



House of Commons
CANADA

**Subcommittee on the Employment Insurance
Funds of the Standing Committee on Human
Resources, Skills Development, Social
Development and the Status of Persons with
Disabilities**

SEMP • NUMBER 003 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Wednesday, November 17, 2004

—
Chair

Mr. Rodger Cuzner

All parliamentary publications are available on the
``Parliamentary Internet Parlementaire'' at the following address:

<http://www.parl.gc.ca>

Subcommittee on the Employment Insurance Funds of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities

Wednesday, November 17, 2004

• (1525)

[English]

The Chair (Mr. Rodger Cuzner (Cape Breton—Canso, Lib.)): Ladies and gentlemen, colleagues, we'll commence. We can call this meeting to order as the quorum is a body of three for the subcommittee to hear witnesses.

We have a fairly significant number of presenters today. I'd like to welcome you here and thank you for making the time in your schedules to appear before this subcommittee.

With the number of presenters we have, we will allocate five minutes per presentation. Please identify yourself to have it read into the record, and I'll just identify the name of the association or who you're representing. We can begin with that, and then we'll get into a round of questioning.

I think we'll begin with the Canadian Construction Association.

Mr. Michael Atkinson (President, Canadian Construction Association): Thank you, Mr. Chairman.

Dennis Ryan and I, Michael Atkinson, represent the Canadian Construction Association. It represents the non-residential construction industry. Collectively, the construction industry in Canada now employs directly over one million Canadians, hence we have an obvious interest in this particular program, the EI program.

I think you're going to hear a common theme from we presenters today, so we're going to be very brief and just highlight the five or six items or recommendations that our association, jointly and in common with a number of the organizations here, has been making over the past several years with respect to the program.

I think the one point we'd like to emphasize is that EI reform is beginning to become a bit like waiting for the Toronto Maple Leafs to win the Stanley Cup. We constantly seem to be before committees, repeating ourselves, having committees in fact adopt some of the recommendations in their reports, and yet here we are in 2004, still without any real substantive movement on this file. So we'd certainly urge this subcommittee to move forward.

Briefly, our recommendations are, first, to bring EI premiums in line with true EI program costs, and to establish lower, stable, or fixed rates over a longer period of time to bring some of the uncertainty out of the process both in the actual rate-setting itself and the period for which the rates would apply.

We'd like to see the reinstatement of identical premium rates for employers and employees. We feel that the rationale behind the employer multiple is no longer valid. We'd like to see, as the House Standing Committee on Human Resources and the Standing Committee on Finance have both recommended, the introduction of a yearly basic exemption similar to that which exists for CPP and QPP.

We'd like to see a mechanism for refunding employers for EI overcontributions, particularly with respect to associated companies that are treated as a single taxpayer for the purposes of other income tax matters and yet for EI are treated as separate employers.

We'd obviously like to see that the contributors to the fund have a much, much larger role in the establishment of rates, input into the rate-setting process.

Another point we'd like to raise is that in the absence of any significant reforms along the lines we've talked about, we really think the time has come again for the segregation of the fund from consolidated general revenues if none of the other substantive recommendations we've made come to fruition.

Last, we are looking for the introduction of incentives to encourage unemployed workers, workers who are receiving benefits from the EI program, to move to other regions where they can obtain gainful employment.

In the next two minutes or so, I'm going to have Mr. Ryan quickly address that particular issue, since it's near and dear to the heart of the construction industry.

Mr. Dennis Ryan (Director, Industry Human Resources, Canadian Construction Association): A major concern for our industry is that, since it is a cyclical industry, the investment and development in Canada is not equitable across the country.

In Alberta right now there is \$80 billion projected for construction over the next five years. No other area of the country matches that projected work opportunity. Yet we find that while Alberta is experiencing shortages in being able to man the projects, there are still people in various parts of the region who are unemployed. The cost of moving on a full-time basis is not something they're willing to take on. Most people are not willing to look at moving to another part of the country. What they are looking for is some assistance to help get them out to be able to take on those kinds of jobs.

What we feel could be done in this area is to offer incentives to employees to accept employment in other areas, such as the temporary mobility program that was part of the EI program in previous years, and similarly, to assist employers with the additional costs that are associated with moving people from one part of the country to another. That's not only the cost of travel, and so on, but sometimes there is licensing and different tests that are required to give that person the status to be able to work in another region of the country.

With that, I think we would just like to see the EI program be flexible enough to assist both the employer and the employee, where they would be gainfully employed in one region as opposed to drawing EI benefits in another area of the country.

Thank you very much.

• (1530)

The Chair: That was six seconds short of five minutes. That's pretty good stuff.

Next we'll hear from the Canadian Restaurant and Foodservices Association.

Mrs. Joyce Reynolds (Senior Vice President, Government Affairs, Canadian Restaurant and Foodservices Association): Thank you, Mr. Chair.

My name is Joyce Reynolds. Good afternoon. I'm here today representing the \$46-billion food service industry. Our revenues comprise 4% of GDP, and we are one of the country's largest private sector employers.

We now provide, as construction does, over a million jobs for Canadians. That's more than agriculture, forestry, pulp and paper, banking, and the automotive industries combined. The biggest constraint to hiring more Canadians continues to be high payroll taxes, which comprise 40% of the tax load for the average restaurant operator.

