

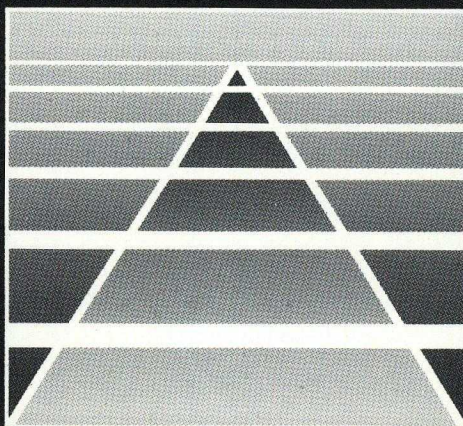


CANADA

Summary Report of the

Commission of Inquiry on

Unemployment Insurance



HD7096
.C2
C21

5 2 88





Property of
Privy Council Office
Information Systems and Services
Propriété du
Bureau du Conseil privé
Systèmes et services d'information

| | |
|--|------|
| ACCESS CODE CODE D'ACCÈS | AFEU |
| COPY / ISSUE EXEMPLAIRE / NUMÉRO | C.2 |

Summary Report of the

Commission of Inquiry on

Unemployment Insurance

| |
|--------|
| HD7096 |
| .C2 |
| C21 |
| 2 22 |

Claude E. Forget, Chairman
Roy F. Bennett
M. O. Morgan
Jack J. Munro
Guylaine Saucier
Frances J. Soboda

November 1986

Property of
Public Council Office
Information Services
Library of
Parliamentary
Information

© Minister of Supply and Services Canada 1986

Available in Canada through

Associated Bookstores
and other booksellers

or by mail from

Canadian Government Publishing Centre
Supply and Services Canada
Ottawa, Canada K1A 0S9

Catalogue No. MP15-15/1986-1E

Canada: \$4.75

ISBN 0-660-12214-6

Other Countries: \$5.70

Price subject to change without notice

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Publishing Services, Canadian Government Publishing Centre, Ottawa, Canada K1A 0S9.

Copies of the Report of the Commission of Inquiry on Unemployment Insurance are also available: MP15-15-1986E, (ISBN 0-660-12203-0), Canada \$29.95, outside Canada \$35.95

Également disponible en français: La Commission d'enquête sur l'assurance-chômage—Sommaire N° de cat. MP15-15/1986-1F

Contents

| | |
|---|----|
| Challenge and Opportunity | 5 |
| What Is the Problem? | 9 |
| The Changing Nature of Unemployment | 9 |
| The Dynamics of the Labour Market | 10 |
| The Risk of Being Unemployed | 12 |
| Who Receives Unemployment Insurance? | 14 |
| What Are the Needs of the Unemployed? | 17 |
| Jobs | 19 |
| Economic Stability at Full Employment | 20 |
| Economic Development Strategies | 21 |
| Job Creation Programs | 21 |
| Money: The Need for Income Security | 23 |
| A Canadian Earnings Supplementation Program | 24 |
| Skills: A Choice of Futures | 25 |
| Options: Employment Flexibility | 29 |
| Unemployment Insurance: Part of the Solution or Part of the Problem? | 33 |
| The Reform of the Core Program | 35 |
| Annualization | 36 |
| The Cumulative Employment Account | 37 |
| The Impact of Changes | 38 |
| Other Reforms | 43 |
| Pensions | 43 |
| The Self-Employed: A Special Case | 45 |
| Fishermen and Unemployment Insurance | 46 |
| The Reform of Program Administration and Delivery | 49 |
| The Courage to Change | 51 |
| Compendium of Recommendations | 53 |
| Summary of Supplementary Statements | 81 |
| Members of the Commission | 85 |

This Commission of Inquiry was established by Order in Council on July 4, 1985. Its task was to examine how Unemployment Insurance can help Canada's economy to develop and its labour market to operate smoothly; how to make the program fair for everyone; and how to ensure that it offers the best possible help to Canadians who are temporarily unemployed. It was asked to review all elements of the Unemployment Insurance program – the extent of coverage, the criteria for eligibility, the amount and duration of benefits, as well as financing and administration.

Public hearings began in October 1985, and by March 1986, 60 days had been spent visiting 46 communities across Canada. In tiny villages and large metropolitan centres a total of 475 presentations were heard. They took place in formal public hearings, informal community meetings and round-table discussions, and at work sites, Unemployment Insurance offices, job creation projects and unemployed action centres.

By the end of June 1986, almost 1,500 submissions had been received. The Commission investigated specific questions through more than 30 studies from private consultants and experts. The views of provincial and territorial governments and of the academic, labour and business communities were sought. The experiences of those who administer the program were also drawn upon. Finally, the impact of Unemployment Insurance in various regions and communities was observed first hand.

Throughout the course of this process it became clear that the problems in the program cannot be resolved by new research or knowledge alone. Solutions are needed which will respond to the breadth and depth of concern expressed by the public. To do so requires going beyond present problems, anticipating future events, and integrating ideas in a new way.

A fundamental transformation of the design of the Unemployment Insurance program and of the structure of the organization is essential. Such fundamental changes cannot be made quickly, and even more importantly, should not be made in isolation. The proposals contained in this report recognize the need for major reforms in the Unemployment Insurance program and in related income security and economic development programs. They also recognize that time will be needed for Canadians to adapt to these changes.

Leslie Parnwell, Hairstylist, Edmonton, Alberta

This letter was written by the sister of Leslie Parnwell to Mr. Jim Edwards, Member of Parliament for Edmonton South. A copy was sent to this Commission of Inquiry. It is included here because it illustrates the problems and frustrations of a claimant confronted with a complex administrative system.

Dear Mr. Edwards,

My name is Leslie Parnwell. I have asked my sister to write this letter for me as I do not write well enough or understand the system well enough to be able to express myself properly.

I have a problem with Unemployment Insurance and am at a loss as to what to do about it. I feel I am being unfairly penalized due to an error with the Unemployment Insurance system.

I would like to tell you a bit about myself so that you will have a better understanding of the magnitude of my problem. I am 23 years old and just recently married. My husband and I live in a small apartment and have just purchased a car with a loan from the bank. When I was attending school I did not have the understanding of the academic system to attend an academic school, so instead I went to a vocational school and became a licensed hairstylist. This is the field I have worked in since and although I have never cleared more than \$700 per month, I have always been able to manage. I moved out of home this spring, and as I said earlier, got married and bought a car. I am currently employed full-time for minimum wage, my husband is only working half time for just above minimum wage and we are finding it nearly impossible to make ends meet. There is definitely nothing left over for the "finer things in life."

Just before I got married, I was laid off work and applied for unemployment benefits. When I applied I found the forms difficult to fill out and had no idea how much benefits I was eligible to receive. I collected benefits for approximately four months and then found work again as a hairstylist making minimum wage. Approximately four months after I stopped collecting benefits I received a statement from Unemployment Insurance indicating I had been overpaid by \$1,307. For someone in my position this is an overwhelming amount of money to be paid back.

My sister and I went down to our local office to discuss this issue. After waiting one and a half hours we spoke to a counsellor. We found this man to be both rude and obnoxious. He questioned the need for my sister to be present. When I explained to him that I did not understand why this problem had happened and that my sister was there to help me understand, he told me it was my fault.

His exact words were "anyone can tell when they are being overpaid by that much." He then showed me a piece of paper that indicated that the error had been made when the claim was punched into the computer and stated that I should be aware of this because this was a copy of a letter that had been sent to my home. When told that I did not receive this letter, he told me I must have because it had been sent to my correct home address. My sister asked him if I could have a copy of the letter and he replied with "it isn't necessary because she has already received one." My sister then asked him straight out whether or not he was going to give me a copy of the letter. With this he stormed into a back room and came back with a copy.

After I received the copy, my sister asked why it had taken over six months to find out that an error this large had been made on the part of Unemployment Insurance. The problem was that instead of basing my insurable earnings on a figure of \$3,641, someone made the mistake of keying in \$6,341. This error gave me \$91 more per week than I was entitled to. When asked why it had taken so long to discover this error, he asked another counsellor to come over.

By this time I was in tears and my sister was visibly angry. My sister asked the other counsellor why it had taken so long to find the error and was told she had no right to ask for explanations and that "Leslie should speak for herself and we should find out exactly what she wants." I told her that I wanted exactly what my sister had asked for and that I had asked my sister to speak on my behalf. The woman very huffily told us that the "variance report" for my period had just recently been generated and that was how and when the error had been found. My sister asked why it had taken more than six months to generate this report and was told that the office in Edmonton had no control over what they did down east and this is the way the system is.

The gentleman then stated that he wanted to work out a repayment plan for the overpayment. My sister told him that I was not prepared to work out a repayment plan until further information had been received. He then told us about the appeal process, gave us a pamphlet to read and told us that we could write to anybody we wanted to, but they would get the money back in the end. We then took the forms and left.

I am not writing this letter to try to get out of paying back all of the money I received. I chose not to go through the appeal process because there isn't really anything to appeal. I understand that I was overpaid. What I am writing for is to find out why the system is so inadequate that it took six months to find an error this large. I do not feel that I should have to pay the entire amount because of someone else's error and an inadequate tracking system. I cannot possibly afford to pay more than a token sum monthly and it could take years before all of this money is recovered.

Over the years I have known people who have been able to use the system to their advantage and get away with it. If I had made the error totally on my own then I would have to accept full responsibility for it. Somehow there is something wrong when a little person has to pay the full costs of a mistake of a large government organization. I feel that the UIC has to have some obligation to account for their errors, not only to the little person such as myself but to the Canadian public at large. Is there no accountability?

I have forwarded a small amount of money to the Canada Employment Centre Collection Office and advised them that I am pursuing this matter further. I have also sent a copy of this letter to a number of other persons . . . in hopes that someone will take action in this matter.

I look forward to a reply.

Sincerely,

Leslie Parnwell



The first issue facing this Commission of Inquiry was to define the nature of the problem. Does unemployment represent a fundamental breakdown in the Canadian economy? Is it a regional problem, an industry problem or an individual problem? What are the needs of the unemployed and how well does Unemployment Insurance meet those needs?

Unemployment Insurance is regarded as the core of Canada's income security system, as important to working Canadians as Old Age Security and government pension plans are to the elderly and as Medicare is to all of us.

At the same time, the program is subject to widespread criticism. Canadians have passionate views about what Unemployment Insurance should provide, who should be protected, and how the system should work. They care about how well or how poorly their own needs are met and how efficient and fair the system is for all Canadians.

This central role of Unemployment Insurance in the income security system, the sense of program ownership by employers and workers, and Canadians' anxiety about the future, provide the context within which a review of Unemployment Insurance must be placed.

