

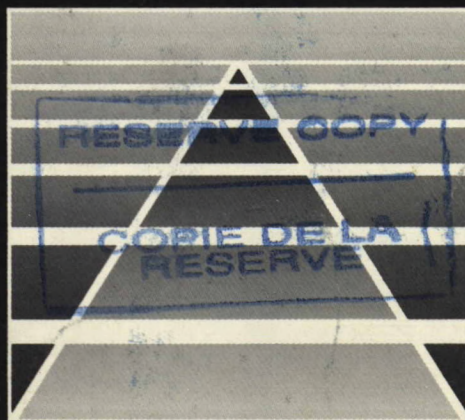
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Summary Report of the

Commission of Inquiry on

Unemployment Insurance



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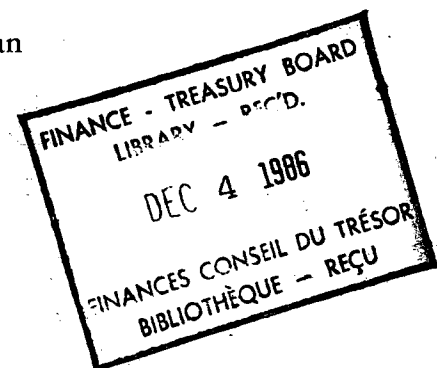
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Summary Report of the

Commission of Inquiry on

Unemployment Insurance

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November 1986

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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.

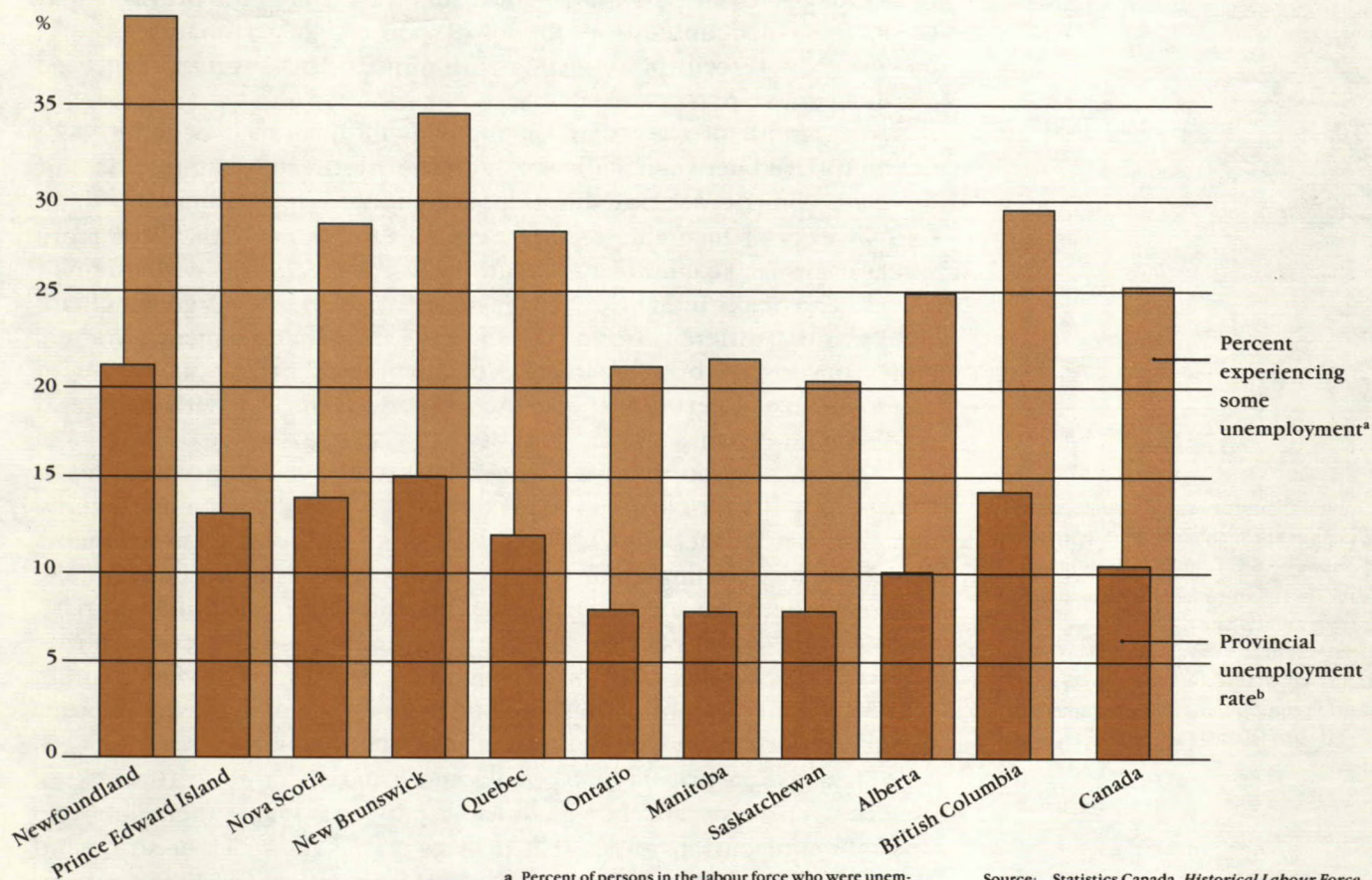
Since 1975, all provinces east of the Ottawa River have had unemployment rates above the national average, and the same higher rates have recently existed in British Columbia. In many cases the higher unemployment rates of certain provinces still underestimate the economic difficulties found there. Provinces 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.

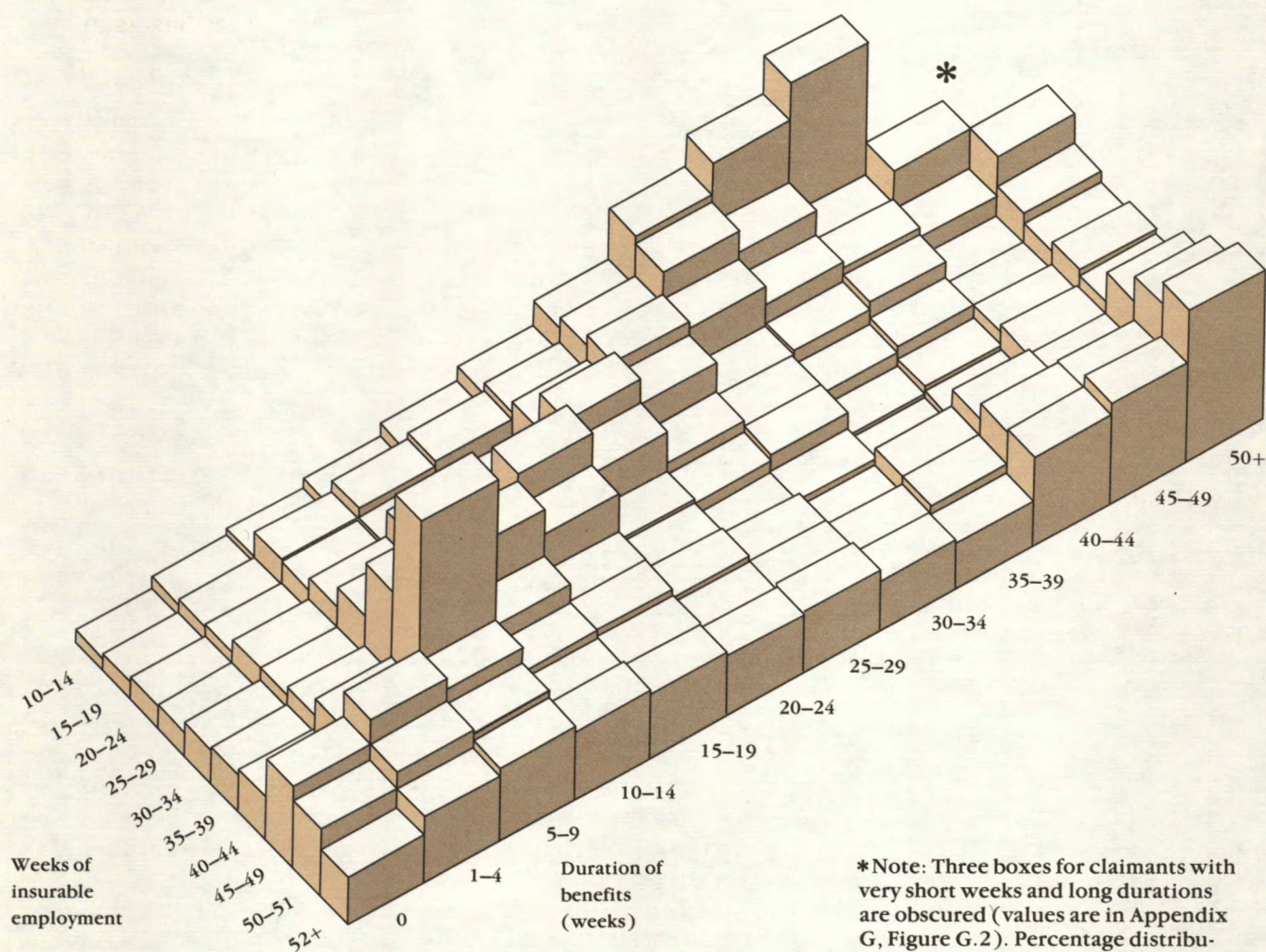
The length of time that Unemployment Insurance benefits were drawn differed between claimants with short-term and long-term labour force attachment. Average durations were longest for claimants with 10 to 14 weeks of insurable employment and for those with 52 or more weeks of insurable employment and 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 Kaminiski, 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 targeted to low income; it's never going to be very useful as a support program. It's not targeted; 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

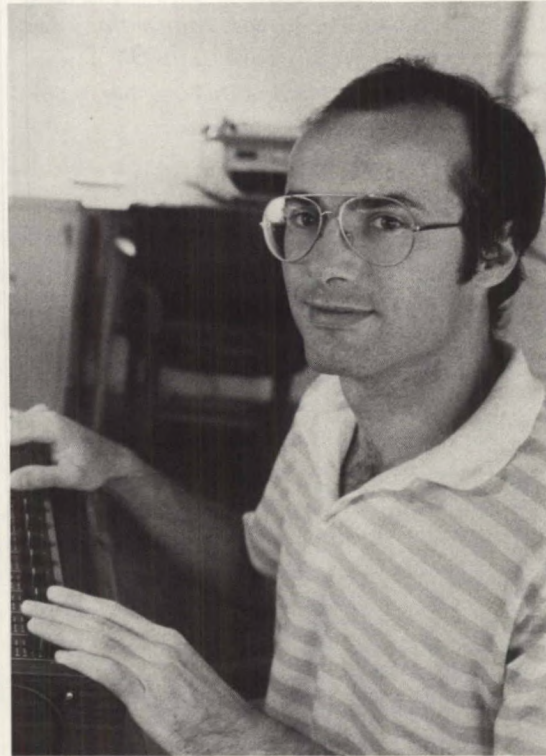
Mr. Martineau discusses the inequities of wage subsidies and the dead-end nature of many job creation programs.

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.

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.

"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 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.

The reader is directed to the Compendium for recommendations on the treatment of vacation pay, severance pay and other lump-sum payments, as well as recommendations on the treatment of earnings on claim, eligibility of claimants involved in labour disputes, penalties for voluntary quits, and requirements that claimants remain available for work and actively search for new employment.