Payroll taxes affect our labour-intensive industry disproportionately; therefore, we're pleased to once again have the opportunity to discuss EI funding with you. In my short time before you, I'm going to focus on the acute problem of EI program integrity and accountability, but also on the need to establish a \$3,000 YBE in the EI program.

I'm going to begin with the YBE. Introducing a YBE in the employment insurance program would turn a regressive funding system into one that proactively supports Canadians at the low end of the income scale, those who would benefit most from reduced taxes and increased job opportunities. It would also make EI premiums less punishing to labour-intensive businesses.

Now, the YBE refers to the annual earnings level in which EI premiums are not applied, similar to the YBE in the CPP and QPP programs. The Standing Committee on Human Resources recommended the implementation of a \$3,000 YBE in their "Beyond Bill C-2" report in 2001, and the Standing Committee on Finance also recommended a YBE, both in 2001 and 2002, in their "Securing our Future" and "Canada: People, Places and Priorities" reports respectively.

The response from HRDC to the standing committee's recommendation was: "There is a concern that exempting the first \$2,000 or \$3,000 of earnings would mean that these earnings and the hours of work they represent would not be insured."

We don't believe the implementation of a YBE would necessitate a change in the calculation of benefits. In fact, CRFA would recommend including the \$3,000 exemption in the contribution phase. I will expand upon the YBE proposal during questions if necessary, but I want to talk about ways to fix the rate-setting process and government's reliance on EI premiums for general tax revenue.

CRFA supports the five principles that the former Minister of Finance identified as essential components of a new EI rate-setting system: premium rates must be set transparently; premium rates should be set on the basis of independent expert advice—and, we would add, input from stakeholder groups; expected premium revenues should correspond to expected program costs; premium rate-setting should mitigate the impact of the business cycle; and premium rates should remain relatively stable over time.

These principles exist in intent within the current legislative framework but not in practice. EI funding must not only fully enshrine these principles but also ensure that they will be respected. There must be built-in protection for employers and employees that ensures that premium payments will not be used for purposes unrelated to employment insurance.

The government must also return the \$47.5-billion surplus in the EI account that will have accumulated by the end of this year to those who funded this huge cash surplus, Canada's employers and employees.

In setting the framework for the new rate-setting process, CRFA has proposed two possible avenues. One option is a truly stand-alone EI fund, established and administered at arm's length from government. This is the only fair and responsible way to set EI premiums on a counter-cyclical basis. It is the only way the program can be maintained on a sound financial footing without tempting government to divert EI revenue for other purposes.

The second avenue is to establish by legislation a low long-term premium rate. Under this scenario the EI account would continue to exist and a premium rate would be established to ensure that the credit in the account is drawn down to a preset minimum level over a 10-year period. There would be a statutory requirement to reduce premium levels further if the surplus in the account failed to decrease or began to accumulate again.

Under this approach government would not be required to hand back the surplus except in small amounts over a long period of time. However, government would be required to absorb the additional costs of benefits if and when the unemployment rose.

In order to give employers and employees some assurance they will not lose their claim to the surplus they have contributed to or that they will not be overcharged in future, an act of Parliament would be required to raise the EI premium rates.

We know there will always be pressure on any government to increase spending on a multitude of programs and activities and to lower taxes in a host of areas. We have to set up a legislative framework that will eliminate the temptation to spend EI program revenues on other worthy but unintended initiatives. It has proven too great a temptation in the past and simply has to be removed as an option by either setting up a genuine arm's-length program or legislating a long-term rate. Details on how both these options would work are provided in our submission.

• (1535)

To conclude, we welcome your initiative to bring about a long-awaited restructuring of the EI funding system. A yearly basic exemption in the EI program would help alleviate the payroll tax burden of all Canadians and all businesses, but would most benefit those most punished by high payroll taxes—low-wage and entry-level workers and labour-intensive businesses. A funding mechanism that will return the surplus and ensure employers and employees are not overcharged in future is also urgently needed.

Thank you.

The Chair: Thank you.

We'll go to the Canadian Council of Chief Executives.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you, Mr. Chairman.

My name is David Stewart-Patterson. I am the executive vice-president of the council.

The council is essentially made up of large companies within Canada. Our roughly 150 members collectively administer assets of about \$2.5 trillion, with \$600 billion in annual revenues across every region and every sector of our economy.

[Translation]

Mr. Chairman, thank you for the opportunity to appear before this committee to discuss reform of Canada's employment insurance system.

The fundamental purpose of employment insurance is twofold: to help the country meet the best possible use of its formidable pool of human talent and to encourage each individual to achieve his or her

full potential while providing a safety net against the unpredictable ups and downs of a dynamic economic.

Canada's current system of employment insurance has its strengths, but there is almost universal agreement that it could be improved. The federal government has recognized in particular the need for reform of the rate-setting mechanism, but, I believe, that more fundamental issues also need to be addressed.

[English]

In particular, Mr. Chairman, the 2003 federal budget set out five principles of a new permanent rate-setting mechanism to be in place for 2005: transparency, independent expert advice, mitigation of the impact on the business cycle, stability of premium rates over time, and rates that keep revenues in line with costs. The process of setting EI premium rates has to respect all of these principles.