The Changing Nature of Unemployment

Throughout the consultations, many Canadians expressed concern about the availability of jobs and about their income security. Participants were acutely aware of the dramatic changes in the economy over the last few decades – not just here in Canada, but around the world. They recognized that we will all continue to face pressures to adapt to the new realities of a much more interdependent global economy. Those who lose a job cannot assume that when times improve their skills will be in demand again. There was a strong call for a full employment policy – for some form of government intervention to ensure that there will be enough jobs for all who want to work. Many participants foresaw massive structural change in the economy in response to technological change, international competition and free trade. They feared permanent job loss in dying industries and single-industry towns and a lack of employment opportunities in poorer regions of the country. At the same time, they expected unemployment to continue growing as those previously outside the labour force sought entry into the job market.

"If you think the system is working, ask someone who isn't!" (Organization of Unemployed Workers, Port Alberni, B.C., picket sign)

"As for using and abusing UI, there are always going to be a few who do it, but I believe the majority of the people on UI use it because that is their life blood." (Women's Centre–Chatham, Newcastle hearings)

"Our position on the Unemployment Insurance program is that, as you have stated, it is a safety net. The safety net should be restricted to those people who are temporarily unemployed, are actively seeking employment and are employable. It should not be used as a cure-all for the various other social problems that are persistent right now." (Calgary Personnel Association, Calgary hearings)

"Our society pays a very large cost for high rates of unemployment. In 1982, the estimated cost was \$78.3 billion. There may be tremendous costs involved in creating sufficient work for all the people who want it, but they are obviously less than the costs we incur as a society under current circumstances of lost training outlay, lost production, lost earnings, lost taxes, increased social welfare costs and UI benefits as well as the costs of increased mental and physical stress." (National Action Committee on the Status of Women, written brief)

"The unemployed are our husbands, our wives, our sons, our daughters and our grandchildren. They are us, dammit!" (Unemployment Help Centre, Kingston, Ottawa hearings)

The Dynamics of the Labour Market

The official unemployment rate reflects the proportion of the labour force that is out of work at a specific time and is one of the most frequently cited indicators of economic performance in Canada. Most Canadians are so familiar with the unemployment rate that it is referred to as if it were a thermometer showing the health of the country. The unemployment rate, however, provides only part of the picture. The main problem with concentrating on this single number to the virtual exclusion of all others is that it provides only a snapshot of the economy at one moment in time. The economy is always in a state of flux and unemployment is too complex to be described adequately by a single figure. In fact, the number unemployed at some time during any year is much higher than the average unemployment rate for that year. In 1985, when the unemployment rate averaged 10.5 percent, the number of persons unemployed at some time during that year was 25.4 percent of the population in the labour force.

There is continual turnover in the labour market as workers change jobs, lose jobs and search for new ones, or leave the labour force altogether, while new people enter. Similarly with employment opportunities – firms and whole industries expand and contract, relocate and restructure to meet technological change, market competition and shifting demand patterns.

Thus, unemployment is a problem which annually affects one in four Canadians who want to work. No one can be certain that he will never need Unemployment Insurance. In fact, it is more likely that at some time he will. One of the participants in the public hearings summed this up when she quipped "UI stands for 'you' and 'I'."

Dorothy Hall, Assembly-Line Worker, Burnaby, British Columbia

Mrs. Hall's situation illustrates the problems faced by many older workers affected by technological change and structural unemployment in Canada.

I'm 57 years old and I worked for 25 years on the assembly line at Vancouver Plywood until I was laid off in December 1983. Before that I worked nine years for BC Tel. VanPly was a very old plant. The owners, MacMillan Bloedel, said they were running in the red all the time. They levelled it about a year ago . . . When things were good, well over 1,000 people worked there. . . We had an awful lot of shut-downs in the last five years . . . three weeks here and three weeks there. Some years I collected UI for twelve, fourteen weeks through layoffs. But I didn't have any trouble getting my full benefits when the plant closed for the last time.

Last year I worked for 21 weeks on a make-work project in Port Moody, putting in a heritage museum. That qualified me for UI again, but it will be running out next month. I don't know what I'm going to do then . . . The job prospects in Burnaby are about zero.

You see I'm not really qualified for very much of anything . . . a plywood plant doesn't qualify you for anything else. But there really isn't anything out here anyway. I've applied to stores as a sales clerk, but most places are not hiring. Of course my age doesn't help any . . . And there are so many plywood-plant workers out of work. Ours was not the only plant . . . There were quite a few shut down. The ones that are operating have all new machinery and what have you, so they hire far fewer people. And there are people with far more seniority than I had still out of work.

As for the future . . . I won't be getting a pension for eight years. I'm not optimistic about those years. I do have some money saved, but not enough to last me for eight years, that's for sure. I have a son, so I'm not going to starve to death or anything like that . . . It's just that I have been independent all my life and I really hate the thought that some day he may have to look after me. But he may have to, despite my working for over 30 years.

I think I have gotten a fair deal from UI. It's just that I don't know what they can do for me. They interviewed me when I applied for Unemployment Insurance, asked me what skills I had, and of course my skills are in plywood. If I were younger, possibly I could have taken a course in computers . . . I would love that.

If I could collect my Canada Pension at 60 it would make all the difference in the world, because I know that I have enough money to get by those extra years until I'm 60 . . . Or if they could train me in something . . . but I understand that I'm really too old for retraining. I realize that now. If the training took one year or two years, then really it's pointless for them to train me, isn't it? I'm realistic about it. I know of quite a few people who are in the same situation as me.



I would like very much to have worked at least until I was 60, then I could have taken early retirement. I'm very sorry that I lost my job, but I don't blame anybody. I can understand that the company was losing money and you can't run a business if you're going way in a hole every year as they told us they were doing . . . and I have no reason to doubt the fact, because they weren't the only one that closed down. There just weren't sales out there . . . and this was prior to the United States putting the tariff on shakes and shingles . . . It must be really awful now . . .

"The costs and burdens of unemployment are not equally shared and some groups are affected far more than others. Managers, professionals and executives are generally spared the direct effects. The worst impacts fall on the economically weak and marginal – youth, women and workers in resource communities." (Newfoundland and Labrador Federation of Labour, written brief)

"The Railway Association of Canada knows of no other national, federally run program where the location within the country in which you live determines your entitlement to a benefit." (Railway Association of Canada, written brief)

"There were two age groups in our local union most affected by the continuous high unemployment; namely, the young members between the ages of 18 and 28 – that group is mainly made up of apprentices, and we have massive unemployment among our apprentices – and the 50 and older age group." (United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local Union 170, Vancouver hearings)

The Risk of Being Unemployed

Although all working Canadians must live with the heightened possibility of becoming unemployed, some are more susceptible than others to frequent spells of unemployment. In addition, the long-term unemployed bear a substantial portion of the total burden of unemployment. Some of these individuals are "chronically" unemployed: they suffer repeated spells of joblessness and are unemployed for a large portion of their adult lives.

The industry and occupation in which a person works are important factors influencing the probability and duration of unemployment. Different classifications may produce different emphases but the broad picture remains the same. The workers in certain industries and sectors (for example, construction, fisheries and forestry) are more susceptible to unemployment than others. While workers in these industries represent a minority in the Canadian work force, their importance in the overall picture of unemployment stems in large part from their regional concentration.

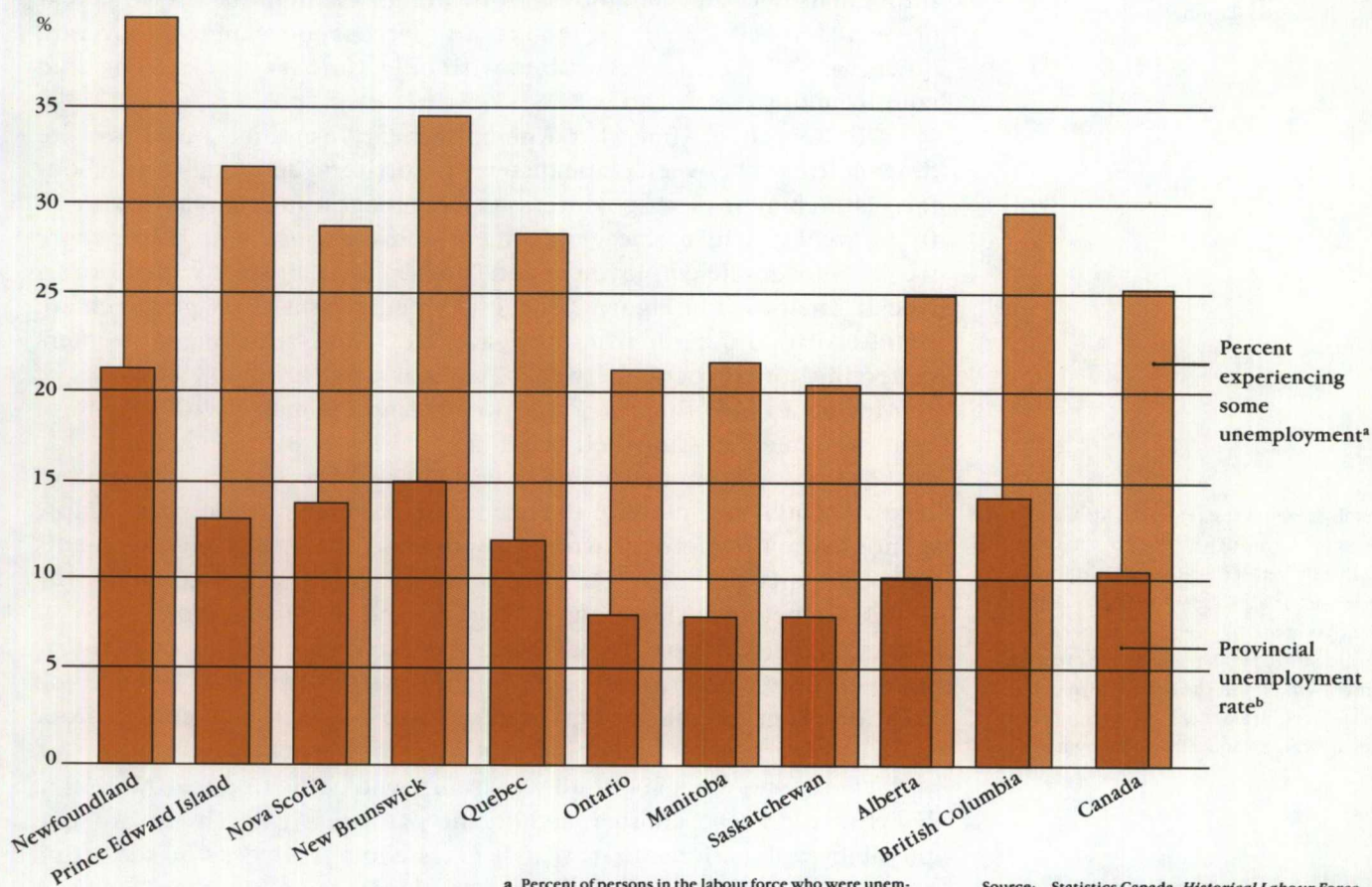
Since 1975, all provinces east of the Ottawa River have had unemployment rates above the national average, and the same higher rates have recently existed in British Columbia. In many cases the higher unemployment rates of certain provinces still underestimate the economic difficulties found there. Provinces with higher unemployment rates tend to have lower participation rates because more discouraged workers withdraw from the labour force and fewer new people enter.