Pensions

Because the treatment of pensions was the subject of so much concern in presentations to the Commission, this issue will be discussed in greater detail. The development of recommendations regarding the treatment of pension income under Unemployment Insurance was influenced by the fact that the whole question of retirement and retirement policy is changing rapidly. The Canadian Charter of Rights and Freedoms prohibits discrimination on the basis of age; age 65, for example, may no longer be a basis for mandatory retirement. Actuarial adjustments in benefits for those who wish to retire early or late are already taking place in both the public and private sectors. As a result, receipt of a pension is less likely to be synonymous with retirement from the labour force. In this regard, military and police pension plans may be harbingers of things to come.

In examining the treatment of pension income the following considerations should be noted:

- Unemployment Insurance is not a retirement program. Its major function is to protect workers from interruptions in earnings. Therefore, benefits should go exclusively to members of the labour force. Persons who have gone into retirement are no longer in the labour force and should not be covered.
- Receipt of pension income does not necessarily mean that an individual has left the labour force. Consequently, pension income should not automatically disqualify a worker from Unemployment Insurance benefits.
- Changes to the Quebec Pension Plan and similar changes to the Canada Pension Plan and private pension plans may make it increasingly common for workers to have pension income while they remain in the labour force.
- This increased flexibility means that individuals who choose to retire before age 65 will be able to take an actuarially reduced pension. If, however, they could draw Unemployment Insurance benefits for one year instead of going on pension immediately, they could receive a slightly higher pension for the rest of their

"To create more jobs we must look at reducing the retirement age to, say, 55, and transfer some of the cost of the UI program to the Canada Pension Plan and other pension programs so that there are no penalties to the individual for this early retirement." (Corner Brook Chamber of Commerce, written brief)

lives. Therefore, it would pay them to use Unemployment Insurance benefits as the first year's retirement income. This could cost the Unemployment Insurance program as much as \$1 billion a year.

- Unlike other benefits such as vacation pay and severance pay, which are also paid on termination of employment, pensions continue to be paid and may be considered as deferred earnings.

In the current program, both premiums and benefits cease with the payment of the three-week retirement benefit at age 65. Since January 5, 1986, pension income has been treated as earnings. Consequently, many individuals – notably military and police officers who are required to retire from their first career with a pension at a relatively early age – have had to continue paying premiums during their second career even though Unemployment Insurance benefits may be small or non-existent during a subsequent period of unemployment because of the treatment of their pension income. Since age may soon not be a criterion for retirement and pension plans are becoming more flexible, it is likely that more people will be in this position in the future. This conflict, therefore, has to be resolved by developing a way for the Unemployment Insurance program to deal equitably with pension income.

The proposed solution treats pension income in two different ways. The first treatment of pension income applies if the pensioner is unemployed when he or she takes the pension. If a person who served in the military became unemployed immediately upon leaving the Armed Forces, Unemployment Insurance would treat the pension as earned income just as in the current approach. The second treatment applies if the pensioner becomes unemployed from a subsequent job. Premiums in that job would be based on insurable earnings less pension income, and Unemployment Insurance benefits would also be based on this difference. Consequently, in subsequent unemployment periods, insurable earnings would be the difference between pension income and the lesser of the new earnings or maximum insurable earnings. It is proposed that these changes become effective in 1989.

Currently, Old Age Security pensions are unconditionally payable at age 65, irrespective of labour force status. The question of the age limits under both Unemployment Insurance and Old Age Security must be considered simultaneously, since they are both elements of the social security system and should be coordinated. Accordingly, the age limit of 65 should be removed as a barrier to Unemployment Insurance eligibility, concurrently with changes in the age limit established in the Old Age Security program.

"We find this totally discriminatory. A pensioner is one who either collectively or personally contributed his own funds for his advantage in his later years. It's like money in the bank. To have this used against him is not only insulting, but it is also plainly and simply unfair. The last thing we need at this time with high unemployment is the postponement of thousands of potential retirees." (Sudbury Mine, Mill and Smelter Workers Union, Local 598, Sudbury hearings).

The Self-Employed: A Special Case

More and more Canadians are creating their own jobs; 10 percent of the labour force now work for themselves. Since 1976, the number of self-employed persons has risen by 27 percent compared to a 19 percent increase in overall employment. The self-employed now number approximately 1.2 million. They too are vulnerable to the loss of their livelihood. They find it difficult to understand why they should be denied Unemployment Insurance and made impassioned arguments for a new, broader program that would extend coverage to them.

Yet the degree of moral hazard presented by the self-employed is incompatible with Unemployment Insurance. Moral hazard is the risk that an individual can create the conditions which permit collection of benefits. All insurance schemes face this risk. Because an Unemployment Insurance program must minimize moral hazard, the needs of the self-employed must continue to be met by means other than Unemployment Insurance. The proposed earnings supplementation program discussed earlier may be more appropriate to the needs of some of the groups of the self-employed who presented briefs to this Commission.

"The self-employed cannot be covered if insurance principles apply, as such an individual has almost complete control over his unemployment." (Canadian Institute of Actuaries, Toronto hearings)

The Views of a Trucker

Excerpt from a letter to the Commission of Inquiry from Lee Silliker, president, Northumberland County Truckers' Association

"The trucker should have the same equal rights as any other persons in the working industry today. He has an employer-employee relationship. He must be hired on any job to work and he must follow the orders given to him by his superior and is subject to dismissal at any time.

"As an independent trucker in the province of New Brunswick, I most certainly

know that 30 percent of my gross pay must go towards my livelihood as wages. I urge you to press towards making certain changes in the UI Act to ensure that at least 30 percent of the trucker's gross be used as a base figure for wages and UI, CPP, and Income Tax deductions. This will ensure that all concerned will have a fair and equal share. It will also provide for the trucker and his family in times of need.

"A person involved in the trucking industry has to equip himself with a piece of machinery that can cost up towards \$100,000 to try and provide for his family.

This person has to endure great hardships at certain times, he has to find work, pay excess taxes and abide by all the different laws of the land. His most important function is to find himself a job to work for someone else. At certain times during the year the trucker finds himself without any income.

"If the individual had become a fisherman, farmer or woodworker, he would have been able to collect UI benefits. However, because he is a trucker he is unable to pursue this process."

"In discussing the impact of Unemployment Insurance, it is useful to make a few basic points about the long-run implications of UI for the fishing industry. The first is that the availability of UI for fishermen keeps a significant number of fishermen in the industry who would otherwise leave the industry in order to seek a higher standard of living elsewhere. This has the effect of reducing the returns from fishing for all fishermen and lowers the earned income of fishermen. The second is that the availability of relatively generous regional benefits for workers in the fish-processing industry helps to maintain a larger pool of workers for the industry. The third is that the combination of fishermen's UI and regional benefits tends to discourage out-migration from Atlantic Canada and thus serves to maintain earned income lower than the national average. The fourth is that these programs impede the internal restructuring of the economies of the Atlantic provinces, thereby hampering the improvement of their efficiency, productivity and, ultimately, living standards." (Fisheries Council of Canada, written brief)

"If you should recommend that fishermen or certain classes of fishermen be removed from the benefits of Unemployment Insurance, then you must make that recommendation on the condition that another program is put in place." (Government of New Brunswick, Fredericton hearings)

Fishermen and Unemployment Insurance

Self-employed fishermen were brought under the umbrella of Unemployment Insurance in 1956. The purpose was to provide income support to self-employed fishermen in the offshore fishing industry, particularly on the Atlantic, and to the many coastal communities that depend upon the fishery for their survival. Many factors may affect the level and stability of fishing income – among them, geographic and climatic conditions, the variety and value of available species, market conditions and fishing costs. In the case of some species there are just too many fishermen with too many vessels and too much fishing power chasing too few fish.

Self-employed fishermen are entitled to five weeks of benefits for every six weeks of insurable employment. A week of insurable employment is defined in terms of the net value of the week's catch – that is, the gross value of the catch less operating costs (generally 25 percent). If the net value of the catch in a week is less than the required minimum (\$99.00), that week does not count as an insurable week. A fisherman in the Atlantic region may fish for six months and, for reasons beyond his control, be unable to obtain the required 10 weeks of insurable earnings to qualify for Unemployment Insurance.

Problems with fishing benefits, as perceived by the different groups involved, stem from the nature of the program, its inherent administrative difficulties, its inadequacies in meeting the needs of fishermen, and the obstacles that it presents to processors who need a greater supply of fish during the latter part of the season.

Unemployment Insurance was extended to self-employed fishermen not as a form of social insurance but as a means of income supplementation. And yet the program has not met the needs of those it was specifically designed to serve – fishermen with low incomes and with the greatest need, and the communities in which they live. Unemployment Insurance is neither an appropriate nor an adequate vehicle for income supplementation and should be phased out as a means of solving the many problems that influence fishermen's incomes.

This Commission of Inquiry is not the first to reach that conclusion. Numerous studies and reviews have subjected fishing benefits to searching scrutiny and have recommended their gradual replacement by a more appropriate mode of support. It is recognized, however, that phasing out these benefits may inflict severe hardship unless an alternative program has been adopted and implemented. Fishing benefits should, therefore, be phased out over a five-year period, and the governments involved should adopt and implement a more adequate response to the needs of not only self-employed fishermen but all who are without adequate incomes. What is required is an effective fisheries policy, a genuine income supplementation program, and a long-term regional/community development strategy.

James Corcoran, Fisherman, St. Mary's, Newfoundland



Mr. Corcoran describes the uncertainty and danger of a fisherman's life and the need for alternative sources of income when fishermen are unable to earn their livelihood at sea.

I've worked in a factory from eight to four . . . You do your thing, keep everyone happy, and then that's it . . . Fishing's a bit different.

If you're trying to make a living fishing you spend as many hours as you can at sea, so waking up at one or two o'clock in the morning and getting back some time the following night or the next night is normal to me. On the open sea there are always hazards . . . There's ice . . . There's weather conditions that can change in hours . . . You can get winds up to 25, 30 knots and it's nearly impossible to fish.

The other day a wooden 55-foot boat went out but she didn't come back. Luckily, the guys were rescued by a dragger and then flown by helicopter to St. John's.

There are different kinds of fishing. There's deep sea, where they fish for about 12 months a year. There's mid-shore, where they fish about 6 or 7 months. And there's inshore, like me. In the late 1970s we got 10 months' fishing because weather conditions were good and there was no ice. But this year I stopped my cod lines after five weeks. The fish came for five weeks and then the water turned cold, whatever . . . I've got five weeks of cod-trap fishing, that's it.

Sometimes I wish I didn't have to depend on Unemployment Insurance. I'd like to work all year round. I'd be delighted if I could step off the

boat and go to work in some other occupation. I think the majority of fishermen would feel the same.

You could be packing anywhere from \$10,000 to \$20,000 worth of gear a year, and with the money we're making, well, you just can't put that out. So the majority of us depend on the people who buy our fish to supply the fuel and our gear . . . which we pay for out of the catch. And they depend on us to catch the fish . . . It might not be a normal relationship, but it certainly is an employee/employer relationship because one depends on the other.

If you work 10 weeks year after year, you have no problem with Unemployment Insurance, it's like clockwork. But to give you an example of what can happen . . . The person you sell your fish to issues your separation slip. Last year they forgot to put my Social Insurance Number on the slip. I waited very patiently, but by the last of November I hadn't heard anything. I was in St. John's, so I dropped into the office to see what the trouble was. I sat in the waiting room for an hour, cooling my heels, watching people drink coffee, walking back and forth. Eventually a lady comes. We went through the whole issue . . . how I qualified . . . 22 weeks insurable earnings . . . everything was fine. But for some reason my SIN was not on the slip. "Oh," I said, "that's no problem, I'll give it to you." "Oh no, sir, it has to come from your employer." "My God, that will take weeks. Go to last year's file." "Oh no, sir, we can't do that. If your SIN is not on the form, we can't process your claim." So I hit the roof, but it probably didn't do any good because my claim was delayed for another four or five weeks.