The best way to ensure transparency is to turn the current guidelines into a very clear and legislated set of rules and procedures. To expand the range of expert advice we would recommend the creation of an advisory council mandated by legislation. We would argue that employers, who pay the majority of the premiums and who make the decisions on when to hire and when to lay off, should play a prominent role in this council.

More broadly, the time has come to live up to the principle that premium rates should enable the system to build up reserves during good times in order to keep paying benefits without raising rates during downturns. As the system now stands, revenue surpluses flow into the government's general revenue account, and the result is that these fictional surpluses need to be drawn from general revenue at the low point in the economic cycle, which is precisely when the general account is under the greatest pressure from falling tax revenues and rising social program costs.

It is possible to provide greater stability within the current system by setting break-even rates over a longer period. We have suggested five to seven years as appropriate. In our view, what's really needed to respect the principle that rates should be stable right through the business cycle is a segregated EI account. Within such an account the government can then enhance stability, either by mandating a maximum surplus that cannot be exceeded or by using the American approach, which is to set a solvency or reserve ratio.

In addition to establishing a segregated fund, it's vital to focus this fund on the basic goal of the program, that of providing insurance against short-term and unexpected job loss. This, in our view, would require two further measures in particular.

First, the insurance program has to live up to its name: premiums paid should reflect to some extent, at least, the risks of the perils insured against. The terms and conditions of EI must not reinforce long-term dependency on low-skilled, low-wage, or seasonal work, but rather must encourage dynamism and flexibility within the labour force. This implies some degree of experience rating in setting premium rates for both individuals and employers.

Second, a segregated fund should be used only for the basic purpose of employment insurance. Roughly half of the money raised through EI premiums is now being spent on other programs, including maternity, parental, sickness, and fishing benefits. In our view the segregated account and its premiums should fund only the insurance portion of the EI system's current mandate. The remaining programs, which address structural rather than cyclical issues, should continue to be funded, but out of general revenues. We recognize that while this might lead to much lower EI premiums, the government might have to introduce an offsetting payroll tax or other means of funding the non-insurance programs that would continue.

Let me offer one final thought with respect to this cumulative employment insurance surplus. I'm not sure I necessarily agree with all of my colleagues. There is no doubt that for many years the government has been charging employers and employees far more than is necessary to pay the costs of EI benefits. The fact remains that, at least until now, we haven't had a segregated EI fund. All of the excess revenue from premiums has flowed into general revenue. All of this money has been spent. Whether it was on expanding federal programs, expanding transfers for health care, enabling cuts in personal and corporate tax rates, or repayment of the debt, it's gone.

Whether or not you agree with the way that money was spent, it has been spent, and we can no more undo the excessive EI premiums charged in the past than we can retroactively reverse the lower tax rates that Canadians enjoyed or reverse the transfers that have already been made to provinces for health care over the same period. What we can do, Mr. Chairman, is improve the employment insurance system going forward and make sure the mistakes in the past are not repeated.

Thank you.

• (1540)

The Chair: Obviously, the presenters have done this.... The comment was made that you'd been here before. Everybody is right on the five minutes, I tell you, so you obviously have your presentations well rehearsed.

Mr. Peter Van Loan (York—Simcoe, CPC): Time is money in the private sector.

The Chair: From the Canadian Chamber of Commerce.

Mr. Michael Murphy (Senior Vice-President, Policy, Canadian Chamber of Commerce): And then again, Mr. Chairman, I can take longer.

Thank you very much, Mr. Chairman. It's my pleasure to be here.

My name is Michael Murphy and I'm senior vice-president, policy, with the Canadian Chamber of Commerce. I'm happy to have my colleague Rob McKinstry with me today.

The chamber, of course, is a very broad-based business organization, about 170,000 members across the country in every region, every industry, and of course, the vast majority are employers who have a very direct interest in labour market policy and the administration of EI.

[Translation]

The Canadian Chamber of Commerce believes that a skilled, highly productive and mobile labour force is essential to achieving many of Canada's objectives. As we look to the future, it is clear that high levels of productive "human capital" will be essential to maintaining long-term economic growth, competitiveness and prosperity in Canada. We must ensure that all government programs, including the employment insurance program, are conducive to full strength productivity and, in turn, economic growth.

As such, the Chamber of Commerce has reservations about certain aspects of the program. These reservations are as follows: the expanding purpose of the EI program, higher than necessary premium rates, the negative economic impacts of current EI practices on high unemployment regions of the country, the unnecessary employer premium multiple, the unfairness of employer premium over-contributions, and the absence of a meaningful process for setting the employment insurance premium rate.

[English]

In the seventies, Mr. Chairman, regular benefits—defined broadly to include regionally extended benefits, the extra weeks of coverage that vary with local unemployment rates—constituted about 90% of total payouts. Regular benefits now account for about 60% of total payouts, and of total premium revenues collected, only about 50% are paid out as regular benefits. In effect, the EI program has become a holding tank for a grab bag of social programs well beyond insurance purposes.