Unemployment rates give a general idea of the relative difficulty in finding a job in the area. For this reason they are used under the current Unemployment Insurance program to trigger regionally extended benefits. If unemployment rates accurately reflected the duration as well as the incidence of unemployment, one could argue that their use as a trigger for longer benefits was justified. Interregionally, however, there is much less variation in the duration than in the incidence of unemployment. While both factors play a role, the higher rate of unemployment in Newfoundland compared with Ontario, for example, is *more strongly* influenced by the fact that a greater proportion of Newfoundland's work force experiences unemployment over the year than by the longer duration of the unemployed spells.

The characteristics of the individual also influence the likelihood of experiencing unemployment. A low level of education considerably increases the probability of unemployment. Older workers, particularly men, are vulnerable to longer spells of unemployment. Young new entrants to the labour market also face greater risks of unemployment.

The persistence of high levels of unemployment and the concentration of unemployment among those in certain industries, occupations and regions are major concerns. These problems and those facing people with low levels of education, particularly the young, have implications not just for Unemployment Insurance but for employment policies in general.

Figure 1
Provincial Unemployment Rates and Incidence of Unemployment, 1985



a Percent of persons in the labour force who were unemployed for part of the year.
b Annual average of monthly rates.

Source: Statistics Canada, *Historical Labour Force Statistics* (Cat. no. 71-201), 1986; and "Annual Work Patterns Survey," *The Labour Force, March 1986* (Cat. no. 71-001), 1986.

"The members of our association are absolutely convinced that many persons voluntarily make what amounts to a way of life out of working only long enough to establish benefits, and then drawing them for the maximum period, and then repeating the cycle. This is borne out by the studies that show that large numbers of persons who couldn't find any work while they were on benefits, very, very quickly find work as soon as their benefits run out." (Construction Labour Relations, Edmonton hearings)

"We talked about the ten-week idea, and that some people, through no fault of their own can't do any better than that and think in those terms. It's also a fact that governments create that mentality themselves, because governments in fact have some job creation programs which suit the Unemployment Insurance requirements." (Government of Prince Edward Island, Charlottetown hearings)

"You have to realize that people get burned out about age 55. Sometimes their employability is compromised. As anybody at 55 who is marching for a job would attest, it becomes very difficult." (Southern Alberta Building and Construction Trades Council, Calgary hearings)

Who Receives Unemployment Insurance?

In 1985 the average monthly number of Unemployment Insurance beneficiaries was 1.1 million, down slightly from 1984 and from the peak in 1983. This figure is about 86 percent of the total unemployed population. Total payments to Unemployment Insurance claimants were \$10.2 billion. The average claimant received weekly benefits of \$161.62 and the average length of time on claim was 25.3 weeks. About 28 percent of claimants exhausted their benefit entitlement. The proportion of claimants exhausting benefits was highest for those individuals with very few (10 to 14) or many (52 +) weeks of insurable employment. Individuals with an Unemployment Insurance claim in the previous year (repeaters) accounted for about 48 percent of claimants overall; however, 87 percent of claimants with only 10 to 14 weeks of insured employment were repeaters.

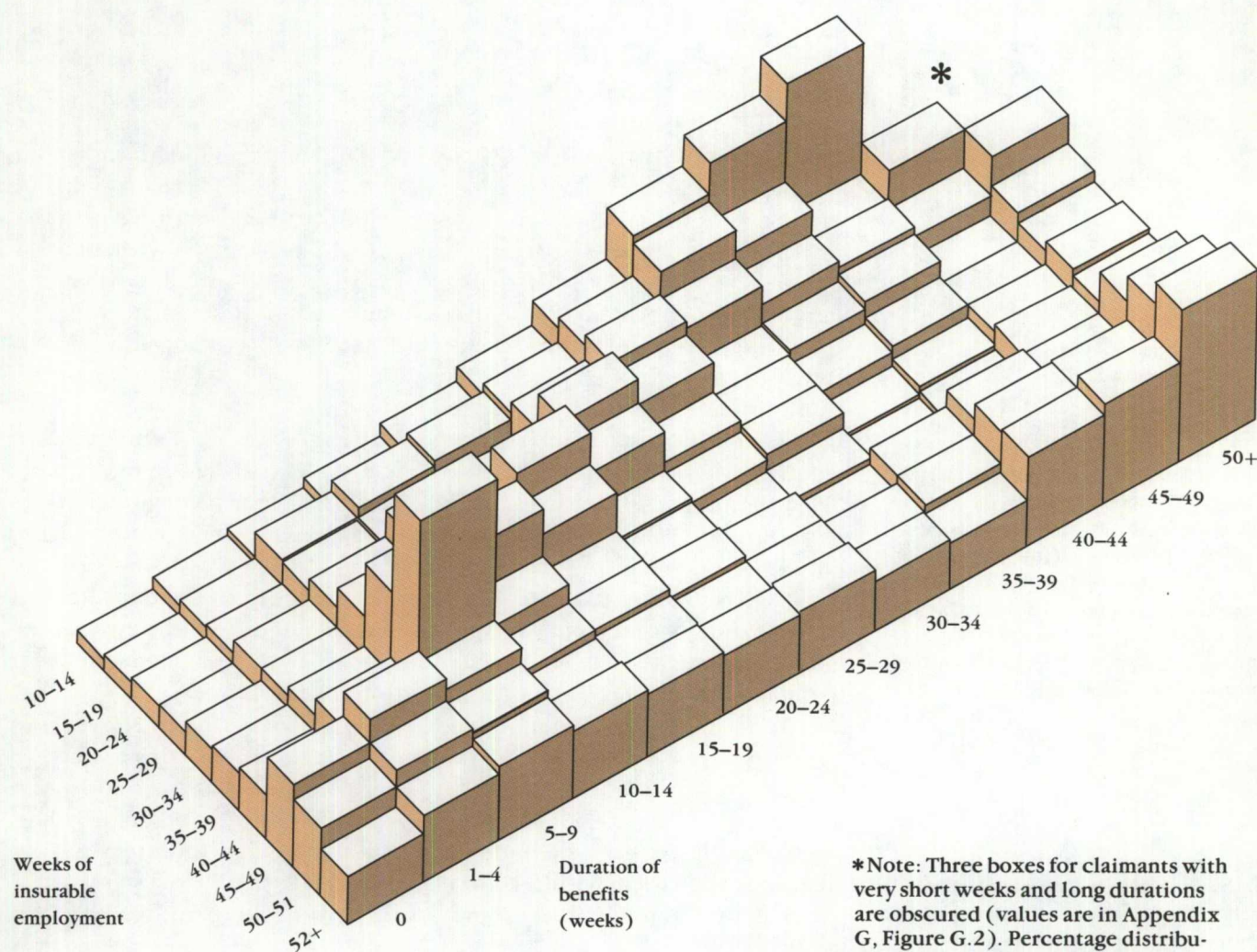
The length of time that Unemployment Insurance benefits were drawn differed between claimants with short-term and long-term labour force attachment. Average durations were longest for claimants with 10 to 14 weeks of insurable employment and for those with 52 or more weeks of insurable employment and shortest for claimants with 40 to 44 weeks. The peaks in Figure 2 suggest three patterns of usage which are significantly different from the average: short-attachment workers collecting for 35 or more weeks; claimants with 40 to 44 weeks of employment collecting for 5 to 9 weeks; and claimants with long-term employment exhausting their benefits.

The observation that workers with 10 to 14 weeks of work tend to receive benefits for close to the maximum possible duration may simply demonstrate the fact that workers with short labour force attachments have difficulty finding a job. This, however, would not account for the difference between this group of workers and those who work 15 to 19 weeks. The distinct pattern of usage gives credence to the concern that some of these workers may be playing the system or to the view that job creation programs may be designed in 10-to-14-week segments in order to qualify workers for Unemployment Insurance benefits.

Those who work about 40 weeks and who collect up to 10 weeks of benefits represent another significant pattern. Again, there are two possible explanations: first, that it takes about 10 weeks or so to find another job, and second, that some employers lay off workers for short periods each year to accommodate plant maintenance, inventory and the like, and recall them within 10 weeks.

Finally, although the third pattern observed, that of full-year workers who exhaust their benefits, may suggest that they are taking full advantage of available benefits, it seems more likely that these workers had a long-term attachment to their previous employer and in many cases are unemployed as the result of structural changes in the economy. Consequently, they may have particular difficulties in finding new employment.

Figure 2
**Distribution of Regular Claimants by Duration of Benefits and by Weeks
 of Insurable Employment, 1984**



*Note: Three boxes for claimants with very short weeks and long durations are obscured (values are in Appendix G, Figure G.2). Percentage distributions are calculated by duration of benefits. The values for each category based on weeks of insurable employment add to 100 percent. Data are based on "pure" regular claims terminating in 1984.

Source: Calculations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data.

What the unemployed want above all else is jobs, not Unemployment Insurance benefits. Individuals who are unable to find employment, however, need some form of financial assistance to support themselves and their families while they continue searching for work, await a return to work, move to another community, or retrain. The accelerated rate of change in the economy calls for many initiatives besides Unemployment Insurance to build greater flexibility in the labour market.

An Unemployment Insurance program cannot meet all the needs of the unemployed. Unless reform of the current program is undertaken as part of a broad, integrated human resource development strategy, it can be no more than a token effort, almost certain to fall short of its objective. It would be irresponsible to remove regionally extended benefits, for example, without providing an income supplement for workers faced with economic hardship and without providing development funds for regions and communities suffering from the impact of economic forces well beyond their control. Practical reform must recognize the need for workers to retrain as skill demands change and tackle the problems inherent in upgrading the basic skills and literacy of the large number of poorly educated Canadians. Employment policy and the Unemployment Insurance program are closely related to tax and fiscal policy, retirement policy, and regulations governing working conditions. Examination of the current program should be undertaken within the broader context of a longer-term strategic plan for human resource development which recognizes and builds on these interrelationships.

What are the needs of the unemployed? Quite simply, they need jobs, money, skills and a broader range of opportunities in the labour market. Each of these needs is addressed in this report and is an important component of a comprehensive human resource development strategy.

"Well, I need the job, firstly for self-dignity, to feel that I am still worth something. And secondly, I need the money." (Albert Kamin-ski, Vancouver hearings)

"It is our view that any reduction in the level of Unemployment Insurance benefits and any increase in the restriction on UI eligibility, in and of themselves, will inevitably increase poverty and increase income disparity between rich and poor in Canada. That is point no. 1. Point no. 2 is that major changes to Unemployment Insurance should be undertaken only in concert with an overhaul of the whole income security system." (National Anti-Poverty Organization, Ottawa hearings)

"We don't believe that UI should be a convenient cover for social or welfare programs. Not that we do not need social or welfare programs – Lord knows we do. We think they should be identified more up front for what they are, and addressed as such, debated as such. If we decide that's what we want, need and can afford, then fund them as such." (Greater Moncton Chamber of Commerce, Moncton hearings)



We need jobs, not UI!" was a slogan heard often at the public hearings. Certainly, no blueprint for Unemployment Insurance, or any other social program, can be satisfactory unless it takes into account the fact that, generally, Canadians want to work.