Still, as a fisherman I wouldn't want to be covered by a separate program. Most of our fish go to the U.S. market. Now the fishermen and the politicians in the U.S. said that Unemployment Insurance was a subsidy to fishermen and wanted countervail duties of something like 20 to 30

percent. But after they investigated, they reached the conclusion that it wasn't a subsidy because it was universal . . . So if some bureaucrat is going to come up with a different program, they are jeopardizing the whole fishery in Eastern Canada . . . not only the fishermen, but the workers in the fish plants and spin-off industries . . . in other words, every community, city and town in Eastern Canada.

Fishermen should be covered under Unemployment Insurance like everyone else. We should be treated the same as any other worker, but for some reason we're not. We don't draw Unemployment Insurance till the last of October and when the fifteenth of May comes – the place could be black with ice – you are automatically disqualified. It should be the same for us as for any other type of working class. It's supposed to be a democracy.

Unemployment Insurance is a great thing, but people shouldn't have to depend on it, and basically that's what it's coming to now. There must be better ways for the future, for our children. Right now, if we want something we've got to import it through some other province or state or country – cardboard boxes, mattresses . . . If I want to buy a tin of mussels I'd probably have to buy it from Denmark, and here we have them on the shore not even being used!

You know, I left Newfoundland in 1960. I worked and travelled all across Canada. During that time I didn't draw Unemployment Insurance . . . I was a jack-of-all-trades. I lived in Toronto for seven years. All my friends were from Eastern Canada. All left home because they couldn't find any work. Now, I don't see why anyone should have to leave Newfoundland, with all the resources we've got. I don't think I'd leave again. We might not have a big limousine to drive in, but I'm sure we'll survive.

Because employers and employees pay premiums, they naturally feel a proprietary interest in the program and its administration. Big government, however, is not notable for its "user-friendliness," and there was ample evidence of that in the views expressed at the hearings. At times it seemed that, if only the quality of administration and style of delivery could be improved, everything would be well with Unemployment Insurance. But upon further examination of the causes of the frustration and bitterness directed at the bureaucracy, it became clear that staff and administrators were sometimes the scapegoats of a program too complex and too ill conceived to generate anything but discontent. In fact, the patience and dedication of front-line staff at the Canada Employment Centres in exasperating and difficult circumstances is often impressive.

The problem with the present delivery structure is twofold. First of all, the bureaucracy which administers Unemployment Insurance is not directed or controlled by the premium payers. Employers and employees are viewed as special interest groups, not as proprietors of the program. Second, the federal government's responsibilities for immigration, Social Insurance Numbers, job creation, training and labour market intelligence are broader than the functioning of an effective Unemployment Insurance program. Combining all these services with Unemployment Insurance has created an agency that is overly complex and unmanageable.

It is proposed to establish a new autonomous organization, the Unemployment Insurance Commission, as the mechanism for delivering Unemployment Insurance and employment services. This Commission should operate at arm's length from the government because, when the government is present through its representatives and its financial contributions, it effectively dominates the operation. Unemployment Insurance principles, benefit structure and appeal procedures should be set down in legislation, but the Act should leave room for employers and employees to cooperate in adjusting certain elements of the program. Most important, within broadly defined guidelines, the new Unemployment Insurance Commission should be allowed as much discretion as possible to run its own affairs.

The proposed reforms of the Unemployment Insurance program will eliminate much of the complexity in the present Act, which employers and employees were unanimous in denouncing as impossible for jurists to understand, much less clients and employers.

"I think anyone of us in this room, if we paid for insurance, and we were responded to by, 'We have had a lot of claims, we're really busy, we've got a backlog, I'm sorry; normally, you should receive your money in four weeks, but because we're busy it's going to be eight weeks'; well, we'd probably either fire the person, shoot the person, strangle them, or go to another insurance company."
(County of Bruce, Social Services, London hearings)

"The administration of UI is a horrible, inscrutable, paperbound bureaucratic mess operated by weary, disinterested, unsympathetic, paperbound bureaucratic servants, who are vaguely guided by a vast tangle of unpredictable rules, lists and procedures. For some people, actually squeezing the first payment out of the system is a bit like persuading Albania to issue a tourist visa."
(Benetech Canada Inc., written brief)

"The system is so complicated that one of the biggest complaints is, 'If I don't ask the right question, I don't get the right answer'.
(New Brunswick Federation of Labour, Moncton hearings)

"Is this a temporary layoff? Yes. What do we pay him and when? We paid him vacation; he had two weeks in advance. Is that insurable? Maybe. Is there a statutory holiday? Yes. Is that insurable? Perhaps. When? Well, I'll put it this way: if the standard vacation falls within a normal week, as ascribed by the Act, a normal week being Saturday and Sunday, whatever, and it has been assured, therefore, it can be used for a topping-up position, provided it is a permanent layoff and not a temporary layoff. . . . So you get into this great morass of saying, 'Now wait a minute, guys. Do you have to have a pink suit on with a blue shoe and a red shoe facing the east at 6 o'clock at night to collect your UI?' This is where we are at right now." (Canadian Payroll Association, Toronto hearings)

"It used to be that we spent 70 percent of our time serving clients and 30 percent of our time serving headquarters and the regional office. Now it is the reverse. We spend 70 to 80 percent of our time feeding the system!" (Informal roundtable discussions with CEIC staff)

The appeal process was a source of frustration for many at the public hearings, more because of the structure and the process than because of the decisions handed down. The current process is highly adversarial. Yet the board of referees is not perceived as functioning at arm's length from the department, does not always apply standard rules of evidence, and is often chaired by persons who lack the necessary legal training and depth of understanding of the program. A revised appeal system should involve a more independent Unemployment Insurance ombudsman/adjudicator at the first level and should allow redress to a board of appeal which operates in a judicial manner.

The sheer size of the headquarters and regional offices was the subject of considerable criticism across the country. The Canada Employment and Immigration Commission has approximately 28,000 employees and is the third largest federal organization. The size and levels of the headquarters staff were perceived to be out of proportion to the kind and value of the services performed. It was suggested that there may be more staff than warranted in highly paid specialist and supervisory roles. The productivity of the claims-processing function was identified as low and the benefit control system was perceived as inadequate. At both the headquarters and the regional office levels, a picture was painted of overly controlled and managed staff, and of a system that serves itself rather than its clients. All in all, it would appear that a significant reduction should be made in the number of staff at national and regional headquarters.

A great deal of attention was devoted to delivery because no matter how well a program is designed, it is only as good as the treatment that it gives to each client. The current program fails in terms of both design and delivery. To rectify the delivery problems, major changes are suggested in organizational structure, program financing, the legal framework (in particular the appeal process) and administrative practices. The reader is again directed to the Compendium for other recommendations to improve the delivery, record keeping and control systems of Unemployment Insurance.

The existing policies and programs are not without merit. How else can one account for the widespread desire to preserve the essential features of the Unemployment Insurance program? "What would the country have done without UI?" is more than a rhetorical question. The program is here and will stay. The real issue is whether a better program can be designed.

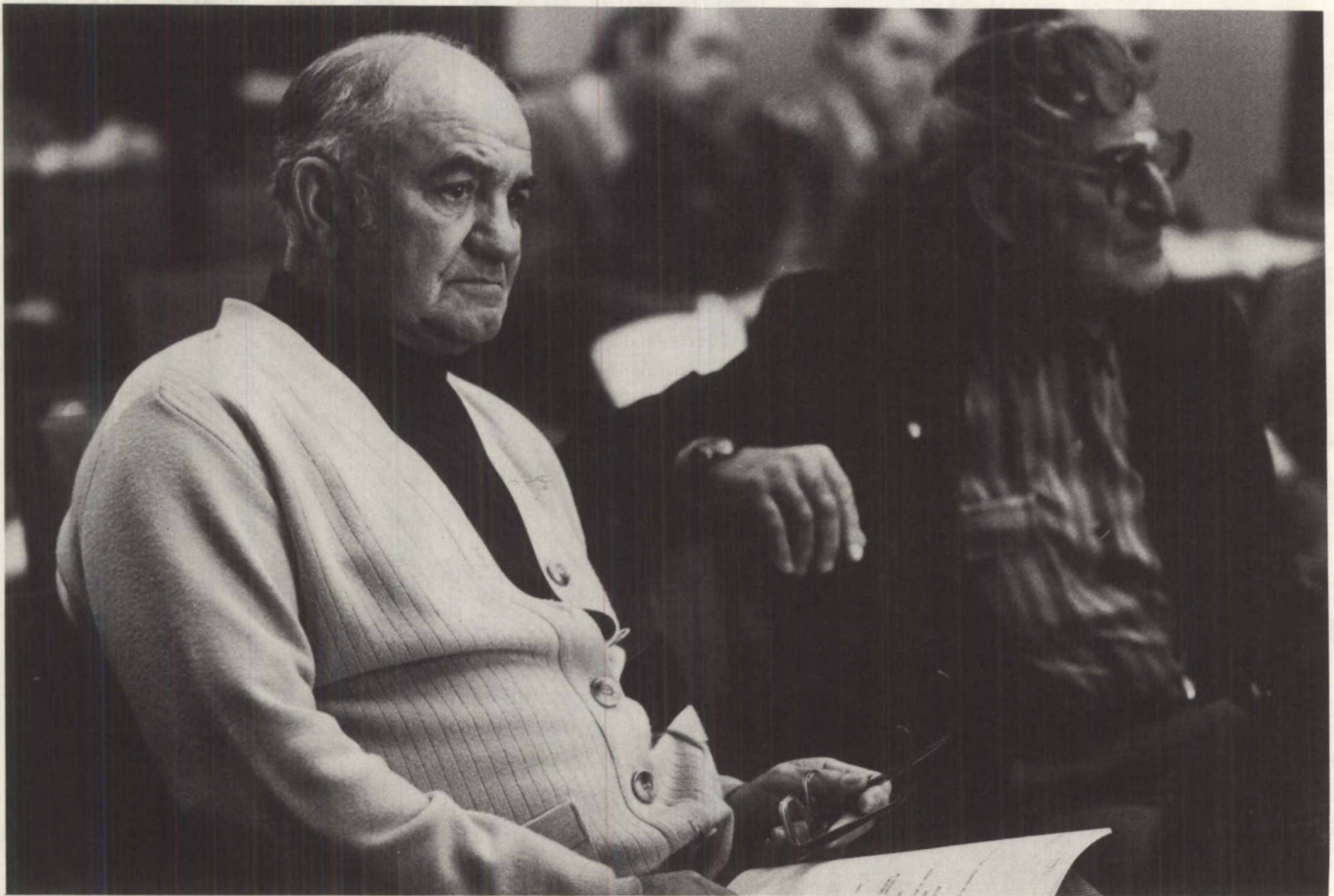
This Commission of Inquiry was faced with many difficult choices. The views and opinions of individuals and groups in the consultations did not merely differ – at times they contradicted each other. The Commissioners also brought different perspectives and interpretations to the Inquiry. Sometimes they agreed, sometimes they compromised, and sometimes they agreed to differ – and wrote dissenting opinions.

The need for reform is evident and must not be obscured in the debate. Canada cannot afford to continue to suffer the inequities and inefficiencies of its present system. There are those who will benefit from changes to the system and those who may suffer from them. Reforms should be comprehensive enough so that a loss from one aspect of change can be balanced by a gain from another program or policy.