Because the program has been used to support government spending in a variety of areas completely unrelated to its original purpose, rates have been kept at unnecessarily high levels. Unnecessarily high premium rates paid by employers add to employees' real wage costs, result in a drop in wages received by employees, and cause employment levels to be lower than otherwise.

We saw in 1996, in Bill C-12, a significant attempt to amend the UI program, as it was known at that time, and have it changed and renamed to the EI program, with a significant number of proposed amendments to the program. We then saw Bill C-2 in May 2000, which repealed a number of provisions, including the intensity rule.

The chamber believes that the government must implement policies that discourage the frequent use of EI. Reinstating the intensity rule, increasing the hours to qualify for EI and reducing the benefit period in high unemployment regions would enhance labour flexibility, productivity and accelerate industrial and regional adjustments.

Another significant issue of concern for the chamber is the employer multiple, and you've already heard about that today. Since 1972, employers have been paying 1.4 times what employees pay, about 58% of total premiums collected. The multiple of 1.4 was set as a default for all employers until an experience rating system was implemented, and although the enabling provision for experience rating was removed, the 1.4 employer multiple has been retained.

The apparent rationale behind this is that employers have greater control over layoff decisions and therefore should bear a higher overall share of program costs. In recent years, however, EI benefits totally unrelated to layoffs—for example, parental leave, to name a significant program—have contributed to much higher costs. There was little justification for requiring employers to pay for these benefits, and more so than employees do.

The chamber recommends the federal government reduce the employer multiple so that the premium rate equals the employee premium rate.

• (1545)

[Translation]

In 2004, the annual maximum contribution of employment insurance premiums for employees and employers is set at \$722 and \$1,081 respectively. If employee EI premium payments exceed the maximum contribution limit, employees are refunded the difference between what they have paid and the maximum annual contribution limit.

While it is difficult to quantify the exact level of over-contributions by employers, the level is certainly in the several hundred million dollar range. However, there is currently no mechanism in place to refund employers for over-contributions. Given the fact that EI premiums represent a barrier to job creation, the Canadian Chamber believes that the federal government must immediately implement a system that allows for over-contribution by employers to be refunded by the federal government.

[English]

In budget 2003, the federal government announced that it would consult on a new EI rating-setting for 2005 and beyond. However, we've so far failed to complete that work. The chamber recommends that the federal government retain private sector economic forecasters, as consistent with federal budget planning, to provide the necessary projections of the economic variables that would impact the level of expenses and revenues for the program.

The break-even EI premium rate refers to that premium that would generate revenues that equal the cost of the entire program. The chamber recommends that the role of the CEIC or another independent body, with input from all relevant stakeholders, should be to provide advice to the government on whether the actual rates should deviate from that produced by the actuary's calculation. Therefore, the government would be left with some discretion to alter the rate from that technically calculated. This process must also be transparent.

The chamber believes the reforms outlined in our submission would establish EI as a true insurance program and would enhance the efficiency of labour markets, stimulate productivity and

economic growth, and therefore increase the standard of living of Canadians.

Thank you for your time today, Mr. Chairman.

The Chair: Thank you, Mr. Murphy.

From the Canadian Federation of Independent Business.

Mr. Garth Whyte (Senior Executive Vice-President, Canadian Federation of Independent Business): Thank you, Mr. Chairman, and thanks to the committee for inviting us to present today.

My name is Garth Whyte. I'm executive vice-president for the Canadian Federation of Independent Business. This is my colleague André Piché. He is our director of national affairs.

We've given you a kit, but in our presentation we're just going to read the executive summary. In the back you'll see a lot of surveys based on tens of thousands of responses—in fact, many of the surveys have over 20,000 responses—from the business community across the country, in all sectors. We have 105,000 independent business owners as members. We represent small and medium-sized enterprises. We've based our presentation on what they have told us.

Yesterday's economic update delivered by Finance Minister Goodale emphasized Canada's economic performance in terms of economic growth and job creation. He said it's been unequalled among the G-7 countries in recent years. We agree with that. But what the economic statement did not say was that the heart of economic success lies with small and medium-sized enterprises, which have been responsible for the creation of the bulk of Canada's phenomenal job growth in every community from coast to coast.

We think you need to build on that strength, not hinder its growth. Payroll taxes, CPP and EI in particular, represent a major burden for, and preoccupation among, our members, not just from the cost element but from the paper burden element. I would love to talk to you about that in question period. When you implement a program, sometimes it's so unclear that people don't know how to implement it, both employees and employers. I really think we should talk about that.

The other key point we want to make, among several, is that any changes to the EI program should not hurt small business job creation nor exacerbate the shortage of qualified labour, an issue that's been identified by almost one out of two members across the country. Sometimes what seems like a good idea is actually hurting in the shortage of qualified labour issue, filling and finding employment, as the Construction Association pointed out as well.

A couple of years ago, we launched a major campaign that resulted in 25,000 faxes being sent by our members to their respective MPs, seeking prompt government action on measures to restore fairness and transparency to the EI program. Business owners are looking for greater fairness in the way EI is administered, and it extends beyond the creation of a new EI rate-setting mechanism. Small business owners are looking forward to lower EI programs beyond 2004, and a fairer distribution of the EI cost burden.