First of all, then, the unemployed need jobs. There is a tendency to think of job creation in terms of discrete, government-funded job creation programs, but most jobs are not created by this process. What is most important in raising the level of employment is the general economic policy that sets the stage for employment growth. Although technological change has made employment growth relatively more expensive, failing to keep pace with competing nations in adopting the latest technology would simply save jobs today at the cost of future jobs, because developing new processes and products is essential to compete successfully in world markets.

In terms of creating jobs, this country's performance has been excellent. As can be seen in Figure 3, Canada has been more successful than the United States and Western Europe in increasing total output and in creating jobs to employ a rapidly growing labour force. With respect to gains in productivity, however, Canada has been among the least successful of these countries. For an open economy like Canada's, falling behind other nations in terms of productivity means an eventual decline in its competitive position and in the growth of employment. High priority must be given to raising the rate of growth of the economy, in recognition of the role of economic growth in creating employment opportunities. Particular attention should be paid to policies that would ensure a high and sustained volume of investment and sufficient improvement in productivity to maintain or improve Canada's competitive position in the world.

"I suggest that as far as a cure is concerned, the best cure is economic growth." (Sam Jannohamed, Edmonton hearings)

"The major cause of Canada's unemployment problem is the depressed state of the economy. No amount of government training and job creation programs will help to overcome job reduction caused by the inability of industry to sell its goods and services. The root of the problem is that the majority of Canadian products are not cost and price competitive in either domestic or world markets. The markets are still there, but other countries are supplying them. The reason is not quality, it is cost, including that associated with labour." (Machinery and Equipment Manufacturers' Association, written brief)

"Canadian production of textiles declined by 18.5 percent in 1982. By contrast, textile production in all developed countries declined by 5.5 percent and in all developing countries by only 1.5 percent." (Canadian Textiles Institute, written brief)

"There is only one reasonable way to come to grips with the number of people drawing UI and the overall cost of the program. That is to reaffirm full employment as the first priority of economic policy." (Canadian Labour Congress, written brief)

"While profit-sharing cannot be expected to be a panacea for lowering unemployment, positive steps to encourage it may nevertheless be worth taking. Furthermore, profit-sharing or similar schemes, in addition to increasing the responsiveness of nominal wages to unemployment, may be worth encouraging as a potentially powerful vehicle for improving productivity, by giving workers a greater sense of personal commitment to their firms." (*OECD Observer*, September 1986)

Economic Stability at Full Employment

Economic activity is subject to many influences and is likely to be unstable. It has long been recognized as a function of government to intervene in periods of recession in order to stimulate demand for goods and services through the use of general policy instruments – fiscal policy (the balance between taxes and public expenditures) and monetary policy (the general level of interest rates). The hearings provided clear evidence of public support for this role of government.

Is full employment a reasonable objective? Can it be translated into an operational policy? The issues at the heart of the debate include the impact of fiscal and monetary policies on investment, productivity and employment; the interdependence of the economies of Canada and other countries; the relationship between inflation and unemployment; and the influence of expectations regarding wages and prices.

Many economists now believe that because of prolonged past inflation, it may be very difficult to reduce unemployment below 7 percent through traditional public policies. Nevertheless, the objective of full employment is implicit in the discussion of employment growth and job creation. This objective, however, cannot be defined as reducing the unemployment rate to a specific percentage, but rather as reducing the overall problems resulting from the present imbalance between supply and demand in the Canadian labour market.

Canada must take immediate steps to introduce measures for bringing about full employment. This includes planning for economic growth and sound macroeconomic management of the economy. It also includes trying new approaches, such as the increased participation of workers in profit sharing. It will entail some wrenching shifts in priorities, attitudes and assumptions.

Figure 3
Changes in Employment, Real Gross Domestic Product and Productivity,
1960–83
(Annual averages)

| | Change in employment | Change in gross domestic product | Change in productivity ^a |
|----------------|-------------------------|--|--|
| Canada | 2.5% | 4.2% | 1.6% |
| United States | 1.9% | 3.1% | 1.2% |
| Japan | 1.1% | 7.2% | 6.0% |
| Germany | –0.2% | 3.2% | 3.4% |
| France | 0.5% | 4.1% | 3.7% |
| United Kingdom | nil | 2.2% | 2.3% |
| Italy | nil | 3.8% | 3.7% |
| Average | 1.0% | 3.7% | 2.7% |

^a Real GDP per person employed.

Source: Organisation for Economic Co-operation and Development, *Historical Statistics 1960–83* (Paris: OECD, 1985), Tables 1.6, 1.7, 3.1, 3.7.

Economic Development Strategies

The focus of regional economic development should be on enhancing a region's ability to produce and compete successfully rather than simply on subsidizing firms on the basis of local unemployment rates. More attention should be paid to three areas: encouragement of research and development and promotion of investment to enhance productive capacity; development and improvement of municipal and regional infrastructures; and financial support for community economic development.

The needs of communities and individuals can more easily be met at the local level, and there are promising new developments taking place in communities where Canadians have decided to take their futures into their own hands. Policy makers need to become more familiar with the role that such community development initiatives can play in an overall strategy to promote economic growth. These initiatives include two different approaches. One is a community or regional council approach where the local community actively plans and encourages new enterprises. This frequently involves all levels of government, but the pivotal role is played by business and labour through their participation on the council. Their combined efforts are primarily directed toward supporting new business and industry that can survive and prosper in the community. Communities such as those in the Beauce, Lynn Lake, Fort Simpson and Winnipeg's core area are actively involved in this type of community economic development.

A second approach involves community development corporations, worker cooperatives and other legal entities especially created to foster economic development. These corporations have specific objectives and are run as businesses to meet a community need. Local involvement in identifying potential ventures and supporting them leads to jobs that become part of the fabric of the community. These ventures are the result of local enterprise and economic growth, and depend on the community's continuing capacity to generate and maintain business. Because they answer both social and business needs, they can be a powerful tool in promoting community regeneration and self-reliance.

Job Creation Programs

Job creation programs have come in all shapes and sizes, and have attempted to address a large number of specific problems. The programs have always been considered a temporary response to an unemployment crisis and funds have been continually reallocated to direct job creation, in spite of increasingly widespread recognition that these programs have had little success. Job creation or make-work programs were criticized at the hearings for a number of reasons. It is virtually impossible to plan and commit funds for the longer term because of the short-term nature of the projects. Those approving projects have inadequate knowledge of local conditions. The difficulties of coordinating projects that span the mandate of more than one department can frustrate local initiative. Finally, the disbursement of job creation funds is seen as too political.

"Rather than taking the traditional job creation approach . . . look more in terms of developing an economic base. For instance, job creation monies go into non-traditional occupations. Here in New Brunswick a number of small entrepreneurs do not have the access to financial developmental monies that larger businesses may have." (Fredericton Anti-Poverty Organization, Fredericton hearings)

"Based on certain experience of European communities in recent years, municipalities could begin to adopt local economic development programs that attempt to plan new types of industries in their communities, and attempt to ensure that investment is put to productive use, meeting both municipal and local needs and the long-term growth needs of the economy." (Social Planning Council of Metropolitan Toronto, Toronto hearings)

"We have, for example, a used-clothing store, for which after three or four years we have managed to get federal funding, but which was funded locally for start-up. 'At Your Service' is a restaurant-training program; 'K-Team' is a group of moms that have gotten together and are actually providing full-time employment now for approximately 30 persons a year." (Regional Municipality of Ottawa-Carleton, Ottawa hearings)

"Fostering the start-up and growth of local enterprises that are rooted in the community is the only hope for permanent employment in those regions of Canada currently enduring high unemployment levels. Furthermore, such policies seem far more humane and socially responsible than 'encouraging' migration out of the regions." (Canadian Federation of Independent Business, written brief)

"I believe that short-term job creation is immoral. It is treating people like things. It is herding people through a shuttle bus of make work, UI, make work, UI, to avoid the welfare system. I think the approach lacks honesty, dignity, realism and basic human caring."
(Pastoral Institute of Northern Ontario, Sudbury hearings)

"Don't add more objectives to the UI program. Its objectives must be limited to: insurance, labour exchange and job-related training. We are concerned that the UI mandate be restricted to those things and is not made to include an array of job creation programs whose secondary and long-term effects are not properly understood or necessarily aimed for when the programs began."
(Conseil conjoint Numéro 91 des teamsters du Québec, Montréal hearings)

For years, the federal government has, with the best of intentions, tried to reduce unemployment and to help individuals and communities by creating short-term jobs in make-work programs run from Ottawa. It has not changed anything in the long run, except to create dependency. Short-term direct job creation efforts should be dropped in favour of a long-term employment and community economic development strategy.

The policy of valuing job creation above all other considerations has not served Canadians well. In future, regional and industrial economic development funds should be used to encourage entrepreneurs and promote competitive enterprises. In the long run, that approach will create more lasting jobs.

Finally, the Unemployment Insurance program is not an appropriate vehicle for the delivery of job creation policies. All the unemployed, and not just those unemployed workers who qualify for Unemployment Insurance, should have access to these programs. Furthermore, the inclusion of job creation within the Unemployment Insurance program – even though it is funded by general revenues – distorts the perceptions that the public has of the program. Thus, job creation should be taken out of the Unemployment Insurance program.

Income security programs in Canada can be divided into three distinct categories or tiers. The first tier consists of *income support programs* such as social assistance and the Guaranteed Income Supplement. The second tier includes *income supplementation programs* such as Old Age Security, Family Allowances, the Child Tax Credit, and programs operated by certain provincial governments. The third tier consists of *social insurance programs* such as Unemployment Insurance, the Canada and Quebec Pension Plans, and Workers' Compensation. Although Unemployment Insurance is a social insurance program, the regionally extended benefits portion of Unemployment Insurance is a form of income supplementation.

Everywhere in Canada today, Unemployment Insurance supplements the incomes of short-term and seasonal workers through regionally extended benefits. When regionally extended benefits were introduced, it was assumed that they would be restricted to specific regions with particularly serious unemployment difficulties. Over time, however, the level of unemployment has risen in every region of Canada and, as a result, some level of regionally extended benefits has been paid in every region since 1981.

The unfairness of this restricted income supplementation program is clear. Persons who have been unemployed for longer than 25 weeks suffer the same degree of hardship whether the unemployment rate in their region is 4 percent or 10 percent. In high unemployment areas, regionally extended benefits mean that 10 weeks of work can result in 42 weeks of benefits. In other regions with different entrance requirements, 10 weeks of work earn no benefits at all.