Some elements of Unemployment Insurance reform make sense only in a wider context. We have outlined the important ingredients of a human resource development policy and have tried to show that Unemployment Insurance is one part – but a pivotal part – of this country's income security system. Fundamental reform of Unemployment Insurance is only possible when associated changes take place in these two larger and interlocking areas, but the precise balance of all these components leaves much room for political choice.

This report sweeps away the present variations that plague the system and produce both inequity and complexity. There should be only one entrance requirement, one benefit phase, and one maximum duration of regular benefits. The entire system must be based on a strengthened link between insurable earnings and eligible benefits. This is what an insurance program should do, and it is also what equity demands. All things considered, Annualization is the best answer.

To coordinate and effect all the recommended changes is, quite simply, a monumental task. It will require commitment, persistence, time, cooperation and leadership. Objections, delays, obstacles and complications will abound and must be overcome if Canada is to ensure a working future for her citizens.



This section lists all the recommendations of the Commission of Inquiry and summarizes the basis on which each has been made. The recommendations are designed to restore Unemployment Insurance to its original concept and to place it in the context of a strategic plan for comprehensive human resource development. Each chapter of the full report is briefly described and a short rationale for the recommendations is given. The reader is referred to the full report for further information about each topic.

Chapter 1: What We Heard

Chapter 1 presents a resumé of what participants said during the public hearings about the problems of unemployment and the Unemployment Insurance program. There was strong consensus that Unemployment Insurance is and will continue to be needed. At the same time we were assailed with complaints and grievances about the program. There was virtually universal condemnation of the complexity of the Act and regulations, and strong and opposing positions 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 the basic principles of insurance. Others wanted these social aspects of the program expanded. The consultation process focussed the field of debate on several issues, including the program's objectives, inequities, incentives, the imbalance between the government's role and that of the premium payers, and inadequacies in the program's delivery.

Chapter 2: Employment and Unemployment

Chapter 2 presents an overview of unemployment, its nature and scope, and the interplay between rising expectations for jobs and the growth in the number of jobs available. The chapter shows that unemployment is a significant problem – a problem which annually affects one in four Canadians who want to work. The risk of unemployment is greater for those with lower levels of education, particularly youth, older workers, and workers in industries, occupations or regions facing structural transformations. Examination of the operation of the Unemployment Insurance program itself shows three patterns of usage that suggest problems within the design of the program. These patterns are specific to short-term workers, those on industrial layoffs with recall, and full-year workers who exhaust their benefits.

What are the needs of the unemployed? Quite simply, they need jobs, money, skills and increased options in the labour market. Meeting all the needs of the unemployed is a task well beyond the scope of an Unemployment Insurance program. 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. Part II of the report focusses on the need for a comprehensive human resource development strategy.

Chapter 3: Jobs

This chapter looks at full employment, at employment development strategies and, in particular, at job creation. It is pointed out that the demand for jobs can be met only if there is economic growth and if that growth keeps pace with growth in the labour force. Economic growth, in turn, requires a high and sustained level of investment. In recent years, investment in Canada has not been sufficient to achieve both increased productivity and expanded employment opportunities to match the growth in the labour force. Unemployment can be truly resolved only in an environment characterized by economic growth.

All industrialized countries are finding it difficult to eliminate unemployment. As a result, there is a growing lack of confidence in traditional fiscal and monetary policies. The task of stabilizing the economy at a low level of unemployment is difficult but essential and in attempting to achieve this objective, new solutions to old problems appear necessary. One possible alternative which has been persuasively argued involves revenue sharing. This entails workers agreeing to accept part of their remuneration as a share of the firm's profits rather than as wages. This approach increases the stability of employment and has been successfully adopted in Japan and Korea and is gaining in popularity in the United States.

Recommendations

- 1 Economic policies should give high priority 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.
 - 2 Full employment should continue to be a primary objective of fiscal and monetary policies.
 - 3 Profit or revenue sharing as a component of total earnings of labour should be encouraged and the treatment of income from these schemes by Unemployment Insurance and Revenue Canada should encourage their introduction.
-

The problem of regional unemployment is currently approached in two ways. The first is through regional economic development initiatives that attempt to increase the productive capacity of regions by subsidizing industry to locate or expand there. The second is through job creation programs, which are a more temporary response to regional unemployment, involving short-term projects that provide jobs.

Regional economic development policy has concentrated on grafting large firms onto depressed regions. In many of these cases subsidies are required on a continuing basis to offset the inherent competitive disadvantages of these regions. Current programs do not

seem to provide much support to the growing service and small business sectors. An attractive alternative would be to invest in increased productive capacity and a higher level of employment by supporting community economic development initiatives such as Community Economic Councils and Community Development Corporations. These community-inspired initiatives have the advantage of building on local strengths, and the employment that they create becomes part of the fabric of the local community.

There is evidence from both British and French experience that the unemployed can be successful in creating their own jobs by starting their own businesses. In cases where the unemployed have a sound business plan, Unemployment Insurance rules and regulations should encourage their initiative.

Recommendation

4

An industrial and regional development strategy should be designed with the following characteristics:

- A substantial proportion of regional and industrial assistance should be directed to new and to small businesses, including those in the non-manufacturing sector.
 - Community economic development initiatives should be funded, at least in part, from funds released by phasing out regionally extended benefits. They should be undertaken in a manner that ensures local control and should be widely available to communities in Canada.
 - Initiatives that assist the unemployed to start their own business enterprises should be encouraged.
-

Job creation programs have come in all shapes and sizes and have been designed with the best of intentions to meet a large number of specific problems. They have always been considered a "temporary" response to an unemployment crisis. The projects undertaken, however, have failed either to counterbalance the economic depression of the various regions or to improve the employability of participants. In addition, these initiatives have been plagued by changing federal priorities, lack of coordination among the various levels of government, and political pressures for constituency funding. What is needed is more long-term planning and the creation of jobs of long-term value to the community. All projects should be evaluated and the results made public.

Recommendation

5

Short-term job creation programs should be eliminated and the funds redirected to longer-term employment programs. These programs should:

- focus on jobs with a long-term value to the participant and community, rather than on short-term make-work jobs;
 - eliminate the constituency basis of funding; and
 - set aside a portion of program budgets for analysis by independent researchers to determine whether their objectives have been met. The results of these evaluations should be available to the public.
-

Under Section 38 of the Unemployment Insurance Act, benefits may be provided to participants in approved job creation projects for up to six weeks after the project ends. Although there are many problems with Section 38, the basic one is that it is not an appropriate feature in an Unemployment Insurance program. Job creation should be supported directly from general revenue and should be open to a wider group than just those receiving benefits. Individuals who have already exhausted their benefits, for example, may be in even greater need of assistance than those still receiving Unemployment Insurance.

Recommendation

6

Section 38 (Job Creation) of the Unemployment Insurance Act should be rescinded.

Chapter 4: Money – The Need for Income Security

This chapter outlines Canada's income security system and the role of Unemployment Insurance within that system. Income security programs in Canada can be divided into three distinct categories or tiers. Tier 1 consists of income support programs (such as social assistance and the Guaranteed Income Supplement). Tier 2 includes income supplementation programs (such as Old Age Security, Family Allowances, the Child Tax Credit, and programs operated by certain provincial governments). Tier 3 consists of social insurance programs (such as Unemployment Insurance, the Canada and Quebec Pension Plans, and Workers' Compensation).

Income support provides financial assistance to individuals and families who have little or no other income. Income supplementation provides income assistance to low-income earners to minimize the effect of an inadequate income. Social insurance programs provide some measure of income replacement in the event of various contingencies such as unemployment, sickness or injury.

Unemployment Insurance is the cornerstone of income security in Canada. It was originally designed, in 1940, as a program of temporary assistance to workers who are between jobs. With the haphazard addition of functions over the years, to cover new situations and serve new needs, the program has expanded far beyond this. As a consequence in some parts of the country it is now part of a regular pattern of income from seasonal or short-term employment, unemployment benefits and, for some, social assistance. In some cases, benefits actually exceed the earnings that they are intended to replace, due to the provision of regionally extended benefits. Thus, Unemployment Insurance has become a major element of income or earnings supplementation.

Unemployment Insurance is poorly designed to undertake the function of supplementing income because benefits are not income tested, Unemployment Insurance is directed to the individual rather than the family, and benefits are based on previous earnings rather than need, with higher benefits going to higher earners rather than to the needier. Only 11 percent of Unemployment Insurance benefits go to families with incomes of less than \$10,000, and almost 20 percent go to families with

incomes greater than \$40,000. It is simply not a good instrument for income redistribution.

Regionally extended benefits, funded by general revenues rather than premiums, were introduced to provide supplementary assistance in specific regions with particularly high unemployment. Over time, however, unemployment has risen throughout Canada so that regionally extended benefits have been paid in every region since 1981. Consequently, these benefits are no longer part of an economic adjustment plan directed toward areas with unusually severe problems; they have become a kind of temporary social assistance/income maintenance plan for those who can find at least 10 weeks of work per year.

Regionally extended benefits are considered by many to be an essential element in regional economies. These benefits, however, attack the symptoms rather than the underlying causes of unemployment. Eliminating regionally extended benefits would free up some \$2.8 billion which could be directed to correcting the causes of unemployment and providing earnings supplementation to those who need it. It would be irresponsible to give serious consideration to removing regionally extended benefits without providing an income supplement to workers faced with economic hardship and without providing development funds to regions and communities suffering from the impact of economic forces well beyond their control.

A federal Earnings Supplementation Program cannot exist in isolation, distinct from developments in other social security benefits, the tax system or provincial initiatives. Four provinces have income supplementation programs and all provinces are vitally interested in helping low-income families. What may be needed is a group or series of supplementation plans, reached through federal-provincial agreements, to reflect the differing provincial concerns.

An Earnings Supplementation Program which helps those who have some income differs fundamentally from a guaranteed annual income which helps those who have no other sources of support. An Earnings Supplementation Program should be designed to increase a person's income when earnings increase and the program should have a low and consistent tax-back rate on income earned while receiving the supplement. A well-designed program would compensate for the effects of phasing out regionally extended benefits. It would be a major reform of one tier in the income security system, and would allow Unemployment Insurance to return to its appropriate role.

Unemployment Insurance plays essentially a transitional role, that of partial income replacement for a specific period during an interruption of earnings. It should serve as a lifeline rather than a safety net – to help people return to stable employment rather than holding them in a pattern of dependence. The many additions to its functions over the years have subverted its essential nature and created unacceptable inequities. This has occurred largely because of the lack of other, more appropriate programs or agencies. Unemployment Insurance should return to its original purpose and other initiatives should now be adopted to assume the functions of income supplementation for low-income families.

Recommendations

- #7 Regionally extended benefits within the Unemployment Insurance program should be progressively abolished and replaced over a period of four to five years with a range of human resource development programs better tailored to meet the needs of individuals and regions. The range of programs and policies should include:
 - an Earnings Supplementation Program;
 - economic and community development initiatives;
 - education, literacy and basic training programs; and
 - policies and programs to facilitate greater flexibility in the labour market.
 - 8 The Canadian government should work closely with the provinces to develop earnings supplementation plans that complement the proposed changes in the Unemployment Insurance program. These plans should ensure that those who participate in the labour force but have inadequate incomes would be eligible to receive a supplement on the basis of total household income rather than individual income. The tax-back rate, when combined with the income tax system, should be less than 50 percent.
 - 9 Unemployment Insurance should provide temporary replacement of earnings in the case of job loss or interruption of employment earnings.
-

Unemployment results from either job loss or a temporary interruption of earnings. It is as reasonable to cover temporary sickness, maternity or parental benefits as it is to cover temporary layoffs with recall notices. In the absence of another, more inclusive system to protect those whose earnings are interrupted because of maternity, parental or sick leave, it is appropriate for Unemployment Insurance to continue to provide this coverage.

