him in accordance with the provisions of the preceding articles.

Article 20

At the expiration of each period of ten years after the coming into force of this Convention, the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall consider the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 21

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides,

(a) the ratification by a Member of the new revising Convention shall *ipso jure* involve the immediate denunciation of this Convention, notwithstanding the provisions of Article 17 above, if and when the new revising Convention shall have come into force;

(b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 22

The English and French versions of the text of this Convention are equally authoritative.

APPENDIX IV

SEASONAL REGULATIONS

1. Seasonal Regulations in effect October 10, 1953 to October 2, 1955.

12. (1) If in respect of the most recent thirty-six days of employment of a person prior to the commencement day of his benefit year there are ten or more days of seasonal employment, such person shall for the purposes of this section be a seasonal worker. (Subsection (1) amended by P.C. 1178 and by P.C. 5090.)

(2) (a) A seasonal worker whose principal occupation or employment is non-insurable shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and if

(i) he was, for at least thirty per cent of the working days in the previous off-season, employed under a contract of service in excepted employment other than employment by persons connected with him by blood relationship, marriage or adoption, or in insurable employment, or partly in insurable employment and partly in such excepted employment; and

(ii) during the off-season he makes and keeps alive an application at a local office for an employment of a kind suitable in his circumstances and normally available at that period of the year.

(b) A seasonal worker whose principal occupation or employment is insurable, whether in a seasonal occupation or not, shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and the condition mentioned in subparagraph (ii) of paragraph (a). (Subsection (2) amended by P.C. 5090.)

Seasonal Industry Applicable

(3) The seasonal industry applicable in the case of any such seasonal worker shall be determined in accordance with the following rules:

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One Seasonal Industry

(a) where the days of seasonal employment included in the aforesaid thirty-six days were in respect of employment in only one seasonal industry, the seasonal industry applicable shall be that industry;

More Than One Seasonal Industry

(b) where the said days of seasonal employment were in respect of employment in more than one seasonal industry, the seasonal industry applicable shall be the particular seasonal industry in which the greatest number of days of such seasonal employment occurs; however, in the event that the number of days of seasonal employment in two or more seasonal industries is equal, the seasonal industry applicable shall be the one thereof in which the most recent day of such seasonal employment occurred. (Subsection (3) amended by P.C. 5090.)

Off-seasons

(4) The off-season for the respective seasonal industries, and the areas in which such off-season are applicable, are the following:

Transportation by Water:
All Canada ..... December 16 to April 14

Stevedoring (Inland Ports):
All Canada ..... December 16 to April 14

Stevedoring (Deep-sea Ports): ..... May 16 to December 14

Lumbering and Logging:
The Provinces of Alberta, Saskatchewan and Manitoba ..... April 16 to October 31
The Provinces of Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland ..... April 1 to September 30

(Subsection (4) amended by P.C. 474.)

Off-season Applicable

(5) The off-season applicable in the case of any such seasonal worker shall be the off-season for the seasonal industry which has been determined to be applicable in accordance with subsection

three, and, within that industry, for the area which has been determined to be applicable in accordance with subsection four; so however that where the said seasonal employment was in respect of employment in more than one such area, the off-season applicable shall be the off-season for the area where the employment resulting in the greatest number of days of seasonal employment took place; and that in the event that the aggregate number of such days of seasonal employment in respect of employment in two or more areas are equal, the off-season applicable shall be the off-season for the area where the employment resulting in the most recent of such days of seasonal employment took place. (Subsection (5) amended by P.C. 3267.)

Definitions

(6) In this section

Seasonal Employment

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry. (Paragraph (a) amended by P.C. 5090.)

(b) "seasonal industry" means and includes the following respective industries, which the Commission hereby declares to be seasonal industries;

Transportation by Water

(i) the industry of transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water";

Stevedoring

(ii) the industry of stevedoring in any of the inland or deep-sea ports, herein referred to as "stevedoring";

Lumbering and Logging

(iii) the industry of lumbering and logging in any part of Canada except the Province of British Columbia, herein referred to as "lumbering and logging". (Subparagraph added by P.C. 474.)

Seasonal Occupation

(c) "seasonal occupation" means and includes the occupations mentioned hereunder which are carried on within the respective seasonal industries;

(i) *In Transportation by Water*:—All occupations carried on by members of the crew of a vessel. The expression "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo.

(ii) *In Stevedoring*:—All occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring.

(iii) *In Lumbering and Logging*:—All occupations carried on in the industry of lumbering and logging, including cooks and clerical and other workers directly employed at the scene of woods operations. (Subparagraph added by P.C. 474.)

Inland Waters of Canada

(d) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year.

Inland Port

(e) "inland ports" means a port on any of the said inland waters of Canada.

Deep-sea Port

(f) "deep-sea port" means the port of Halifax, Nova Scotia, and the port of Saint John, New Brunswick.

Quarter

(g) "quarter" means one of four parts of the year of approximately equal length as the Commission may from time to time determine, the first of which shall commence on the Sunday nearest to April first.

Lumbering and Logging

(h) "lumbering and logging" means the cutting, skidding, felling, hauling, scaling, banking, driving, running, rafting or booming, and processing at the scene of woods operations, of any logs or timber (including cord wood, cedar posts, telegraph poles, railroad ties, tan bark, pulpwood, shingle bolts and staves). (Paragraph (h) added by P.C. 474.)