When regionally extended benefits are analyzed as a form of income supplementation, it is clear that they are not well designed to meet that objective. This is true for a number of reasons. Unemployment Insurance is not an efficient method of redistributing income. Only 11 percent of benefits go to families with incomes below \$10,000. Almost 20 percent of benefits go to families with annual incomes of \$40,000 or more. Unemployment Insurance cannot make insufficient earnings adequate, because it replaces only part of the income lost during unemployment and provides no benefit if there is no interruption in earnings. Furthermore, the tax dollars which pay for regionally extended benefits are not directed to all who are in need of a supplement but only to individuals who have obtained at least 10 weeks of insurable work. Finally, this tax money is directed to individuals rather than to communities or regions;

"We believe that the administrative connection of UI with other programs, particularly social welfare schemes, should not be allowed to confuse or alter the primary objective of the program. UI is social insurance, not social welfare." (Labourers' International Union of North America, written brief)

"UI wasn't designed to be a support and supplementation system. It's not targetted to low income; it's never going to be very useful as a support program. It's not targetted; it's based on your earnings right now. It also doesn't apply to people who are not in the labour force, and that's most of the people living in poverty today." (Canadian Council on Social Development, Ottawa hearings)

"Only 16 percent of the Unemployment Insurance payments go to those below the poverty line; 84 percent go to the haves." (Ontario Provincial Council of Labour, written brief)

"The UI program is designed to provide workers with earnings-related benefits in the event of unemployment; it is not designed to provide all Canadians with a minimum level of income; nor is UI designed to redistribute incomes on a vertical basis. The risk associated with unemployment is not simply the risk of deprivation in an absolute sense; it is the risk of losing the standard of living that has been established on the basis of pre-unemployment earnings. This risk remains unaltered no matter how many earners there are in a family." (Canadian Labour Congress, written brief)

"If remuneration from employment is not enough, it is to be supplemented by other means of social protection. Everyone has a right to a standard of living adequate for the health and well-being of himself and his family." (Saskatchewan Association on Human Rights, Regina hearings)

"What we believe we are doing is talking about two different things: one being a program that was designed to provide insurance for a period of short-term layoff or short-term unemployment; the other being a government social agenda that has caused that program to depart significantly from what it was originally intended to be. If our intention is to turn UI into a social program, then let's come out and say that this is no longer an insurance scheme - this is a government social program; we are going to fund it from general revenues and we are going to tax you on that basis." (Western Grain Elevator Association, Regina hearings)

it does not address the need to build up the economic base of the region and to decrease unemployment. Regionally extended benefits are a palliative, not a cure, and do nothing to change the basic problems facing the unemployed in these regions, or the communities in which they live.

If regionally extended benefits were replaced by a separate earnings supplementation program and appropriate economic development initiatives, Unemployment Insurance could serve its legitimate social insurance role. The role of Unemployment Insurance is to stabilize a person's income in some measure. Any attempt to make Unemployment Insurance do more will lead to inconsistencies and inequities.

The removal of regionally extended benefits, along with other changes recommended in this report, could make available approximately \$3 billion to help fund an income supplementation program and the other human resource development programs proposed here. What proportion of these savings should be used for supplementation and what proportion should be devoted to educational upgrading or community economic development initiatives is a matter for debate and decision by politicians. There is no single best answer to these choices.

A Canadian Earnings Supplementation Program

An income supplementation program cannot be discussed in isolation. The characteristics of any supplement will depend on a multitude of features in social security benefits and in the tax system that materially affect its adequacy, its cost and the distribution of benefits.

Four provinces already have supplementation programs and all provinces are vitally interested in any program that might help unemployed employables who now depend on social assistance. The introduction of any supplementation plan should presumably follow federal-provincial discussions and should result in bilateral or multilateral agreements that reflect different provincial concerns. Thus, it might be appropriate to consider a group of supplementation plans instead of one uniform plan applicable across this diverse country.

Any earnings supplementation plan should improve the options open to a person struggling to establish self-sufficiency through participation in the labour force. It should be designed to ensure that an individual's total income goes up significantly when earnings are increased and should have a low and consistent tax-back rate. Instituting a new Canadian Earnings Supplementation Program would involve major reform in one sector of the income security system and would improve the integrity of the Unemployment Insurance program by allowing it to return to its appropriate role as social insurance.

It is generally accepted that better education contributes to a better life. Education enhances the ability to alter one's course in a rapidly changing world. While the unemployed need to improve their chances of getting into the work force, the employed need to maintain their employment in the face of changing skill demands. The inability to foresee the future with precision and certainty only strengthens the importance of being prepared.

Canada's capacity to adjust to change, particularly the kind of change that is generated by competition in world markets and by technological advances, is inextricably linked to the ability to develop an appropriately educated and trained labour force. The country needs people with skills and the capacity to adjust effectively to changing requirements. Failure to respond to this challenge will result in lost opportunities for all Canadians and will doom the least successful to a marginal existence on Unemployment Insurance and social assistance. It is therefore essential that education, training and retraining form the foundation of an integrated approach to the development of the nation's human resources.

Many participants in the hearings saw grave problems in the way that the educational system prepares Canada's youth – or rather fails to prepare them – for the labour market. Youth between the ages of 15 and 24 account for 36 percent of total unemployment and only 21 percent of employment. An even greater concern, however, is the likelihood that youth who are unemployed may remain ill equipped to function in the labour market for many years to come. There is good reason to place some faith in education as a factor in reducing unemployment. Census data for 1981 show that, for those without high school diplomas or equivalent trade certificates, unemployment rates were 72 percent higher than the rates for other groups with those qualifications or better. A determined effort to raise the level of schooling at the secondary level could pay high dividends.

Young people who drop out of school before graduating risk joining the ranks of those whose employment is likely to be marginal, part time and sporadic. They are prime candidates for long-term unemployment. These young people need a comprehensive program that will allow them to attain education, skills and work experience. This program needs to be flexible, locally based, and to combine education and work experience. For young Canadians who lack the necessary educational and employment skills for steady and satisfying work, the development of a Youth Opportunities Program would provide an alternative to unstable

"In many cases over the past number of years they have trained people for jobs that don't exist." (New Brunswick Federation of Labour, Moncton hearings)

"The dropout rate before graduation from high school is as high as 50 percent and that really is a bit of a shocking statistic." (Canadian School Trustees' Association, Ottawa hearings)

"In Thunder Bay the level of functional illiteracy has been assessed to be as high as 30 percent. And in the small communities outside of here it is often quite a bit higher. So people do not understand the forms." (Kinna-Aweya Legal Clinic, Thunder Bay hearings)

"The average age of the recipients of social assistance is dropping like a stone. A full 35 percent of our recipients are now under the age of 24." (Regional Municipality of Ottawa-Carleton, Ottawa hearings)

"Reports from field staff also show that an increasing number of young people are in the 'high risk' category – undereducated (severe difficulties in literacy and numeracy), delinquent, etc." (OPCAN, written brief)

"When Wayne Tebb visited a lumber camp in northern Ontario five years ago, he noticed a large number of workers were wearing band-aids. Ironically, confided an embarrassed foreman, the injuries coincided with the company's new safety campaign. He went on to explain that management had been puzzled – until it realized that the workers had been imitating the illustrations on the safety posters: they had been unable to read the messages printed underneath telling them *not* to do the things shown." (Morton Ritts, "What if Johnny Still Can't Read?" *Canadian Business*, May 1986, p. 55)

"In the Territories we are training people – supposedly on the assumption that they are going to gain employment. And we find that we are training truck drivers and there are no jobs. Either there are no trucks or there is no use for the trucks. So maybe the problem is that there has got to be a relationship between training and what we are training people for." (Yellowknife Chamber of Commerce, Yellowknife hearings)

and low-paid work, unemployment and social assistance – an alternative to frustration and dependence. It would be targetted at those lacking the necessary academic qualifications and interest, and would give them an innovative second chance to develop their capacities.

In addition to helping more youth complete high school, something must be done to help the millions of adult Canadians who are functionally illiterate. The inability of almost a third of the adult population to deal with language, numbers and concepts at the necessary level has considerable human and economic costs. A concerted campaign to eradicate illiteracy and innumeracy should be undertaken.

At the public hearings, employers stated that they needed workers with general skills, able to adapt and learn new technical skills as job requirements change. This suggests a shift away from the current emphasis on specific skills training to a concentration on ensuring that all workers have the ability to learn new skills and to handle problems and thus to adapt to changing demands in the labour market. Training programs and funding arrangements should be modified to assign high priority to providing courses in functional literacy, basic training for skill development, and educational upgrading; to recognize programs that enable functionally illiterate workers to gain basic literacy skills as a legitimate component of on-the-job training; and to replace the current funding system with an arrangement that will increase the relevance and responsiveness of training institutions to the labour market.

Section 39 of the Unemployment Insurance Act provides benefits to recipients who undertake full-time training in courses approved by the Canada Employment and Immigration Commission. Many participants at the hearings criticized the limited scope of Section 39 and the consequently rigid criteria for skill-training courses available to claimants. Merely loosening the strictures of Section 39 is not a satisfactory answer to the problem. Employment training is a valuable activity for all unemployed Canadians, and it should not be funded directly from employer and employee premiums nor limited to those who qualify for Unemployment Insurance benefits.

The choice of a future, for individuals and for Canada, can be greatly enhanced through investment in education. For the individual, developing literacy and employment skills will improve opportunities in the labour market. Upgrading the basic skills of the labour force will improve Canada's ability to compete internationally. The suggested mix of remedial and preventive recommendations will require additional resources. Efforts to achieve a minimum standard of education, to eliminate adult illiteracy, and to establish a Youth Opportunities Program would be appropriate uses for some of the savings generated by the proposed design of the Unemployment Insurance program. Money spent on education is a wise investment.

Gail Morriscey, Welder, Ottawa, Ontario

Ms. Morriscey is a woman who successfully used the Canada Employment and Immigration Commission's career counselling and training programs to learn skills in a non-traditional occupation and increase her opportunities in the labour market.



I've been a waitress, sales clerk, cashier . . . even worked in construction and demolition. When I was 22, I wanted to find an occupation but didn't know what to choose. I went to Manpower, took three hours of tests, and spoke to a counsellor. The counsellor exposed me to all the kinds of things I could do and told me that I could do especially well in either drafting or computers.

First I thought I'd try drafting. I upgraded my math and passed grades 11 and 12 . . . But after waiting two years to get into community college, I wasn't getting anywhere. I went to Manpower and spoke to the counsellor again and this time she got me into the INTO^a program. From all the choices that we discussed in those classes I decided that I was interested in trades. I went into the welding shop and I guess that really struck something with me . . . I really liked it. So then I took welding under the WITT^b program.

Now I'm a member of the women's advisory committee for the WITT and PATH^c programs at the community college where I took the courses. We review the courses themselves, make suggestions, volunteer time a couple of times a year to help the program and people coming after us.

At the beginning of my training I worked part time as a waitress and received a training allowance. But the later programs were quite a handful . . . There was too much pressure . . . So I stopped working and collected UI.

Deciding to become a welder hasn't paid off for me financially, but that doesn't mean that all the trades are that way. I have been welding for close to two years and I'm getting to the point where it's difficult to move ahead. In Ottawa, without a union a good welder with a lot of experience would be lucky to make \$9.00 an hour . . . I don't make that much. And the working conditions aren't very stable. So now I'm thinking of doing something else.