The issue of the "medical yardstick" for sickness benefits caused many complaints at the public hearings. While the use of the medical yardstick as a guide is not disputed, the secrecy that surrounds it is insupportable. Another issue concerns the waiving of the normal two-week waiting period in certain cases of illness. This practice is contrary to the principle of co-insurance whereby the insured and the insurer share the cost of any contingency covered by the insurance.

Maternity benefits have changed over time to provide benefits not only for the mother, but also for parental care. Although in 1984 benefits were extended to adoptive parents, the role of the natural father has not been equally recognized. The provision for a 2-week waiting period and for a total benefit period of 15 weeks should be maintained. A two-tier system would allow parents to decide how long the mother would receive benefits and which parent would assume the initial parenting role. The current restriction limiting the duration of the receipt of special benefits such as maternity and sickness in any combination to a maximum of 15 weeks is unduly harsh.

Recommendations

- 10.1** The Unemployment Insurance program should continue to provide sickness benefits. It should retain the provision for premium reduction equivalent to the saving to the Unemployment Insurance Account from private disability insurance, but the method of calculating the premium reduction should be reviewed.
- 10.2** The medical yardstick for determining sickness benefits should be readily available for client reference. The two-week waiting period for sickness benefits should continue and this requirement should be enforced.
- ***11.1** A two-tier system of maternity and parental benefits should be implemented, comprised of:
- maternity benefits available during the period surrounding childbirth; and
 - parental benefits available during the period following maternity leave or placement of an adopted child;
 - parental benefits should be available to either or both parents (but not concurrently) such that the total amount of benefits does not exceed the maximum available to one parent; this should be made available only to those who are active labour force participants.
- ***11.2** Section 22(3) of the Act should be amended to remove the present 15-week aggregate benefit limit, so that the availability of sickness benefits is separate and distinct from any maternity or parental benefits to which a person is entitled. Maternity, parental and sickness benefits should be available during any phase of the claimant's unemployment spell.
-

Seasonal factors, layoffs and other industrial practices contribute heavily to interindustry variations in the relationship between contribution and benefits. The result is that industries with stable employment patterns are seen as subsidizing those with less stable patterns. Experience rating has been suggested as a means of reducing, if not eliminating, these cross-subsidies. Evidence shows, however, that on balance its effect would be negligible in affecting the behaviour of firms.

Recommendation

- ***12** Unemployment Insurance premiums should not be based on experience rating.
-

Chapter 5: Skills – A Choice of Futures

This chapter identifies fundamental inadequacies in the educational and skill level of the work force and examines the role of Unemployment Insurance in that context.

An educated work force is better able to adapt to changing labour market demands and will therefore have a better choice of futures. There are fundamental inadequacies in the educational and training system, however, and this has resulted in inadequate skills among many workers. Evidence shows that those who have not completed high school are much more likely to be unemployed. For this reason, a strategy to help achieve at least high school equivalency is essential. Rather than emphasizing specialized skills training, the focus should be on ensuring attainment of the basic educational level which is necessary for future training and retraining.

To overcome the current inadequacies in the educational system, there is an urgent need for leadership on the part of educators and public policy makers to put aside jurisdictional considerations and deal with the real needs of high school dropouts. It is recognized that high school education is largely within provincial jurisdiction, but the education required for a more flexible and better trained labour force knows no provincial boundaries.

Many adult Canadians are functionally illiterate and lack numeracy skills. The resulting inability of almost a third of the adult population to deal at the necessary level with language, numbers and concepts has considerable human and economic costs. Functional illiteracy is being recognized increasingly by Canadian industry as a major concern. If Canada continues to ignore the illiteracy crisis and fails to mount a cooperative and sustained effort to eliminate it, a large proportion of workers will be limited in their ability to participate effectively in the work force.

Q- but would this be tied into D.I.C?

Recommendations

- 13 The federal government should invite provincial governments to undertake measures at the high school level to ensure that a high minimum level of education is achieved by all Canadians and that these measures emphasize:
 - flexibility in program requirements;
 - the acquisition of general basic skills to grade 12 or an equivalent level;
 - cooperative programs that combine work and study; and
 - the inclusion of technological content in all programs.
- 14 The federal government should invite provincial governments to cooperate in mounting a sustained effort to eradicate functional illiteracy and innumeracy among the adult population.

Basic knowledge and skills are fundamental preconditions of a skilled and flexible work force. Changing requirements, and the consequent necessity for the labour force to adapt, demand a greater emphasis on employment training and retraining. Employers repeatedly complained at the public hearings that they could not find workers able to solve problems, and that what they needed were workers with general

skills, who are able to adapt and to learn new technical skills as job requirements change. Funding arrangements have also been criticized on the grounds that they limit the selection of the most appropriate courses.

Recommendation

15 Training programs and funding arrangements under the National Training Act should be modified to:

- assign high priority within the Institutional Training Program, or its replacement, to providing courses in functional literacy, basic training for skill development, and educational upgrading;
- recognize programs that enable functionally illiterate workers to gain basic literacy skills as a legitimate component of on-the-job training; and
- replace the current funding arrangement with one that will increase the relevance and responsiveness of training institutions to the labour market.

Section 39 of the Unemployment Insurance Act provides benefits, in some cases for an extended period, from general revenues to recipients who undertake training in approved courses. There are several concerns about this arrangement. All unemployed individuals should be given the opportunity to upgrade their skills and improve their employability. The current practice in approving courses is not to place emphasis on basic skills but to favour those who already have substantial skill levels and, in the case of apprenticeship training, to favour those who are already employed. The operation of the apprenticeship program should be removed from the Unemployment Insurance program and reviewed by the appropriate federal and provincial authorities. The provision of extended benefits to a person while on training is inequitable and a violation of the insurance principle. Trainees should receive benefits only for the period of their regular entitlement, and the role of Unemployment Insurance should be limited to waiving the search requirements for those undertaking approved training.

Recommendation

16 ~~✂~~ Section 39 of the Unemployment Insurance Act should be rescinded and provision should be made to:

- waive job search requirements for approved beneficiaries undertaking approved training programs (including literacy, educational and skills upgrading);
- establish a review process to monitor these approvals;
- exclude allowances for expenses from computation of earnings on claim; and
- initiate a review of the operation of the apprenticeship program by the appropriate federal and provincial authorities.

Those in the 15-to-24 age group need special attention. The baby boom generation has already flooded the labour market and produced high unemployment among youth and young adults. Many are poorly equipped for participation in the labour force and have difficulty adjusting to the demands of adulthood.

Recommendation

- 17 The Minister of State for Youth should consider implementation of a comprehensive Youth Opportunities Program. The program would combine basic education, counselling, life skills and work experience for young people aged 15 to 24 years who do not have a high school diploma or are otherwise disadvantaged and are having difficulty entering the labour force.
-

Chapter 6: Options – Employment Flexibility

This chapter addresses the need for greater flexibility in the labour market and evaluates such programs as mobility assistance, retirement policies and alternative work arrangements. These initiatives provide individuals with greater choice and allow the labour market to adapt more readily to change.

Labour displacement in declining industries and depressed regions often involves many people. In these circumstances, it is sometimes in everyone's interest that relocation take place. Currently, several programs provide mobility assistance to facilitate the movement of individuals who are unemployed, underemployed or about to become unemployed. What is required is a consolidation of mobility assistance into a single program, to avoid overlap and duplication.

Mobility, however, is not a panacea for solving labour market problems. A key policy element should be the degree of flexibility in labour adjustment. A consolidated mobility program should be based as much on the needs of the individual as on the needs of industry. It should have few criteria that limit eligibility, and should provide assistance to those who relocate to undergo training.

Recommendations

- 18.1 All federal labour market programs that provide mobility assistance should be consolidated.
- 18.2 In the new consolidated mobility assistance program:
- the industry and community basis for determining eligibility should be eliminated; and
 - in addition to those currently eligible, assistance should be provided to workers who relocate for training purposes.
-

Changing economic and social demands will require greater flexibility in the way that work is organized and also in the rules and regulations of Unemployment Insurance. There are many alternative work arrangements, but the variety and the benefits of these alternatives are not sufficiently understood. Some alternatives, such as job sharing and working part time, have direct implications for employment income and consequently for the Unemployment Insurance system. Job sharing involves restructuring a single full-time job into two or more part-time jobs. Interest in job sharing has increased in response to the needs and preference of working parents and partially retired persons.

Part-time employment has increased rapidly over the last decade. The Unemployment Insurance program excludes many part-time workers, since in order to be eligible a person must work at least 15 hours per week for the same employer. This restriction imposes hardship on many families, is unfair, and is out of step with changing work patterns. The Wallace Commission of Inquiry on part-time work and the Boyer Committee on equality rights both concluded that the current minimum of 15 hours per week should be reduced to 8 hours. The principle that all hours of work should be covered is accepted, but it is recognized that in practice extending coverage to every hour and to every worker may create administration problems and may result in additional costs, particularly for small businesses. The feasibility of such an extension should be examined by the Canada Employment and Immigration Commission.

Recommendation

- 19** Unemployment Insurance coverage, in principle, should be extended to all part-time workers, but first of all to those who work a minimum of eight hours per week. Workers should be allowed to accumulate hours of work in order to become eligible for coverage. The administrative feasibility of covering all hours of work, including work for different employers, should be examined by the Canada Employment and Immigration Commission.
-

Compensated work sharing is a temporary arrangement intended to preserve employment through the avoidance of layoffs, at least in the short term. A prorated share of the regular weekly Unemployment Insurance benefit is paid to those workers whose normal hours are reduced by a formal agreement. There is widespread support for these arrangements.

Recommendation

- 20** The current work-sharing provision in Unemployment Insurance should be retained, and an internal review should be undertaken in order to streamline procedures and reduce administrative and compliance costs.
-

Since the end of World War II, the proportion of a worker's life spent in the labour force has declined substantially, largely because of a preference for increased leisure as real wages and real incomes rose. This preference is reflected most notably in the choice of a shorter work year through increased holiday periods. In contrast, the average work week has remained remarkably constant. Because of the projected aging of the population, the wisdom of attempting to reduce work time or ban overtime work by legislation is questionable.

Recommendation

- 21** Flexibility in work time should be encouraged but shorter work days, weeks or years should be negotiated by individual firms and industries rather than being established by legislation.
-

The requirement of mandatory retirement at age 65 is under attack because of the equality provisions in the Canadian Charter of Rights and Freedoms. The federal government has expressed a commitment to facilitate flexible retirement, and changes to increase the flexibility of public and private pension plans either have been made or are contemplated. Available empirical evidence from the United States and from Quebec indicates that these measures may have little effect on postponing retirement. They will, however, expand the range of genuine personal choice. These changes have major implications for the Unemployment Insurance program. They change the context of the three-week "retirement benefit" at age 65 and the treatment of pension income in determining Unemployment Insurance benefits for persons under age 65 who take on another job while receiving a pension. Since Unemployment Insurance and Old Age Security are elements of the social security system, changes in their age limits should be coordinated.