We recommend the following seven-point plan: one, proceed right away with the implementation of a more transparent EI rate-setting mechanism; two, bring EI premiums into balance with EI costs, as supported by 93% of business owners; three, separate the EI fund from general revenues, as supported by two-thirds of business owners surveyed; four, move to a 50-50 split of premiums, as supported by 92% of business owners; five, refund employers for the EI CPP overcontributions, worth over \$500 million a year; six, compensate small and medium-sized businesses for the costs associated with extended parental leave; and seven, reintroduce a program like New Hires, which was hugely popular, especially in Atlantic Canada, to help create new jobs.

With respect to the EI rate-setting mechanism, we recommend a few overriding principles. One, business owners and their employees should clearly be better off, not worse, as a result of the new approach. Two, business owners and their employees have put their trust in the government and have contributed to the bulk of the \$47 billion accumulated surplus, and they now expect the government to carry out its moral obligation to keep lowering EI premiums and deal with unexpected EI fund shortfalls in the future. And three, given that the government no longer contributes to EI funding, there should be a moratorium on the use of EI premiums for additional non-regular EI benefits without prior adequate consultation and consensus among the major employer and employee groups.

Based on those principles, we have a few key recommendations on the EI rate-setting mechanism.

First, small business owners need relative predictability and stability of EI premium rates over time. Given that employers and employees have already paid over \$47 billion in extra premiums to the government for the sole purpose of achieving rate stability, CFIB recommends that the government continue to lower the rates beyond 2004 and take on the responsibility for future unexpected program shortfalls associated with the business cycle.

Second, EI rate changes should be announced at least two months before this year's end to allow businesses adequate time to adjust their payroll for the next calendar year. We were extremely disappointed that this was not announced in the economic statement. Time is running out. People are setting their payrolls on January 1, and the rate is still not announced.

• (1550)

Three, transparency in setting of the EI premium rates can be enhanced by maintaining and possibly strengthening the critical role played by the EI chief actuary in providing expert and detailed financial data on EI. Employers, employees, the public, and government need an objective and reliable source of financial data on EI.

Again, I have to comment that our brief would be more up-to-date if we had current information, which we used to get yearly. We don't have it this year. That's outrageous. They're sitting on the information.

Four, transparency can be enhanced by streamlining the decision-making process that currently involves the EI Commission. CFIB recommends that future EI premium rate-setting processes be simplified to increase the transparency and be based on the independent advice provided by the EI chief actuary and in consultation with employer and employee groups.

In conclusion, small and medium-sized business owners are looking for greater fairness in the way EI is being administered, and it extends beyond the EI rate-setting mechanism. Small and medium-sized business owners are looking for lower EI premiums beyond 2004 and a fairer distribution of the EI cost burden.

We urge the subcommittee to support our members' recommendations and restore transparency and fairness to the EI program.

Thank you.

The Chair: Thank you very much.

We'll move to a first round of questions, seven minutes each, and we'll begin with Mr. Van Loan.

Mr. Peter Van Loan: I liked the content of most of the submissions, but I'm going to start out asking Mr. Stewart-Patterson about the one thing I do have a question about.

You stated that your members go along with the notion that the money is gone, that the surplus is gone, that it's been spent on government programs. My understanding is that there's still a statutory requirement to keep track of this notional surplus; we're told it's notional.

What conceivable policy rationale could there be to keep track of it if it was meaningless and it was gone?

• (1555)

Mr. David Stewart-Patterson: You're right in the sense that there is a statutory obligation. As to how to deal with that, there has to be a procedural issue within any attempt to engage in serious structural reform. If we're going to set up a segregated account, we're going to have to get agreement around that. We're going to have to figure out how to deal with it.

My point in saying the money is gone is that, even if you keep track of it, if you want to say, well, it has to be paid back to employers and employees by having future rates set at rates lower than they would be otherwise, that's a valid approach to take. What you have to recognize, though, is that this money is not going to be coming out of the segregated account; that money is going to be coming out of general revenues. Therefore, that money is in competition with all of the other policy goals the government may have.

In other words, if you're going to have lower EI premiums to pay that back—

Mrs. Joyce Reynolds: I'm happy with that.

Mr. David Stewart-Patterson: No, I'm not saying it's bad policy; I'm just saying it's in competition with all of the other proposals being made in terms of a budget. It's another form of tax cut.

Is that the right tax cut? Is that the right priority? I'm not going to argue that bringing EI premiums down is bad policy. All I'm saying is let's recognize that the real argument isn't about \$47 billion; it's where this year's surplus is going to go, and where next year's surplus is going to go.

Mr. Peter Van Loan: I do think it's both parts, because I don't think you can pretend, if you're keeping track of it, that there's a statutory obligation, that it's meaningless. It was obviously established and intended for a reason. Some obligation is imposed there, and I don't think it's a tax cut. These aren't taxes, these are very regressive taxes, in fact, that disadvantage people at lower incomes more than anybody else.

I'm more inclined to the notion that if you go the solution of a segregated fund, and you set up a maximum reserve, what do you then do with the "surplus surplus", as I call it? The surplus surplus is, by all accounts, at least.... Well, what you would need as a maximum reserve is less than one-third of that \$47 billion.