I'm still thinking non-traditional in my head, because of the schooling, the training and all the knowledge I've gained from the programs. I really am glad I took them . . . I feel I'm sort of one step ahead of a lot of other women . . .

The counsellors were there if I ever needed to speak to them. I am glad to have had the financial support. That made quite a difference. It would have taken me a lot longer to go through things without that. But this time, I don't really want to take a training allowance or anything like that. I'd like to do it myself if I could. I feel that Manpower has helped me quite a bit and I don't want to continue relying on them to retrain me.

I recommend non-traditional occupations to other women, especially when I know they're working in dead-end jobs. I feel that I can take things that are challenging. I've got a different attitude now . . . It's more positive. I feel that I can handle a lot more.

a Introduction to Non-Traditional Occupations.

b Women in Trades and Technology.

c Path into High Technology.

Serge Martineau, Audio-Visual Communications Specialist, Montréal, Quebec

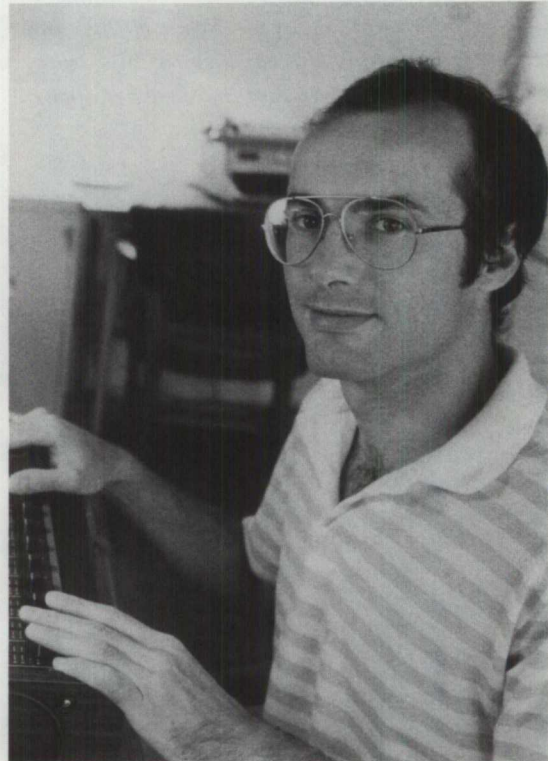
Mr. Martineau discusses the inequities of wage subsidies and the dead-end nature of many job creation programs.

After I got my bachelor's degree in communications, I was lucky enough to get a one-year contract as a radio producer right away. Unfortunately, after six months my job ended because of budget cuts and I ended up on Unemployment Insurance. For me, Unemployment Insurance represented a temporary stage before finding another job in communications. I gradually became less optimistic and began to realize that it might be difficult to find work in my profession as a producer.

One day, out of the blue, the Employment Centre for Professionals and Executives suggested I apply for an unskilled job as a technical assistant in electrotechnology in a local NEED^a project. That meant going from being a producer, supervising technicians, to being their errand boy.

In spite of everything I accepted the job, with the idea that I could find a way to carve out a place for myself in the company. . . The job lasted six months. After that, I took courses, worked for a community radio station and worked in various temporary help jobs. At present, I am a house-cleaner. . .

I still resent the way Employment and Immigration treated me. You see, the job they found me paid less than the going rate. I was paid \$210 a week, \$71 less than other employees performing the same duties. Why? . . . Simply because the others were regular employees and I was hired temporarily through the NEED program sponsored by Employment and Immigration Canada. This program in fact helped the employer to lower wages for other employees. . . Another participant in the NEED project was a former employee who could get his contract renewed only under the NEED program, and so earned \$71 a week less than he got before.



You might say it's better to earn \$210 a week than to be on UI . . . and in theory, it is. However, when benefits amount to \$218 a week, there isn't much incentive to go to work for wages of \$210. In fact, the loss is greater than \$8 since more deductions are taken off wages than off Unemployment Insurance benefits, and that's not counting work-related expenses like clothing, transportation and food.

Employment and Immigration Canada should be better managed, with more coordination between job creation and Unemployment Insurance programs. They should work it out so that a claimant who goes back to work and stops receiving benefits doesn't have his income reduced, as I did.

^a a National Employment Expansion and Development program.

The future will place more and more demands on Canadian workers to adapt to a changing environment. Public policies and institutional practices will have to become more flexible because of the growing participation of women in the labour force, the effects of declining birth rates, the rising number of single-parent and multiple-earner families, and the aging of the population. Unemployment Insurance must also be adapted to meet new needs arising from these trends.

Flexibility in the workplace means that other patterns of working are possible in addition to the conventional pattern of one person one job, 9 to 5, five days a week, 52 weeks a year except for vacation. It could include work sharing, working part time, working less than 40 hours a week, working less than five days a week, retiring before age 65 or working after age 65. Indeed, since the entire structure of the economy is in transition, more flexible arrangements on the job may ease adaptation to a more stable and thriving economy. In other words, more flexible work arrangements may, in and of themselves, lead to a drop in unemployment and therefore to a more efficient use of Unemployment Insurance.

Adjustment to changing labour market conditions is more likely to affect workers with a substantial attachment to a given firm, workers in rural or less developed areas of the country, workers with inadequate education or out-of-date skills, workers in declining occupations, and older workers. Labour displacement in declining industries and in depressed regions, for example, often involves large numbers of people. It is sometimes in everyone's long-term interest that jobs, plants or workers be relocated, no matter how painful the adjustment may be in the short term for those involved. In spite of its importance, mobility is not a panacea for solving labour market problems. In an economy increasingly characterized by structural unemployment, another key policy element must be the degree of flexibility in labour adjustment.

Special mention must be made of part-time employment because of its growing importance over the last decade. In 1985, over 1.7 million persons – 15.5 percent of those employed – held part-time jobs in Canada; and this trend toward more part-time jobs is expected to continue. Most part-time workers contribute a substantial share of total household income. Earnings from part-time work are needed for essentials, particularly in families with dependent children. Loss of a part-time job can mean real and severe hardship.

In many cases, part-time workers do not receive Unemployment Insurance benefits when they lose a job or are temporarily without

"There is a pool of workers in this country who would voluntarily select the option of working part time, if conditions and benefits in all respects were equal to those of full-time workers. In particular, this is true of some employees in high-unemployment areas, or where there is limited availability of adequate child-care facilities, or for those pre-retirees who may gradually want to ease their way out of the job market." (Economists, Sociologists and Statisticians Association, written brief)

"We view work sharing somewhat differently. We wish, above all, that there were no need for such programs, but our experience has been that many of our members benefited from these initiatives. For the time being at least, while unemployment levels are so high, we recommend preserving the program." (Amalgamated Clothing and Textile Workers Union, Toronto hearings)

"I think what you have to look at is the amount of overtime last year, because there are people not working in this town and there are people that are getting overtime. Where do you balance it out?" (Burlington Chamber of Commerce, Hamilton hearings)

"There are some real shortcomings in the UI Act in the way it provides benefits to part-time workers. The majority of people who work part time are young people who are trying to break into the labour market and women who are trying to re-enter the market. And in the North there may well be a higher percentage of native people in part-time work as well." (Northwest Territories Federation of Labour, Yellowknife hearings)

"We urge the elimination, or at the very least the reduction, of the minimum levels of weekly employment required for part-time employees to qualify for participation in the UI program." (College-Institute Educators' Association of British Columbia, Vancouver hearings)

earnings. Unemployment Insurance regulations require that a person must have worked at least 15 hours a week for the same employer to be eligible for coverage. As a result, in 1985, 6.6 percent of all workers (40 percent of part-time workers) were ineligible for Unemployment Insurance benefits because they worked fewer than 15 hours a week. The average part-time employee works only about 14 hours a week.

This requirement means hardship for the many families that depend on part-time earnings for basic necessities. It is also unfair. A person who regularly works 14 hours a week over 50 weeks will have worked 700 hours by the end of the year. So will a person who works 35 hours a week for 20 weeks. Why is one eligible for Unemployment Insurance and not the other? These issues are particularly important to women, who comprise 72 percent of all part-time workers. To accommodate the growing importance of part-time work, the minimum eligibility requirement should be reduced to 8 hours and the feasibility of providing coverage to all part-time workers should be examined.

Greater flexibility expands the range of genuine personal choice and provides greater freedom for workers. What is needed in the labour market is a flexible approach which facilitates individual choices.



Unemployment Insurance:

Part of the Solution or Part of the Problem?

Canada is seen as a wealthy country with a social conscience, and while Canadians believe that no one should be left to starve, there is debate about how much financial security is enough, about whether Unemployment Insurance is the proper way to provide it, and about who should be eligible for what kinds of income protection. Whether or not to have Unemployment Insurance is not in question. The question is how the program should be designed and what needs it should meet. Most Canadians strongly support Unemployment Insurance as a short-term income security program for those involuntarily out of work, but there is considerable debate across the country about the meaning of *short-term, income security, involuntarily and out of work*.

Throughout the consultations there was universal condemnation of the complexity of the Act and regulations, as well as strong and opposing views on the nature and purpose of the program itself. Some saw the program as attempting to meet too many social objectives and called for a return to insurance principles. Others wanted these social aspects of the program to be expanded. The issues raised in the consultation process focussed the field of debate on the following themes.

The Program Is Unfair

Workers with similar work histories but living in different regions are treated differently. Some part-time workers are not covered because they work for more than one employer. A high-wage worker can work for a short time and receive more in benefits than a low-wage earner who worked for much longer, even though they earned the same and paid the same premiums in total. While some suggested special provisions for special groups, briefs and presentations emphasized again and again that those in similar situations should receive similar benefits. One single issue generated far more response from the general public than any other – the January 1986 changes to Unemployment Insurance regulations by which pensions are treated as earnings while on claim, reducing benefits for many claimants.

The Program Has the Wrong Incentives

The present system discourages individuals from accepting a new job at lower pay. For workers, there are diminishing returns for working more than the minimum number of weeks needed to qualify for benefits and disincentives for accepting temporary work while on claim. For businesses, the system makes it easier to lay off workers than to share the work. We were told about industries which use Unemployment Insurance as part of their regular business plan – the “regular layoff

“Provide the option for a four-day work week.” (National Council of YMCAs of Canada, written brief)

“Anyone who is covered by the plan pays premiums into the plan and should be treated with equity rather than being used as an exception.” (Alberta Teachers’ Association, written brief)

“The system invites numerous abuses which are, in fact, perfectly rational responses to a perverse system which encourages a dependency syndrome and gives credence to the notion that there is a right to public assistance.” (Chambre de commerce du Québec, written brief)

"In many of these communities, Unemployment Insurance and social welfare are interchangeable and you go from one to the other. That is just the way it works. They are a package. In fact, you know very well that provincial governments organize programs to get people off social welfare – 10-week work programs and that – so they can get them onto the federal payroll as opposed to the provincial payroll." (Canadian Pulp and Paper Association, Ottawa hearings)

"Regional benefits are the source of the greater part of the incentive problems in the current Unemployment Insurance system. To reduce the extent of these problems, it is necessary to restore a closer link between time worked and the length of eligibility for benefits." (Fisheries Council of Canada, written brief)

"The concept that the person who pays the freight should have some influence in how the goods are delivered applies here, and our membership would feel that way. (Saskatchewan Chamber of Commerce, Regina hearings)

"Humanize the administration of Unemployment Insurance: humiliating interviews, lengthy delays in processing, incomprehensible benefit structures, meaningless job search requirements, inadequate appeal procedures and lack of funding for unemployment centres do absolutely nothing to improve the situation, but only increase alienation from government and government agencies." (Canadian Union of Public Employees, written brief)

syndrome." We were told about the "10-week syndrome" – governments, employers and employees in some areas cooperating to ensure that as many in the community as possible get 10 weeks of work in order to qualify for 42 weeks of benefits.