Recommendation

- 22** The age limit of 65 years should be removed as a barrier to Unemployment Insurance eligibility, concurrently with changes in the age limit established in the Old Age Security program. At that time, the provisions in the Unemployment Insurance Act for payment of a three-week "retirement benefit" should be rescinded.
-

Chapter 7: A Plan for Reform

This chapter sets forth the proposed fundamental reform of the core program of Unemployment Insurance, the objectives, and the reasons for the new program design. The current program is perceived by many to be unfair, illogical, at variance with the principles of social insurance, and overly complex. Different criteria are applied and different benefits provided to individuals who are in similar circumstances. More generous treatment is given to short-term than to long-term workers, and more is given to those in some regions than in others. The entrance requirements are complicated and there are different benefit phases. Not all hours of work are treated equally in determining eligibility for benefits, and workers in the same occupation with the same employment possibilities are treated differently. The practice of basing eligibility on the local unemployment rate is unfair, since that rate is a poor indicator of job opportunities.

The proposed new approach must be viewed within the broad context of the human resource development proposals included in preceding recommendations, and within the framework of the income security system. The reform embodies the view that Canada must invest more in human resources and make funds available to support programs for that purpose. Within the context of a comprehensive human resource development strategy, the role of Unemployment Insurance would become one of strict income replacement. Income supplementation and other aspects of the current program would be transferred to programs specially designed for these purposes.

To respond to deficiencies in the current program, the proposed reforms involve moving to "Annualization" in the calculation of benefits – that is, basing the level of benefits on insurable earnings over the previous 52 weeks and paying benefits for up to 50 weeks. In addition, an annual maximum limit on insurable earnings is set. This annual limit would remove inequities and encourage increased flexibility in the workplace. A further change involves a revised approach to credit banking, ensuring that all hours worked and all earnings are included in the calculation of benefits, which will provide greater incentives for the unemployed to accept full-time work. Finally, shifting to an entrance requirement based on hours rather than weeks would allow workers to accumulate all hours of work.

It was decided that simple modification of the existing program would not meet the demands of the changing economic environment or provide the best possible foundation for the future. The weaknesses and inequities in the current system were carefully reviewed and the advantages and disadvantages of various options were studied and debated. The decision was reached that, on balance, Annualization was the best approach, because it combines low entrance requirements with long maximum duration of benefits, without the inequities, disincentives and administrative complexity of the current approach.

Recommendations

- 23** A new Unemployment Insurance program should be developed and implemented. Features of the program should include:
- a standard cumulative entrance requirement of 350 hours;
 - benefits based on average weekly insurable earnings in the 52 weeks prior to unemployment;
 - benefits paid in 50 weekly instalments after a two-week waiting period;
 - benefits to equal $66\frac{2}{3}$ percent of insurable earnings;
 - an annual maximum insurable earnings limit applied according to the employer's pay periods; and
 - a system of credit banking.
- 24** The reformed program should be introduced in four phases.
- Phase 1: benefits would be based on the average weekly earnings over 13 weeks, paid in 50 weekly instalments, and would be 60 percent of insurable earnings.
 - Phase 2: benefits would be based on the average weekly earnings over 26 weeks, paid in 50 instalments, and would be 60 percent of insurable earnings.
 - Phase 3: benefits would be based on the average weekly earnings over 39 weeks, paid in 50 instalments, and would be $66\frac{2}{3}$ percent of insurable earnings.
 - Phase 4: benefits would be based on the average weekly earnings over 52 weeks, paid in 50 instalments, and would be $66\frac{2}{3}$ percent of insurable earnings.
-

Particular concern was expressed at the public hearings about the situation of unemployed older workers who are too young to draw a pension but may be considered too old to be readily employable. For them, one year of benefits may be insufficient for the sort of adjustment that all workers may find increasingly necessary. Under Annualization, workers who suffer a number of layoffs in quick succession after many years of steady employment with the same company may need a means to top up their benefits to some percentage of their average weekly earnings. They may also need assistance to top up or extend their benefits so that they can undertake approved training and move for relocation purposes.

Recommendation

- 25** A Cumulative Employment Account should be developed, having the following features:
- Credits would accrue at the rate of two weeks for every year worked, to a maximum of 25 years of credit.
 - Benefits could be drawn only after a 30-year threshold.
 - Benefits could be used to (a) top up Unemployment Insurance benefits to $66\frac{2}{3}$ percent of average insurable earnings over the previous five years; and (b) top up or extend benefits for those undertaking approved training, retraining or mobility. Benefits could be extended to a maximum of 52 additional weeks.
-

Chapter 8: Immediate Steps – Other Program Reforms

Fundamental restructuring of the Unemployment Insurance program involves sweeping changes that must be carefully considered and gradually introduced. This chapter deals with a number of less fundamental changes that could be implemented more rapidly, either within the current program or as part of a reformed program.

The treatment of pensions was the subject of a special reference to the Commission of Inquiry. In considering this issue, it must be recognized that the entire question of retirement and retirement policy is changing rapidly. Under the Canadian Charter of Rights and Freedoms, age 65 may no longer be a basis for mandatory retirement. Actuarial adjustments for those wishing to retire at other than the "normal" retirement age are already taking place or being contemplated in both the public and private sectors. As a consequence, it will become less and less true that receipt of a pension and retirement are synonymous. Thus, the question of the treatment of pension income by Unemployment Insurance has become part of a more general problem facing policy makers – the increasing importance placed on flexibility in retirement and pension arrangements, and the resulting need for better coordination of all related social policies, particularly Old Age Security.

Since those who have retired are no longer in the labour force, they should no longer be covered by a program such as Unemployment Insurance, which is designed to assist members of the labour force. Receipt of a pension, however, does not necessarily mean that a person has left the labour force and should not lead to disqualification from Unemployment Insurance benefits.

Denying coverage to everyone with pension income would mean denying coverage to the many individuals who enter another job after leaving a career with a pension. By contrast, the approach that became effective January 5, 1986 compels those with a pension from previous employment to pay for coverage on subsequent employment but treats pension income as earned income, so that when these workers become unemployed their benefits may be negligible or non-existent. Another possible approach would be to ignore pension income entirely. This would mean ignoring deferred income from another job, since that is how pension income is generally considered. If the mandatory retirement age were removed and pension income were ignored completely, then Unemployment Insurance could be used to finance the first year of retirement and the cost could become prohibitive.

It was recognized that those in receipt of pension income should not be discouraged from pursuing a second career. It was therefore decided to recommend treatment of pensions in two ways: the first if the pensioner is unemployed when the pension is received initially and the second if the pensioner becomes unemployed from a subsequent job. Because building up a pension is a lifetime process, any changes that might reduce pension income should be introduced only after notice of three years to those likely to be affected.

Recommendation

- 26** The current treatment of pension income should be rescinded with an effective date of January 5, 1986. The new policy should be announced and an implementation date of January 1, 1989 set. The new policy should be:
- that pension income received during a period of unemployment immediately following retirement from a first career would be treated as earnings when calculating Unemployment Insurance benefits for that period;
 - that during future employment periods, Unemployment Insurance would provide coverage only on the difference between pension income and the lesser of the new earnings or maximum insurable earnings;
 - that premiums would be calculated on the basis of insurable earnings minus pensions in pay; and
 - that administratively, weekly premiums would be calculated as now, with any excess rebated via annual income tax returns.
-

Currently, lump-sum payments, including severance pay, vacation pay, bonuses and payments from an employee profit-sharing plan, are translated into weekly earnings and treated like earnings on claim, which are subtracted from eligible benefits. It is considered inequitable that in these cases the maximum benefit period and the amount of benefits are reduced. The major exception to this treatment of lump-sum payments is the treatment of vacation pay trust funds, which exist predominantly in the construction industry in Ontario and Quebec. In these funds, vacation entitlement is accrued and benefits are usually paid twice a year and vacation must be taken in a set time period. Individuals should not be considered as unemployed and available for work during these vacation periods.

Recommendations

- 27.1** Severance pay, vacation pay and lump-sum payments should be allocated to weeks, using the same formula as at present. These monies should delay but not reduce benefit entitlement. In addition, they should be considered as insurable earnings.
- 27.2** Recipients of benefits from vacation pay trust funds should be disentitled for the period for which vacation pay is received. This would delay but not reduce benefit entitlement.
-

Under the present system, if a person in receipt of benefits earns more than 25 percent of his or her benefits, then benefits are reduced by one dollar for every dollar earned above that limit. Thus, there is no financial incentive to work beyond the exemption level. Maximum work incentives should be provided to the extent that benefits and earnings together do not exceed the previous insured earnings of the individual worker.

Recommendation

- 28.1** Earnings while on claim should reduce benefits at a rate equal to the replacement ratio. That is, if the replacement ratio is 66 $\frac{2}{3}$ percent, then the reduction rate should also be 66 $\frac{2}{3}$ percent.
-

At present, coverage under Unemployment Insurance is limited to jobs that involve at least 15 hours of work a week or pay at least \$99 a week. Part-time workers with more than one job are considered unemployed and eligible to receive benefits if they lose one job, provided it is insurable. Earnings from the job that continues are treated as earnings while on claim, however, and as a consequence, they are treated more harshly than a full-time worker with the same total insurable earnings.

Recommendation

- 28.2** Benefits for multiple job-holders should be calculated on the basis of total insurable earnings from all jobs. Any earnings during the benefit period should be treated as earnings on claim.
-

A particularly contentious issue is the provision in the current Act that makes those whose earnings are interrupted because of a labour dispute ineligible for benefits. That provision is based on the fact that the strike is voluntary and that payment of benefits to strikers would breach the principle of neutrality by making Unemployment Insurance into a form of strike fund. The present rule considers an industrial dispute to be in progress until 85 percent of the work force is recalled, even if an agreement has been ratified. Once the agreement has been ratified, these workers are no longer on strike.

Recommendation

- 29.1** A dispute should be considered over on the date that the collective agreement is signed, except in cases where a date for return to work is identified in a subsidiary agreement or protocol.
-

Employees are also considered to be ineligible for benefits in the event of a lockout by their employer, although the employees who are locked out are not voluntarily unemployed.

Recommendation

- 29.2** In the case of a lockout, workers should be eligible for Unemployment Insurance benefits while a collective agreement is in force.
-

At present, some workers who are indirectly involved in a strike are disqualified. This policy violates the principles of voluntary action and of neutrality. The present rule is that contributing to a common strike fund

may lead to disqualification. Therefore, members of a local that is part of the same union are disqualified even if they did not participate in the decision to go on strike. Workers in the same plant but in a bargaining unit that is not a local of the striking union are not disqualified. This distinction may be both inequitable and illogical.

It is important to acknowledge that there may be instances where those indirectly involved in a labour dispute may receive substantial and early benefits from it. Where this is established, disqualification should follow. In such cases, there should be a right of appeal with the onus on the Commission to justify the decision.

Recommendation

- 29.3 Those indirectly involved in a dispute, including those who belong to the same union but are in a different local, should not be disentitled. Where there are direct, substantial and early advantages to those who are indirectly involved, they should be disentitled but that decision should be subject to appeal.
-

At present, workers involved in a labour dispute who take a second job are not eligible for benefits if they are laid off from that job. This practice ignores the fact that the layoff is entirely separate from the original labour dispute. This practice is not justified unless the Commission can show that the layoff was contrived in order to collect benefits.

Recommendation

- 29.4 In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job. In cases where claimants have earnings on claim and lose those earnings because of an industrial dispute, this should not disentitle the worker from the original claim.
-

Claims for sickness, maternity and adoption benefits are denied at all times during a labour dispute. These events are not related to the dispute and would have occurred whether or not the labour dispute had taken place. The provision of sickness benefits, however, must be very limited to avoid possible abuse.