Vessel Engaged in Transportation upon Inland Waters

(7) For the purpose of this section a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada if its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and if it is ordinarily laid up during the winter months by reason of climatic conditions.

2. Seasonal Regulations adopted 1955. (Never put into effect.)

162. (1) Where in respect of the most recent six weeks of employment of a person prior to the commencement of his benefit period there are three or more weeks during each of which he worked in a seasonal occupation within a seasonal industry, such person shall for the purposes of sections 163 and 164 be a seasonal worker.

(2) The seasonal industry applicable for the purpose of these sections shall be that in which the seasonal employment occurs or, where there are more than one such industry, that in which the greatest number of weeks during which such employment occurs or where the number of such weeks is equal, that in which the most recent week of such employment occurs.

Entitlement to Benefit for Off-season

163. A seasonal worker shall be entitled to receive benefit for weeks during which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and at the time he is declared to be a seasonal worker, he proves that, for at least six weeks in the off-season immediately preceding his initial

claim or nine weeks in the two off-seasons immediately preceding his initial claim, he was employed

(a) in insurable employment;

(b) in excepted employment under a contract of service by persons other than those connected with him by blood relationship, marriage or adoption; or

(c) partly in insurable employment and partly in such excepted employment.

164. For the purposes of sections 162 and 163

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry;

(b) "seasonal industry" means the following respective industries, which the Commission hereby declares to be seasonal industries;

(i) transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water"; and

(ii) stevedoring in any of the inland ports, herein referred to as "stevedoring";

(c) "off-season" means the period from the week following that in which December 16th falls to that in which April 14th falls;

(d) "seasonal occupation" means the occupations specified hereunder which are carried on within the respective seasonal industries;

(i) in transportation by water, all occupations carried on by members of the crew of a vessel; "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo;

(ii) in stevedoring, all occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring;

(e) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year; and for such purpose, a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada when its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and it is ordinarily laid up during the winter months by reason of climatic conditions; and

(f) "inland port" means a port on any of the inland waters of Canada described in paragraph (e).

164A. Sections 162, 163 and 164 shall come into force on the second day of October, 1956. (Section 164A added by P.C. 1955-1761.)

APPENDIX V

LIST OF BRIEFS RECEIVED

1. Aquin, Creighton—Montreal
2. All Canada Insurance Federation—Montreal
* 3. Avey, Florence I.—London
4. Canadian Bankers Association, The—Toronto
* 5. Canadian Chamber of Commerce, The—Montreal
* 6. Canadian Construction Association—Ottawa
7. Canadian Federation of Agriculture—Ottawa
8. Canadian Federation of Business & Professional Women's Clubs, The—Ottawa
* 9. Canadian Labour Congress—Ottawa
*10. Canadian Life Insurance Officers Association, The—Toronto
11. Canadian Lumbermen's Association—Ottawa
*12. Canadian Manufacturers Association, The—Toronto
13. Canadian Metal Mining Association—Toronto
*14. Canadian Pulp and Paper Association—Montreal
*15. Canadian Retail Federation, The—Toronto
*16. Communist Party of Canada—Toronto
*17. Confederation of National Trade Unions, The—Montreal
18. Co-ordinating Committee of Unemployed Organizations—Toronto
19. Corporation of the District of Mission, The—Mission City, B.C.
*20. Council of the Forest Industries of British Columbia—Vancouver
21. Crafter, R.—Comox, B.C.
22. Culver, D. F.—Vancouver
23. Derock, R.—Sudbury
24. Edmonton Chamber of Commerce
25. Fairclow, J.—Sudbury
*26. Fisheries Council of Canada—Ottawa
27. Government of Saskatchewan—Regina
28. International Brotherhood of Electrical Workers, Local Union 213—Vancouver

* Brief presented at public hearings.

*29. International Railway Brotherhoods, The National Legislative Committee—Ottawa

*30. Josie, Svanhuit (Mrs. G. H.)—Ottawa

31. Lacelle, A.—Sudbury

32. Linde, Kathey A.—Williams Lake, B.C.

33. Lorenza, M. G.—Port aux Quilles, P.Q.

34. Mahaffy, N.S.—Ottawa

35. McKay, A.—Windsor

*36. National Council of Women of Canada—Ottawa

37. National Farmers Union—Saskatoon

*38. National Union of Public Employees—Ottawa

39. New Brunswick Forest Products Association—Fredericton

40. Newfoundland Federation of Fishermen—St. John's

41. Newfoundland Fish Trades Association and Frozen Fish Trades Association —St. John's

42. Office Overload Co. Ltd.—Toronto

*43. Retail Merchants Association of Canada, Inc., The—Toronto

44. Saint John Board of Trade—Saint John

45. Saskatchewan School Trustees Association, The—Regina

46. Sécurité sociale laurentienne—Montreal

47. Unemployment Insurance Commission, Local Employment Committee—Saint John

*48. United Electrical, Radio and Machine Workers of America—Toronto

*49. United Fishermen and Allied Workers' Union—Vancouver

50. Vancouver Board of Trade—Vancouver

51. White, Violet M.—Halifax

* Brief presented at public hearings.

APPENDIX VI

Special Studies Prepared at the Request of the Committee of Inquiry

1. The Role of the National Employment Service

   PROFESSOR G. BEAUSOLEIL
   PROFESSOR M. BOUCHARD

2. The Relationship between Unemployment Insurance and Canada's Other Income Maintenance Programs

   DR. GEORGE M. HOUGHAM