It's not an Insurance Program Anymore

Regionally extended benefits were seen to be a system of income supplementation or redistribution, not social insurance. The reference to "social insurance principles" reflected real and important concerns across a wide spectrum of views. For employers, it meant a responsible and solvent Unemployment Insurance program. For employees, it meant a program based on earned entitlements and, hence, protection against the stigma of welfare – in other words, it meant self-respect. Debate about which risks should be insurable focussed on the issue of providing benefits to seasonal workers, to those who leave their jobs voluntarily, and to the self-employed. Some participants also questioned the provision of benefits for maternity and sick leave, for training programs or for job creation purposes.

The Government Runs the Show

Employer groups and labour unions both expressed a strong desire for the program to be returned to the control of employers and workers. Greater freedom from government control was seen as necessary in order to re-establish the integrity of Unemployment Insurance as a social insurance program and make it more responsive to the needs of its clients.

The Program Is Administered Inefficiently and Delivered Insensitively

The need to accept Unemployment Insurance benefits is an unhappy experience for most individuals. Their unhappiness mounts when their needs and feelings are ignored, when they find the system confusing, when decisions about their eligibility for assistance seem arbitrary, when cheques are delayed, when errors are made, and when appeals can take months or years and decisions are handed down with little explanation.

The difficulties of those working in the system were apparent, as were those of employers. Both complained about the complex and confusing nature of the legislation, regulations and policy directives. The Record of Employment was identified as a significant source of errors and delays, a form which takes up an inordinate amount of employers' time, and that of Canada Employment Centre staff. Its complicated definitions and confusing procedures have become a symbol of the inadequacies of the program for many employers.

Any reform must start from a given situation. Unemployment Insurance at present incorporates a relatively low entrance requirement. In most of Canada, claimants must have worked 10 of the previous 52 weeks. It also incorporates – also fairly generally across the country – a maximum benefit duration of one year. These are two features of the program to which Canadians are accustomed and which are very important to many of them. Not every Unemployment Insurance system in the world has these two features. Their adoption in Canada was to some extent an arbitrary decision, but they have become such familiar characteristics of the program that they constitute the starting point for any proposal for reform.

The reasons for a one-year maximum duration of benefits are probably more valid now than when it was first adopted. The continuing and profound structural changes in the economy and in the labour force have created a greater need for longer-term income maintenance. There is no reason to believe that this need is artificial or the benefits abused. The difficulty that some individuals experience in returning to employment is genuine and one year of benefits is needed. The knowledge that protection is there is what gives meaning to the term “social security.” Furthermore, one year of benefits is not inconsistent with the practices of other industrialized countries. In some countries where Unemployment Insurance benefits are limited to six months, they are normally followed by an unemployment assistance program, similar to an income supplementation program.

The second characteristic of the current program is the low entrance requirement of 10 weeks for most regions. Some systems – notably in the United States but also in Europe – incorporate a six-month entrance requirement, very much like the 20-week entrance requirement proposed by the Macdonald Royal Commission. In effect, that requirement disqualifies almost all short-term and seasonal workers. These are examples of an approach to coverage that relies upon setting up different categories of workers and subjecting them to different rules. The current program, however, also places workers in categories, as illustrated by the complicated structure of variable entrance requirements and the multiple benefit phases. These categories create unfairness and complications that make the program obscure and difficult. For these reasons, the proposed reform rejects the practice of placing workers into many categories, each with different rules, and supports an open program with a low but uniform entrance requirement.

“Seasonal workers may put in long hours over a short period of the year, earn a good income, then draw benefits during their idle period. This practice goes directly against the original intention of the Act, which was to provide assistance to bind over those in between jobs.” (Stewart Sutter, written brief)

“We feel that this is an essential first step in philosophy, that Unemployment Insurance again be established for what it should be, an insurance benefit which is a person’s right to claim, based on past contributions, with appropriate eligibility requirements and limitations related solely to involuntary loss of employment. We believe it essential to establish firmly again in people’s minds that this is not a program for redistribution of income, an easy substitute for available gainful employment or a vehicle to avoid contributing meaningfully to society.” (Mechanical Contractors Association of Canada, written brief)

"The main goal for a construction worker today in this region is to obtain 10 weeks of full employment so that he can qualify for benefits for the rest of the time while he is waiting to get his next job." (Cape Breton Island Building and Construction Trades Council, Glace Bay hearings)

"Insurance benefits should be payable only to employees with an extended connection to the paid work force, with the length of benefit entitlement directly tied to the number of weeks worked during the past year." (Canadian Organization of Small Business, Toronto hearings)

"Don't you think that 400 hours of work in a year, whether it is done continuously without sleeping and within three weeks, or whether it is done over 50 weeks, is 400 hours of work? And it should be insurable and allow someone to derive the same benefits?" (Provincial Advisory Council on the Status of Women, St. John's hearings)

What is important to realize is that the need for a program with both long benefit duration and low entrance requirements creates a difficult problem. Once the worker categories and complex rules are eliminated, a new approach called "Annualization" appears distinctly as the best answer – and is indeed the only way to reconcile these two characteristics within the context of a viable and affordable program. The virtue of the Annualization approach is that, in its reliance on a uniform rule, it effectively relates total benefit entitlements to the length of each worker's attachment to the labour force. A low entrance requirement is retained and so is a long maximum benefit duration but, by linking past earnings (and hence past contributions) to total benefits payable, it can dispense with categorization and complicated rules.

Annualization

The development of the proposed new approach was guided by the desire to preserve the essential objective of Unemployment Insurance as a social insurance program that provides temporary replacement of earnings to those who lose their jobs or have their employment interrupted.

Moving to Annualization in the calculation of benefits means basing the benefit level on all insurable earnings over the previous 52 weeks and paying benefits for up to 50 weeks. An additional component of the new program is the Cumulative Employment Account, which will permit workers with long-term employment and Unemployment Insurance contributions to build up additional credits to be used only under specific conditions.

The proposal is as follows:

- There would be a uniform entry requirement of 350 hours of work (roughly equivalent to 10 weeks) which would apply to all workers, including those applying for sickness and maternity benefits, as well as new entrants to the labour force, re-entrants and repeaters.
- Benefits would be based upon average weekly earnings in the preceding 52 weeks and not, as now, on earnings in the preceding 10 to 20 weeks.
- Benefits would be paid in 50 weekly instalments after a two-week waiting period. This would eliminate the current practice of varying the duration of benefits according to weeks worked and regional rates of unemployment.
- During the transition period, consideration would be given to increasing the level of benefits from the current 60 percent to 66⅔ percent of insurable earnings.

The new program would be phased in over a period of four or five years. The transition has been designed in stages so that it can be accomplished gradually as circumstances warrant. One possible method is to move toward Annualization "a quarter at a time." The earnings base for benefit calculation would be 13 weeks during the first stage, 26 weeks in the second, 39 weeks in the third, and 52 weeks in the fourth. In

each stage, benefits would be calculated on the basis of average weekly earnings over the period specified, but would be paid over 50 weeks. It is envisaged that full implementation could be effected within five years.

In general, the change from the current system without regionally extended benefits to Annualization would increase benefits for those longer-term workers who are unemployed for a year or more and would reduce benefits for short-term and seasonal workers. These impacts are described in more detail in pages .

The Cumulative Employment Account

Adoption of Annualization would shift the focus of Unemployment Insurance toward full-year workers. It is recognized, however, that even a year of benefits may well be insufficient for the kinds of adjustment that some workers may find increasingly necessary. Older workers who are too young to begin drawing a pension but who are unable to find work because many employers consider them too old to be employable are a particular concern. It is proposed that a Cumulative Employment Account be established to provide assistance to them.

"Older persons who are victims of plant closures: we could list a number of clients who fall into this category. These people are the most deprived, the most disadvantaged of all. Something must be done for them. It is largely a question of adapting current programs which no longer have the scope and no longer answer the need." (Centrale de l'enseignement du Québec, Montréal hearings)

The proposed Cumulative Employment Account would increase benefits for long-service workers. It would allow a long-term contributor to build up credit in much the same way that automobile insurance policies give good drivers a no-claims bonus. Specifically, the Cumulative Employment Account would accumulate at the rate of two weeks for every full year employed. The account would build up slowly and would not be available until after approximately 30 years of employment. A full year would be defined as 2,080 hours, and those who worked for fewer hours in a year would accumulate credits on a prorated basis.

The uses to which benefits could be put would include the following:

- The Cumulative Employment Account could assist workers who suffer a number of layoffs in quick succession after many years of steady employment with the same company. Workers in this situation could choose to use the Cumulative Employment Account to top up their benefits to 66⅔ percent of their average weekly earnings over the previous five years.
- Workers could use their Cumulative Employment Account within 13 weeks of a layoff to top up benefits to 80 percent of their previous insurable earnings or to extend benefits to allow them to undertake training, retraining or educational upgrading; or to move to an approved location for employment or upgrading.

By its nature, the Cumulative Employment Account would pay benefits only after many years. In order to ensure that benefits become available immediately, it is proposed to start with a phasing-in period in which benefits would be based on the records of the Canada and Quebec Pension Plans, which go back to 1966.

The Impact of Changes

The Commissioners agreed, and repeatedly confirmed at the hearings, that this Commission of Inquiry should avoid becoming a pressure group lobbying for either lower or higher public expenditure in this area. It concentrated instead on ways to ensure that the money now devoted to Unemployment Insurance and related programs be more efficiently spent and fairly distributed.

The recommendations of this report, taken together, represent a fundamental shift in government responses to the problems of unemployment. These recommendations embody the view that Canada must invest in human resources and free funds to do so. With regard to Unemployment Insurance itself, the new approach restores equity, integrity, clarity, and administrative simplicity to the program. It also improves work incentives and provides broader coverage. While the new approach pays lower benefits to some classes of claimants, this can be termed a loss only if one assumes that Unemployment Insurance is the only way to help the unemployed.