Recommendation

- 29.5 Maternity, adoption and sickness benefits should be paid during an industrial dispute. In the case of sickness, however, benefits should be awarded only if the claimant is confined to hospital.
-

On strict insurance principles, voluntary quitters should not be eligible for benefits. To apply these principles would require the employer to identify those who voluntarily quit their jobs. There is, however, no extra cost to the employer in identifying the situation as a layoff, and therefore no incentive to police the system. Indeed, the

employer may collude to call it a layoff rather than a resignation. Increasing the penalty might simply increase the pressure for collusion.

There is need, however, to clarify and publicize the conditions under which a person may leave a job without penalty. "Just cause" is poorly understood among claimants. There is also need to revise the rules to cover cases of "inverse seniority" in collective layoffs, when older workers by agreement may choose to be laid off. In these cases no penalty should be imposed.

Recommendation

- 30** The current penalty of loss of benefits for up to six weeks for voluntarily leaving a job should be retained. "Just cause" for leaving a job voluntarily should be clarified and publicized, and "inverse seniority" in a collective layoff should be included as just cause.
-

The requirements that recipients be engaged in job search and available for work are critical in that they determine whether a claimant is considered to be unemployed or to have left the labour force. Enforcement of the requirements should be conducted in a humane, reasonable and intelligent manner, and those attempting to start a business should not be disintitled on the grounds that they are not available for paid employment.

Recommendation

- 31** Job search and availability for work should continue to be essential elements in the Unemployment Insurance program.
- Criteria regarding what constitutes suitable employment should be made explicit to clients.
 - The kinds of jobs claimants are required to search for should be continuously adjusted in light of the local availability of "suitable" jobs.
 - ✱ • Job search and availability requirements should be waived in instances of sickness and maternity, temporary layoff with assured recall, jury duty, approved training programs, and approved plans to start a small business.
-

Chapter 9: The Self-Employed

This chapter addresses the issue of self employment and deals in some detail with the issue of fishing benefits.

There would be almost insurmountable obstacles to providing protection to all categories of the self-employed. In cases where the individual can create the conditions which permit the collection of benefits, as the self-employed can, the degree of moral hazard presented is incompatible with Unemployment Insurance. A spouse who works on salary for a self-employed person, however, should not be excluded from coverage, except in jurisdictions where the spouse is treated as a partner under family property law.

Recommendation

- 32 Unemployment Insurance coverage should be extended to persons married to and working for the self-employed, in jurisdictions where under family property law spouses of business owners are not treated as partners in the business and where they are paid a salary subject to income tax.
-

Self-employed fishermen were included under the umbrella of Unemployment Insurance by a special amendment of the Act in 1956. The purpose was to provide income support to self-employed fishermen, particularly on the Atlantic, and to the many coastal communities that depend upon the fishery for their survival. But the fishing benefits program has problems stemming from the nature of the program, its inherent administrative difficulties, its inadequacies in meeting the needs of the fishermen whom it was intended to serve, and the obstacles that it presents to processors who need a greater supply of fish during the latter part of the season. Unemployment Insurance is neither appropriate nor adequate to meet the needs of fishermen who, through the vagaries of nature or government policy, are most in need of income supplementation.

Recommendation

- 33 "Part V Fishermen's Regulations" should be amended to establish a five-year maximum deadline for phasing out the eligibility of self-employed fishermen for Unemployment Insurance.
- During this five-year period, eligibility for special fishing benefits should not be extended to any new fishermen. Current Unemployment Insurance beneficiaries should be permitted to elect to receive a weekly payment during their off-season, calculated on the basis of their average entitlement over the preceding five years rather than on the current schedule of benefits.
 - During this five-year period, the federal and the provincial governments involved in the fishing industry should develop and implement an income supplementation plan for all workers in relation to their need, with resources at least equivalent to those currently available for Unemployment Insurance benefits to self-employed fishermen.
-

Chapter 10: The Reform of Program Delivery

This chapter provides a range of proposals for improving the administration of Unemployment Insurance. They include fundamental changes in the structure of the organization and other changes that could be adopted even without the proposed reorganization. Although nominally independent, the Canada Employment and Immigration Commission is a federal body subject to the guidelines of the Treasury Board and to the personnel policies of the Public Service Commission. The two Commissioners who represent employers and employees exert minimal influence. Those who pay most of the costs through premiums have an insignificant role in the management of the program. The delivery of service appears to be directed more to serving the needs of the system rather than to responding to the needs of the clients. In short, the Commission lacks autonomy, power and authority.

Recommendation

- 34** A new autonomous organization, the Unemployment Insurance Commission, should be established to be the mechanism for delivering Unemployment Insurance and employment services, and it should operate at arm's length from the government.
-

Throughout the report, the need has been stressed for the federal government to assume leadership in the development of a comprehensive human resource development strategy. A revitalized Department of Employment and Immigration should have a broad mandate for that strategy. Whether or not all of the existing programs and functions related to human resource development are allocated to this department, coordination of these initiatives is essential.

Recommendation

- 35** The remaining Department of Employment and Immigration should be revitalized, with a broad mandate for human resource development.
-

The new Commission should function at arm's length from government, while operating subject to a revised Unemployment Insurance Act that would limit its discretion with respect to the basic features of the program and the appeal process. It would not need parliamentary appropriations, since it is proposed that it be financed entirely from premiums.

Recommendation

- 36** The new Unemployment Insurance Commission should be established as a parent Crown corporation under Schedule C, Part II, of the Financial Administration Act.
-

In order to provide an administration that will operate at arm's length from government, a board of directors with wider representation of employers and employees than at present should be appointed. This

board would balance the interests of the employers and employees who jointly fund the program.

Recommendation

- 37
- The board of directors of the new Unemployment Insurance Commission should consist of between 13 and 21 members, and a majority of members should be selected equally from labour and from employers.
 - These appointments should be made by Order in Council upon consultation with interested groups and for a fixed term of three years, with one-third of the board eligible for replacement and reappointment every year.
 - The board of directors should be responsible for selection of the chairman of the board and of the chief executive officer.
-

It is essential that the administration of the program be more responsive to the needs and concerns of employers and employees, and that the current imbalance between a massive impersonal bureaucracy and the individual claimant be redressed.

Recommendation

- 38
- The legislation enacting the Unemployment Insurance Commission should grant it full authority over the implementation of the program and responsibility for the delivery of services.
-

It is difficult to avoid the conclusion that public access to the Unemployment Insurance program has low priority, since there is widespread criticism of the lack of information provided to employers and employees on all aspects of the program. There is considerable public frustration over the difficulties of obtaining answers to questions and even of contacting the staff, whether in person or by telephone.

Recommendation

- 39
- The Unemployment Insurance Commission should do more to inform the public, employers and employees about the program in general; about the requirements of the law, regulations and appeal process; and about the rights and responsibilities of claimants and appellants.
-

(1) proactive & accessible

Rules of implementation used to deliver the program are sometimes found in the Act or the regulations, and sometimes in administrative policies or the decisions of umpires. It is the intent of the proposed changes to give the new Commission responsibility for the rules that are to be adopted in order to deliver the program. Existing rules need careful examination and evaluation. Deadlines for filing claims, for example, have important implications in terms of lost benefits. It is not clear what circumstances constitute "just cause for delay" and would allow a claim to be antedated. The onus of proof of qualification for benefits is placed on the claimant rather than this onus being on the Commission. The current rules and procedures governing appeals require the claimant to

provide evidence, but give no clear guidance regarding the nature of the evidence required or what constitutes "just cause."

Claimants should be expected only to show that they have met the basic requirements for eligibility. If their request for benefits is denied, the onus should then be on the Commission to show justification for that decision. Furthermore, the Commission should provide reasonable assistance to the claimant in preparing the argument to support his or her claim.

Recommendation

- 40** All rules used to deliver the Unemployment Insurance program, particularly those related to filing deadlines, onus of proof and the standard of evidence, should be evaluated. Claimants should be provided with reasonable assistance in marshalling the facts necessary to support their case.
-

The legislation establishing a reformed Unemployment Insurance program and an autonomous Commission should reflect the simplicity and clarity requested by clients, and should permit the flexibility required to respond to the changing needs of the unemployed and to economic changes. It should identify the purpose of the program and the mandate of the Commission without attempting to foresee every possible eventuality. The role and nature of the Unemployment Insurance program and the major features of the benefit structure should be specified, but detailed rules of implementation should be left to the discretion of the Commission.

Recommendation

- 41** The new Unemployment Insurance Act should clearly identify the objectives of the Unemployment Insurance program, its nature and scope. Specific references should be made in the Act to:
- the principles that constitute the basis for setting premium rates and benefit levels;
 - the principles that determine what is unemployment under the Act (including the interruption of earnings);
 - the concept of voluntary and involuntary unemployment (including availability for work);
 - the principles that determine what earnings are insurable; and
 - the rights and obligations of claimants, including the right to appeal.
-

The Unemployment Insurance Act is complex and difficult even for jurists to understand, let alone clients and employers. The regulatory process is itself a complicated maze because of countless piecemeal changes in regulations. It is reasonable to require due notice of changes in regulations and policy that affect clients significantly.

Recommendation

- 42** The new Act, in delegating to the Unemployment Insurance Commission the power to issue regulations, should prescribe a manner and schedule for making these changes, so as to limit their frequency. Notice of proposed changes to regulations should be published in the media well in advance of their proposed date of implementation.

Canadian law has traditionally had an appeal system that reviews the substance and facts of the case at the first level and reviews the legal procedures and interpretation at the second level. The Unemployment Insurance appeal system is more complex. It involves an internal review plus several levels of review of the procedures. Other problems include the fact that boards of referees are not regarded by claimants as "bona fide" appeal boards, since they are not seen to function at arm's length from the Commission, do not apply standard rules of evidence, and are chaired by persons who lack the legal training or the necessary depth of understanding of the program. Furthermore, the internal review procedure is perceived as inadequate in that the staff person involved is not separate from the normal line of authority.

Recommendations

- 43.1** The current appeal system of a board of referees and umpire should be replaced by an Unemployment Insurance ombudsman/adjudicator's review and a board of appeal.
- The responsibilities, independence and powers of the Unemployment Insurance ombudsman/adjudicator should be specified in the Act and should include the obligation to report annually on problems in implementing the Act and interpreting statutory and regulatory provisions, and to provide pursuant recommendations.
 - The board of appeal should be established to hear all first-level appeals and be empowered to review the substance of all cases. It should consist of an experienced lawyer deemed qualified for appointment to the judiciary, as presiding officer, and two assessors representing the interests of employers and employees. The board should function judicially, making full use of the adversary process and abiding by the rules of evidence.
 - The function of adjudication review should be clearly separate from claims processing and benefit control.
- 43.2** Funding should be provided to approved groups, such as unemployment action centres, to assist both employers and employees in the appeal process. These groups and claimants should have ready access to the decisions of umpires, in order to prepare for the appeal process.

Currently viewed
as arbitrary &
biased

- Clearer rules of appeal
- Non-partisan board
- Open system with a
simpler, more open &
understandable process

The present Act confers wide powers upon the Commission. The Commission has, for example, the power not only to impose administrative penalties but also to lay charges against the same individual or company for criminal prosecution. It has powers of search and seizure and is not obligated by law to give clients sufficient notice to allow them time to examine the documentary evidence assembled by the prosecution.

Recommendation

- 44.1** The Act should narrowly define the powers of enforcement of the Commission consistent with the guarantees prescribed in the Canadian Charter of Rights and Freedoms and ensure that they are necessary to the essential purposes of the program.
-

Because Unemployment Insurance is a compulsory program financed by a payroll tax, the public interest requires that the autonomous Commission be financially accountable and that certain rules to that end be specifically laid down in the Act.