So I'm interested to hear from anybody on the panel—I think we heard one option, which was paying it back over ten years through reduced rates—any other ways people would like to suggest, if that surplus surplus were to be returned to those who paid it, how it would be paid.

Mr. Garth Whyte: I don't know if I can answer that directly, but I do think there are a couple of things. The first thing you do, though, is you shut off the tap. Let's quit building this up.

Mr. Peter Van Loan: Theoretically, the law requires that right now. We've been told by witnesses here that it is out of balance. Those witnesses are clearly very mathematically challenged, because you don't have to be a genius to look at those numbers and see that you're going to get another surplus again this year, and it's going to be significant.

Mr. Garth Whyte: It's in our brief. We show in a graph, based on the actuary's own numbers, there's going to be another \$1.5-billion to \$2-billion surplus. Also, if you overestimate the unemployment rate, it's even higher, because they estimate it at 7.7 and it's actually 7.1.

The point I get frustrated about is, "Oh, it's gone". Well, we met with Finance Minister Martin seven or eight years ago, when he said, "We only need \$10 billion; that's what we need". Then we said, "Okay, fine", and then he kept building it up and building it up, and now we're saying, "Oh, gee, it's gone".

I think two principles are a must. One principle is to quit adding to the surplus; shut it down now, because it's just a playground for other things. The second thing is, I think there's a moral obligation; we don't need to build up another surplus. It's now government's risk; it's not our risk. We've been holding up our end, but if we go into a recession—because this is impeding job creation—and the fund is short, it's up to the government to pay it. That should be part of the deal.

As for this idea, "Oh man, it's in competition with other initiatives", people are paying for this. It's written in the act; it was over a business cycle that it was supposed to be paid. The actuary told them it was between \$10 billion to \$15 billion—which we thought was generous. The reason we started doing this is that the most we've ever gone into deficit in the fund is \$6 billion.

So this is crazy. I really think these are a couple of principles that should be in place.

Mr. Peter Van Loan: Let's say we have \$30 billion or more available there, what do you do with it if you accept my argument that it's there and it's yours to deal with and to return to those who paid it? How do you do that?

Mr. Garth Whyte: The flip side, I have to say, is that I don't want to break the fisc either. I don't want to go into debt so that I can have \$30 billion to reallocate.

Mr. Peter Van Loan: Leave \$15 billion of it as your reserve; set it up as a segregated fund. That's what the actuaries say is the maximum you need. So what do you do with the other \$30 billion? How do you return it to them?

● (1600)

Mr. Michael Atkinson: I think part of the problem with your premise in saying there's \$30 billion out there to grab is that we all know where the \$30 billion has gone—to right the fiscal situation. I think what's most frustrating for my members is the fact that if the government had come clean on why it was generating those huge surpluses—"You know, people, we have to fight the fiscal situation; it has to go to deficit reduction; it has to go to debt reduction, etc."—that would be okay. Maybe we could swallow that for a short-term period to right the ship, as it were.

But in essence, we were all lulled into a situation of thinking those moneys were being raised for the purposes of the EI fund, when in fact we all know where it went. It went to the bottom line. So to a great degree, we do run into a trap now in that situation in saying, "Give us our \$30 billion back", because we all know where it's got to come from; it's got to come from the bottom line again. It's the only way you can do it.

Is that a situation we like? Absolutely not. But to pick up on what Mr. Whyte has said, who is absolutely correct, the first thing you have to do is to turn the tap off. When people come along and dip into the cookie jar, I blame the person who left the lid off, not necessarily the people who are coming in a row afterwards and dipping into the cookie jar because the lid is off. The first thing I'd do is put the lid back on.

The Chair: We have time for maybe one more quick comment on it.

Mrs. Reynolds.

Mrs. Joyce Reynolds: I just wanted to say we would object vehemently to just erasing that notional account, because it takes the obligation away from the government, when we do run into an economic downturn and they are going to have to look for ways to pay increased benefits, not to come back to us and raise the rate. If we lose that account, that's exactly what's going to happen. I don't expect we'll get the whole \$45.5 billion back, but I'm not prepared to write it off. I'm not prepared to write any of it off yet.

The Chair: We can pick that up in the next round. We have to move on to our next questioner.

Monsieur Lessard.

[Translation]

Mr. Yves Lessard (Chambly—Borduas, BQ): With your permission, I would just like to get a better understanding of the various organizations. You are very much representing the business world, you have several thousand members. The Chamber of Commerce has even presented us with a survey. Your comment surprises me a little. I'm in agreement with my colleague on that point.

We, at any rate the opposition parties and the majority of stakeholders, see this as being a hidden tax. Given that the surplus has been used for purposes other than that for which it was intended, this is an additional tax, a tax which discriminates against workers and employers who contributed to the employment insurance fund. It is therefore rather surprising to hear you say that you are prepared to relinquish it. Does this mean that you see it as being a contribution, an additional contribution that not all citizens make? I would like to better grasp your position on this.

[English]

Mr. Garth Whyte: First, thank you for that observation, and it's the Fédération d'entreprise indépendante.