The various human resource policies already described – and in particular the proposed initiatives in the area of regional and community economic development, education and training, and income supplementation – could easily cost more in combination than the savings resulting from a reform of Unemployment Insurance. The benefits to individuals and provincial economies are no less real – and a good deal more durable – than Unemployment Insurance benefits. This report makes no assumption about the particular combination of all these programs that governments might decide to implement. It merely points out the need for these programs and the financial resources which could be made available by changes in the current Unemployment Insurance program.

Among the reasons why precise recommendations are not made is that appropriate solutions to the problems of unemployment are more likely to emerge at the provincial or local level than at the national level. This means that there must be greater flexibility in the way that funds are allocated among different initiatives. In one region, earnings supplementation may be the most appropriate priority, whereas in another community economic development may be the most pressing need. And the appropriateness of various elements is likely to change over time. The details of the programs must be worked out through bilateral federal-provincial negotiations on a comprehensive human resource development strategy.

Figure 4
Estimated Effect of Annualization by Weeks of Insurable Employment

| Weeks of insurable employment | Number of beneficiaries in current program | Current Program | Annualization | Change |
|-------------------------------|--|-----------------------------|-----------------------------|--------|
| | | Benefits paid (\$ millions) | Benefits paid (\$ millions) | |
| Under 20 | 419,000 | 2,000 | 580 | - 71 % |
| 20-29 | 573,000 | 2,500 | 1,250 | - 50 % |
| 30-39 | 333,000 | 1,210 | 870 | - 28 % |
| 40-49 | 324,000 | 1,180 | 1,120 | - 5 % |
| 50 & over | 434,000 | 2,070 | 2,260 | + 9 % |
| Total ^a | 2,084,000 | 8,970 | 6,090 | - 32 % |

a Totals may not add due to rounding.
Note: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G of the full report for additional information.

Figure 5
Estimated Effect of Annualization by Duration of Unemployment

| Duration of unemployment (weeks) | Number of beneficiaries in current program | Current Program | Annualization | Change |
|----------------------------------|--|-----------------------------|-----------------------------|--------|
| | | Benefits paid (\$ millions) | Benefits paid (\$ millions) | |
| 1-10 | 367,000 | 260 | 200 | - 23 % |
| 11-20 | 359,000 | 830 | 590 | - 29 % |
| 21-30 | 362,000 | 1,440 | 920 | - 36 % |
| 31-40 | 350,000 | 2,030 | 1,160 | - 43 % |
| 41 & over | 524,000 | 4,410 | 3,210 | - 27 % |
| Total ^a | 2,084,000 ^b | 8,970 | 6,090 | - 32 % |

a Totals may not add due to rounding.
b Includes claimants with benefit duration of zero weeks.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G of the full report for additional information.

Figure 6
Estimated Effect of Annualization by Province

| | Number of beneficiaries in current program | Current program | Annualization | Change |
|----------------------|--|-----------------------------|-----------------------------|--------|
| | | Benefits paid (\$ millions) | Benefits paid (\$ millions) | |
| Newfoundland | 91,000 | 460 | 220 | - 52 % |
| Prince Edward Island | 17,000 | 90 | 40 | - 56 % |
| Nova Scotia | 83,000 | 380 | 240 | - 37 % |
| New Brunswick | 91,000 | 470 | 240 | - 49 % |
| Quebec | 628,000 | 2,890 | 1,890 | - 35 % |
| Ontario | 616,000 | 2,160 | 1,620 | - 25 % |
| Manitoba | 68,000 | 270 | 200 | - 26 % |
| Saskatchewan | 55,000 | 220 | 160 | - 27 % |
| Alberta | 177,000 | 740 | 570 | - 23 % |
| British Columbia | 252,000 | 1,260 | 890 | - 29 % |
| Total ^a | 2,084,000 | 8,970 | 6,090 | - 32 % |

a Total includes territories. Totals may not add due to rounding.
Notes: For regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G of the full report for additional information.

Figure 7
**Estimated Expenditures under Current System and after Full
 Implementation of Proposed Program**
 (Millions of 1985 dollars)

| | Current Program | | After Full Implementation |
|---|--------------------------------------|-------------------------|--------------------------------------|
| | Unemployment Insurance Account | General Revenue | Unemployment Insurance Account |
| Program expenditures | | | |
| Regular benefits | 6,170 | — | 6,090 |
| Regionally extended benefits | — | 2,800 | — |
| Sickness benefits | 221 | — | 221 |
| Maternity benefits | 437 | — | 437 |
| Work sharing (Section 37) | 13 | 12 | 25 ^a |
| Retirement benefit | 22 | — | — |
| Pension provisions | — | — | 100 ^b |
| Fishing benefits | — | 180 | — |
| Job creation (Section 38) | 71 | 62 | — |
| Training (Section 39) | 126 | 109 | — |
| Cumulative Employment Account | — | — | 700 ^c |
| Increased coverage of part-time workers | — | — | 100 ^d |
| Non-program expenditures | | | |
| Administration | 1,000 | — | 1,000 ^e |
| Interest | 500 | — | 500 |
| Total | 8,560 | + 3,163 = 11,723 | 9,173 |

^a Existing work sharing would be funded entirely from premiums.

^b This was the amount saved by the changes instituted in January 1986. It is therefore an overestimate of the cost of the proposed change.

^c The costing of this kind of initiative is necessarily imprecise. The current estimate of \$700 million is based on the assumption that 70 percent of exhaustees over age 55 would receive one year of additional benefits at \$15,000 a year.

^d This estimate is derived by assuming that part-time workers with between 8 and 14 hours have the same unemployment rate (an underestimate) and the same insurable earnings (an overestimate) as all workers so that the cost of this initiative is 1.2 percent of program costs.

^e No account is taken of reductions anticipated due to recommended changes in administration.

Source: CEIC *Statistical Bulletin*. Estimates prepared by the staff of the Commission of Inquiry on Unemployment Insurance.

As Figure 4 illustrates, Annualization greatly reduces benefits for those with only a few weeks of work and increases it for those employed for the full year.

The switch to Annualization progressively reduces benefits the longer unemployment lasts, up to 40 weeks. Beyond that, benefits are reduced by a smaller percentage, as shown in Figure 5. Thus, Annualization is least severe on those unemployed for short periods and those unemployed for very long periods.

Figure 6 shows how Annualization would affect provincial incomes. Quebec and the Atlantic provinces would suffer above-average losses, while losses would be below average in the rest of the provinces. In each case, the amount "saved" would be available in each province to fund other initiatives, as determined by the federal and provincial governments.

The overall financial consequences of the changes are summarized in Figure 7. Expenditures on Unemployment Insurance were close to \$12 billion in 1985. The elimination of regionally extended benefits, the switch to Annualization, and the introduction of the Cumulative Employment Account would mean that just over \$2.5 billion would be available to fund the range of initiatives which constitute the proposed human resource development strategy. This would be augmented by some \$570 million from existing short-term job creation programs. Thus, the overall total of funds available would be about \$3.1 billion.

As a result, provincial economies would continue to receive the same amount of funds as under the current program, but much of it would be transfers for earnings supplementation and community economic development and training, rather than transfers to individuals in the form of regionally extended benefits. It is estimated that provincial government expenditures on social assistance could rise on average by 5 percent over a period of at least five years. But the introduction of an income supplementation program would more than compensate for the increase.

In this regard, the report does draw a very strong conclusion. It is that Unemployment Insurance should no longer act as a form of income supplementation because the needs of the unemployed, and indeed of the whole economy, are much more fundamental than that. The unemployed need jobs, income assistance, skills and a broader range of options. Providing these is a better investment than current expenditures which are a form of income support.

Michael Broadhurst, Hotel Manager, Calgary, Alberta

Mr. Broadhurst's comments reflect many of the concerns raised by employers during the consultations.

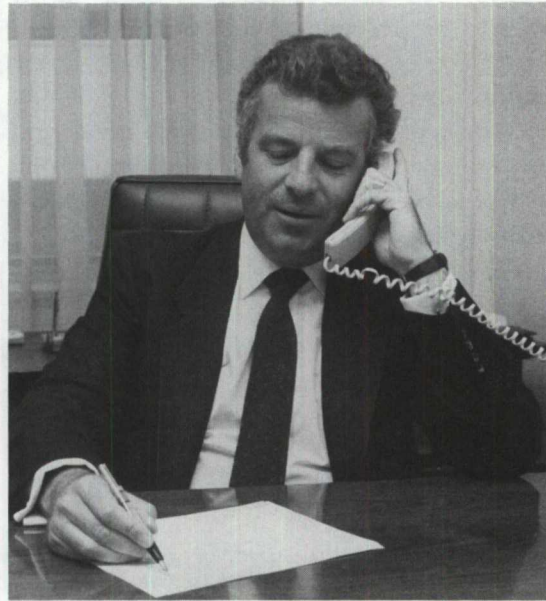
What I have to say about UI is the result of many years of experience in the hotel business in Canada, but I want to emphasize that it's my own opinion.

For the past two and a half years I have been managing a luxury 400-room hotel in downtown Calgary. Because we cater to business people our busiest times are in the spring and fall, although we certainly get a lot of summer business thanks to the Stampede. . .

The strong opinions I have about UI stem from what can happen after people are hired. Employees have come to my personnel manager and said they want to leave and asked to be laid off so that they can collect UI. Once an employee has said that kind of thing you have serious doubts as to whether their work will be as good as it should be, so some managers think there's no harm done in doing them the favour. But I do . . . I say that's my money. It's not the government that pays UI, but working Canadians.

I wouldn't get rid of UI. I think it's a good program for people who have lost their job and who need help until they find another one. But I don't think dishonest people should get away with living off other people's money for as long as they can. UI Commission workers should be tougher in applying regulations. Even if it cost quite a bit to police the system more closely, it would save money in the long run if it discouraged people from collecting UI when they shouldn't.

UI should be an umbrella to protect people from extreme consequences, not a huge blanket that covers everything. People who are out of work shouldn't have the luxury of refusing available work just because it's not quite in their field. I've been out of work too, and I strongly believe that you take whatever job you can get and look for something better while you're working. I think UI could work better as a top-up system, to bring your wages up to the level of your previous earnings, rather than stopping as soon as you get any kind of



job . . . That would encourage people to look for work instead of hanging on to pokey as long as they can.

I think it would be a good idea if the government sent a statement of account for the UI program to everyone at tax time. That way people could see what the deficit is and they would understand that UI is their program – that they pay for it. . . If people had more of a sense that UI was their program, they wouldn't put up with dishonesty and people hanging on to UI instead of looking for a job. UI doesn't encourage good work habits. People quit their job when they don't like it and give up looking when jobs aren't easy to find, because it's easier to draw UI.

If people want to stay in towns where there are no jobs, no industry, they shouldn't expect the Canadian people to keep them there. It's a luxury to live where you can't support yourself. . . I know it's hard for people to leave their home . . . But if there's no work and no money where you live, then you move to a place where there is work and money. It's happening all over the world – people moving from poor countries to places where there's a better chance. That's how Canada was built, by immigrants who worked hard trying to get a better life than the one they left.