Recommendation

- 44.2** The Act should ensure normal standards of accountability to Parliament for the new Unemployment Insurance Commission. Specific references should be made in the Act to:
- the permissible scope of its activities;
 - the exercise of its power to borrow to finance a deficit in its fund;
 - the investment of surplus funds in government securities;
 - the accumulated rights and benefits of present employees; and
 - the manner in which its power to set premium rates and vary designated features of the benefit structure should be exercised.
-

Unemployment Insurance, as a social insurance program, is essentially a pooling of the risk of the financial loss arising from unemployment, and is appropriately financed from contributions made by those sharing in this risk. As an insurance against the loss of wage income, it provides benefits as a right only to those who are insured. It therefore follows that the cost of benefits to individuals and the related administration costs should not be borne by the public purse, but entirely by those who are eligible to receive benefits.

Recommendation

- 45** The reformed Unemployment Insurance program should be financed entirely by premiums. Human resource development programs, earnings supplementation and other labour market programs should be delivered separately from the Unemployment Insurance program and should be financed from general government revenue.
-

The mode of allocating premiums between employers and employees reminds both parties that the system of insurance, though essential, has a cost and that each party has a share in it. An equal allocation would underline the equal importance of employers and employees in determining administrative policies.

Recommendation

46.1 Unemployment Insurance should gradually move toward allocating premiums to employers and employees on a 50:50 basis.

A federal transactions or value-added tax has implications for the collection of premiums because the premiums of employers could be assessed on the basis of total value added rather than total insurable payroll.

Recommendation

46.2 The calculation of the employer's share of Unemployment Insurance premiums should be reviewed if a value-added tax is introduced.

In setting premium rates, sudden increases in premiums in times of increasing unemployment and higher rates during the initial years of recovery have a destabilizing impact upon demand. The current practice is to set the rate on the basis of a three-year moving average. But economic cycles are irregular and formulas prescribed by legislation are seldom in tune with reality.

Recommendation

47 The proposed Unemployment Insurance Commission should be given the power to alter benefit or premium levels within given parameters defined in the new Act.

Separating the Unemployment Insurance Commission from the current Department of Employment and Immigration raises the question of where employment services should be placed. There is agreement that services to the unemployed should be provided from one office. That office should provide information regarding claims and should offer assessment and counselling services. It appears reasonable to integrate the job listing and referral system with these services. These services should be available to all of the unemployed, and should not be confined to those in receipt of benefits.

Recommendation

48 The new Unemployment Insurance Commission should continue to assume responsibility for employment services (including job placement, assessment and counselling services) for all of those who are unemployed, including those who are not receiving Unemployment Insurance benefits. An evaluation of the placement services should be undertaken and this function should either be revitalized and refocussed or cancelled.

Government reorganization is disruptive to clients and to the staff. While the separation of the Commission and the Department is an essential and fundamental change, the subsequent dislocation and potential problems of communication or duplication of services should be minimized.

Recommendation

- 49** Staff of the new Unemployment Insurance Commission and the federal department delivering other human resource development programs should be co-located in the existing network of Canada Employment Centres.
-

The Commission is a massive organization with some 28,000 employees. The size and level of the staff at both national and regional headquarters are out of proportion to the nature and value of the services that they perform. It would appear that a significant reduction in the number of staff could be achieved.

Recommendation

- 50** A significant reduction should be made in the number of staff at national and regional headquarters.
-

The Record of Employment supplied by the employer is the source of information required to determine the appropriate rate and period of benefits for a claimant. Errors in that form are the main cause of over- and underpayments of benefits, and of delays in processing claims.

Recommendation

- 51** The Unemployment Insurance Commission should investigate the use of a simplified wage request or wage record system to replace the current Record of Employment system.
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Currently, an automated, comprehensive tracking system monitors the magnitude and causes of incorrect payments. It is designed more to determine the probability of fraud than to identify individual cases. Performance measurement is based on number of cases, not on dollar values or significance of cases. There is limited access to information on clients that is in the possession of other departments and agencies of government.

Recommendations

- 52** Benefit control systems should be established which cross-check data on claimants with data in other relevant government files. The Unemployment Insurance Act should be amended to permit overpayments to be recovered through offsets against other amounts owing to claimants from the government (e.g., income tax refunds).
- 53** The investigative effort of the Unemployment Insurance Commission should be focussed and improved, and cases of organized fraud should be given more attention. Performance measurement in this area should be based on dollar values in addition to the number of cases.
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Conclusion

The changes to the Unemployment Insurance program, and the recommendations for an earnings supplement and other economic and human resource development programs in this report, are radical and will be controversial. It will take courage to adopt them and will take time before they can be fully implemented. The Commissioners are acutely aware of how disruptive changes may be both to individuals and to regions. Time must be permitted for full assessment of the consequences, for monitoring new developments, and for introducing modifications as circumstances change.

But there are other reasons why time is needed. Some of the major recommendations are closely interrelated. The proposed phasing-out of regionally extended benefits and of fishing benefits is dependent upon the introduction of an Earnings Supplementation Program. These proposals and the other initiatives in the human resource development strategy require consultation with provincial governments and federal-provincial agreements.

The proposed new autonomous Commission and the reorganization of the current Canada Employment and Immigration Commission will also take time, not only to implement the proposed changes but also to allow those affected to adjust to the changes. For these reasons it is urged that a transition period of four or five years be allowed in order to phase in proposals where time for adjustment is deemed to be necessary.

Commissioner Roy F. Bennett

Annualization

The Annualization concept should not be adopted unless appropriate income supplementation programs have been developed and agreed to by all provinces. In the meantime the existing Unemployment Insurance program should be continued with some modification whereby regionally extended benefits are progressively phased out and replaced with expanded training programs, long-term job creation initiatives and other programs which facilitate and encourage labour force participation.

Part-Time Workers

Recognizing that a high percentage of part-time workers are students, retirees and workers who have other full-time employment, coverage should not be extended to those working less than 15 hours a week until further analysis indicates that the majority of those affected desire this protection

Cumulative Employment Account

Recognizing the complexity and administrative implications of the proposed Cumulative Employment Account, it would appear preferable to base entitlement strictly on age (subject to a minimum qualifying period in the labour force) provided such an approach is acceptable under the Canadian Charter of Rights and Freedoms.

Pensions

The proposed change in the treatment of pensions, as with all changes which have significant implications, should become effective one year after the relevant regulations are published.

Labour Disputes

A worker should no longer be considered involved in a labour dispute after: (a) a collective agreement has been signed; and (b) the unit or department in which the worker was employed at the time the strike commenced either resumes work or ceases to exist.

In the case of a worker who is not directly involved in a strike but who is laid off as a result thereof, Unemployment Insurance benefits should be paid provided that: (a) the claimant is not employed by the same employer as those who are on strike; or (b) the claimant does not contribute to the same strike fund.

In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job *only in those instances where* either: (a) the strike is over at the time of layoff from the second job, or (b) the striking worker has held the second job for at least 10 weeks.

Commissioner Guylaine Saucier

The rule that for Unemployment Insurance purposes a labour dispute is considered over when 85 percent of employees have returned to work should be retained. In the case of a worker who is not directly involved in a strike but who is laid off as a result thereof, Unemployment Insurance benefits should be paid provided that: (a) the claimant is not employed by the same employer as those who are on strike; or (b) the claimant does not contribute to the same strike fund.

Commissioners F.J. Soboda and J.J. Munro

It is our firm belief that the program is basically sound and needs only to be improved and strengthened to allow it to serve its purpose in a less complicated and more equitable fashion. Our points of departure from the other Commission members are fundamental:

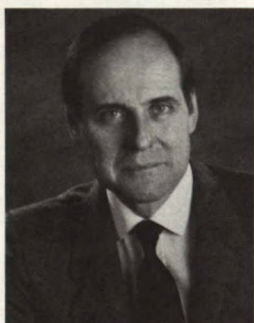
- We do not believe that cuts in the program are warranted.
- We cannot support massive cuts in benefits for those workers who are most in need of the economic security that UI provides – those who are unable to maintain full-year employment.
- We believe that the proposal to eliminate regionally extended benefits is an economic disaster in the making for Canada's weakest local economies.
- We believe it is a serious mistake to sever the link between UI funding and benefits and the rate of unemployment.

The UI program has already sustained a series of cutbacks and restrictions over the past decade. The cutters and retrenchers have had their day. It is time now to refocus the program on its basic purposes and on the needs of the people it is supposed to serve.

It is recommended:

- that the link between the duration of benefits and the local unemployment rates be maintained (regionally extended benefits);
 - that the minimum entrance requirement of 10 weeks be extended to all classes of claimants, including those for sickness, maternity, and parental benefits;
 - that the maximum benefit period be increased from 50 to 71 weeks;
 - that the two-week waiting period remain for regular benefits, be reduced to one week for sickness benefits, and be eliminated entirely for maternity and parental benefits;
 - that payments of benefits be guaranteed within one week of application;
 - that the level of insurable earnings be established yearly at 125 percent of the eight-year moving average earnings;
 - that the benefit rate be increased to 66⅔ percent;
 - that all pension income, severance and vacation pay be excluded from the definition of earnings for UI purposes;
 - that the present exclusion from coverage of persons over age 65 be eliminated;
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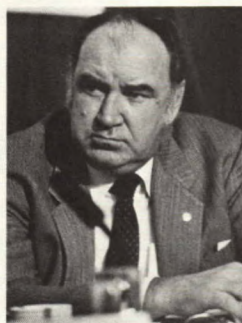
- that the maternity benefit period be 17 weeks, that the 2-week waiting period be eliminated, and that parental and adoption periods be 24 weeks;
 - that part-time workers be eligible for UI if they have a minimum of six hours a week of regular employment;
 - that the denial of benefits to workers involved in a strike be confined to workers actively on strike, and not extended to others who refuse to cross their picket lines;
 - that employees who are locked out by an employer be eligible for benefits;
 - that the UI regulations, procedures and administration be simplified to enable claimants to file applications and obtain their rightful benefits more easily and quickly; and
 - that if the above recommendations are adopted, tripartite financing, with equalization of premiums between employers and employees, be maintained.
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**Claude Forget
Chairman**

Claude Forget is an economic consultant, partner in the firm SECOR in Montréal and vice-president of the C.D. Howe Institute. Mr. Forget has been a

professor of economics at McGill University, l'Université de Montréal and l'Université du Québec à Montréal. He has been Assistant Deputy Minister, Member of the National Assembly and Minister of Social Affairs in the Quebec government.



**Jack Munro
Commissioner**

Jack Munro is president of the International Woodworkers of America Regional Council N° 1, a position he has held since 1973. He is an associate

officer of the IWA International Executive Board and a general vice-president of the Canadian Labour Congress.



**Roy F. Bennett
Commissioner**

Roy F. Bennett is president of his own management consulting and investment firm, Bennecon Ltd. He formed the company after retiring from the Ford

Motor Company of Canada Ltd. where he was president and Chief Executive Officer from 1971 to 1981.



**Guylaine Saucier
Commissioner**

Guylaine Saucier has been president of Le Groupe Saucier, one of the largest forestry products firms in Quebec, since 1975. Ms. Saucier is a chartered

accountant and serves on the boards of several parapublic and private organizations.



**M. O. Morgan
Commissioner**

M. O. Morgan is a distinguished Canadian scholar in the social sciences field. He has taught at King's Collegiate School, Dalhousie University and Memorial

University, where he was president from 1973 to 1981.



**Frances J. Soboda
Commissioner**

Frances J. Soboda is a vice-president of the Canadian Labour Congress, vice-president of the Nova Scotia Federation of Labour and president, of the United

Steelworkers of America, Local 4253. She is also co-chairperson of the NSFL's Human Rights Committee.