We didn't accept it. Many of the new members of Parliament who are here.... We delivered 25,000 faxes across the country to every MP, and several thousands in Quebec to their members of Parliament, saying we do not accept the building up of this surplus, and it kept building up. We did not accept this. We fought this and we're on record—most of the groups are on record—as fighting this. The fact is that the debt has gone down, the money is gone, and you have to look at the alternative. If we pull that money out now, what does that mean? Will something else be raised?

The first step, I believe, is to stop building the surplus. The second step, our members say, is that we should be protected for a long time, maybe for a decade—whatever it takes—and never have to worry about rising rates. Never! And there should still be downward pressure on the rates, because we're not even at the break-even level. There are other things that we think can be put in there to offset all these other non-EI programs that are in the EI program that can help facilitate smaller owners in particular.

I'll talk about parental leave. We had one member with five employees; they lost four employees in one year to parental leave. They had to retrain all the other employees. We're not against parental leave, but no one even thought about those implications on that firm. We think there should be an offset there. There are ways to deal with this.

• (1605)

[Translation]

Mr. Yves Lessard: I have a question for the Canadian Construction Association. I believe it was Mr. Ryan who spoke about the need for a support mechanism to allow the work force more flexibility to move if, for example, there are redundancies in a given region. Yesterday, the minister again delivered a speech to us on this subject, and I think I understood him as saying that when a member of the work force relocates, it is primarily due to personal choice, and is not linked to job loss.

Based on your experience, what is your opinion on the need to consider this issue in regulations?

[English]

Mr. Dennis Ryan: I can talk to you about my experience as a pipefitter on projects in British Columbia and Alberta, as an individual coming from Nova Scotia, as an individual who developed many friendships with people from across the country, including Quebec, who were on those projects with me, who were there to make a dollar in order to feed their families and pay the bills back home, because back home there was no work for them to do. We're not suggesting that you take workers who are gainfully employed in one part of the country and move them to another. We're talking about people who are unemployed in one region of the country. Whether or not it's adequate work for them in another part of the country, people are willing to move. They do have to pay the bills. They do have to feed their families. They do have to keep the roof over their heads. When it comes to those basic facts of life, they're prepared to move to where the work is.

Mr. Michael Atkinson: I think it's fair to say that our industry has always required a very mobile workforce. The work is regionally dispersed differently, according to the cycles, and it's just a matter of course that an awful lot of workers in our industry look for opportunities in other areas of the country when opportunities have dried up where they live.

What we're looking to do is, rather than have them in a situation where they can't afford to go off EI and move to another part of the country on a temporary basis, to have some kind of incentive whereby they could get off EI benefits, become gainfully employed, and actually become contributors again through some kind of incentive system using EI. In fact, there are incentives in the Income Tax Act for workers who are working in remote locations who can't be expected to travel back to their principal residence and have to, in essence, establish a second residence. There should be similar lines provided to enable people to go to where the work is.

The Chair: A small supplementary, Mr. Lessard.

[Translation]

Mr. Yves Lessard: I can see that you are unanimous on two points: that there be a stand-alone fund separate from the consolidated revenue fund, and that this fund only be used for its intended purpose, in other words, for employment insurance. The rules, however, are another kettle of fish. There is some disagreement as to the rules.

I would like to briefly return to the \$46 billion surplus that has been accumulated, because we will have to comment on this issue. I am fully aware of the position of the Canadian Federation of Independent Business. The other groups, however, feel that the surplus should be paid back.

How do you propose that the surplus be returned to those whose premiums built up?

[English]

Mr. David Stewart-Patterson: What I'm pointing out is the practical difficulty in doing so. Let's just take for an example the notion that we should at least, when setting up a separate account, have \$15 billion in it to start with, as the stabilization fund. That's only one third of what's been overcharged in the past. You still have the practical difficulty about where that \$15 billion comes from.

We listened to the finance minister yesterday. He said the surplus this year is going to be somewhere in the order of \$9 billion. There's a spending review and reallocation process going on across government which they're hoping will generate another \$12 billion over five years. You could say, to get that \$15 billion to start off, we're going to have to take all of this year's surplus and half of the entire reallocation exercise across government. That's the scale of what we're looking at.

There are an awful lot of other competing demands for government funds, so if that's not where the \$15 billion is going to come from, it's going to have to come from somewhere else. I'm not saying we didn't overpay in the past and the government doesn't have an obligation, but I'm saying we have a real practical problem in how we get to a separate fund and how we deal with that past obligation.

I would agree with my colleagues here: it's going to be tough to deal with, no matter how we try to do it. The best thing to do is, step one, just turn off the tap.

• (1610)

The Chair: We'll have just a final comment by Mr. Murphy.

Mr. Michael Murphy: Thank you, Mr. Chairman. I'll relate this a little to dealing with this thorny issue of the very large notional surplus that's been dumped into the government's coffers in the consolidated revenue fund, and how you go from here.

Two weeks ago, some of us had a chance in front of the finance committee to discuss a broader approach to competitiveness for the country moving forward—with some members of the finance committee, I guess I could say.

Some hon. members: Oh, oh!

Mr. Michael Murphy: What that did, and I think where EI fit in.... We had EI as one of the half-dozen things we thought needed to be addressed in a fundamental way to deal with the competitiveness issues the nation is facing. From the standpoint of pecking order—and this is where it gets tough—if you have access to a limited resource base and you ask where it is we think we probably come up short in looking at the overall tax burden on Canadians, and if you look at the effective tax rate on capital in Canada, whether it's corporate income tax or CCA rates or other components of it, clearly there's a big issue there. If you look at personal income tax rates,

there's a big issue there. Some of those issues can be very expensive items—and so is this, obviously, in terms of addressing it.

Our focus has been on pounding away at trying to get the EI rate down in and of itself, looking on a forward basis. Let's deal with this on a cyclical basis. We've said five or six years, and I think Mr. Stewart-Patterson mentioned five to seven years; I think we can come to some sort of agreement on what the future should look like. It's a matter of asking how to decide amongst priorities. Our organization, with the broad base we have, has decided those other areas would probably rank higher among the priorities.

They're tough calls to make, but that's what you'd have to do.

The Chair: Thank you very much.

[Translation]

You have the floor, Mr. Godin.

Mr. Yvon Godin (Acadie—Bathurst, NDP): Thank you, Mr. Chair.

I would like to welcome our witnesses here today. Some of you have already been here before. As far as I can tell, we are in agreement on many issues, one of which being the need for a stand-alone fund so that the government stops stealing money from employment insurance. I think we agree on that. What does surprise me, however, is that you are saying that it is not a problem that this money has been taken, that it is too late now to get it back. That concerns me a little.

• (1615)

Mr. Yves Lessard: Only one person said that.

Mr. Yvon Godin: Yes, but it is perhaps what others are thinking.

We could opt for a stand-alone fund for which the government would be responsible. Personally, I do not believe in privatizing employment insurance. My idea is a fund for which the government is responsible with the involvement of employers and employees. The money flowing in would be controlled so that it does not get out of hand. The Auditor General said that \$15 billion would suffice, so there is no need to exceed that amount.

Should there be a shortfall, rather than increasing premiums, we should use the \$45 billion that we have banked somewhere. We want to recuperate those monies as the amount in the fund decreases. The government has to pay its debt. We cannot simply stand by and accept that the government has stolen money from employers and taxpayers.

A Canadian worker's gross pay appears on his pay slip. It is the amount that he has negotiated and that he has earned. Then, there is income tax which is used to pay down the debt, and to fund social programs, roads and so forth. Then there is the Canada Pension Plan, which provides a retirement fund for Canadians when their working life is over. Finally, we have employment insurance, which I still prefer to call unemployment insurance. When there is no more work and workers find themselves back at home, unemployment insurance allows them to feed their families. It was set up for that purpose, not to pay down the debt.

The government introduced GST because they were unable to pay down the debt. It was introduced to reduce the debt that they had not been able to pay down otherwise. Then they made a grab for unemployment insurance. Society's most vulnerable, those who have lost their jobs, who cannot seek recourse before the courts or give hundreds of thousands dollars to political parties for election campaigns, are unable to exert any influence on governments. I'm sorry, but that's how I see things.

You don't seem to be particularly upset by this, and you say that it would be difficult to recuperate the \$45 billion that have been stolen. I have a hard time swallowing that. You have employees yet, in all the time that you have been speaking, I have not heard you mention the importance of an effective program. When Canadians lose their jobs, we need a program which meets their needs. I'm disappointed in your attitude. I would like to hear your comments on this issue. I'm sure you would like to react to what I have said.

Furthermore, I believe that Mr. Stewart-Patterson said that this program ought to be a short-term measure for people who have lost their job, not a program for those who lose their job on a regular basis.

Do you have a solution for the fishing industry, the forestry sector or the peat industry? In case you weren't aware of the fact, one cannot have access to peat while it sits under a covering of snow. Christmas wreaths are not in demand in July, and it would be somewhat difficult to pick blueberries in December.

I wonder if you might have a solution. If you are seeing that, for these industries, the solution resides neither with employment insurance nor employees and employers helping one another, are you also prepared to see that we can no longer eat lobster in Canada? We would also have to kiss goodbye to cod. In my province, one certainly cannot go fishing in Baie des Chaleurs in January. If you weren't aware of that, I should also point out that one cannot trap lobster under ice, that just won't work. I'm not talking here about a spot of Sunday fishing on Lake Ontario. I would like to know how you feel these problems can be solved.

If what you said in the past is anything to go by, you are probably going to tell us that employment insurance does not create jobs. I can assure you that when people do not receive employment insurance, small- and medium-sized businesses suffer a great deal because no money is coming in.

I would like to hear your views on these issues.

[English]

The Chair: That's great. There are a couple of minutes left for responses to Monsieur Godin's question.

Mr. Yvon Godin: It was a question and comments.

The Chair: Question and comments, yes.

Yes, Mr. Whyte.

Mr. Garth Whyte: I won't answer all your questions. We can go on the merry-go-round we've been talking about. We've fought the building up of this fund, we've identified it, and it's nice to see some members around the table who are educated about it. I must say, three or four years ago it was the members of Parliament who would

look glassy-eyed and wouldn't know what we were talking about. It's nice to hear you join our call.

But I would like to talk about two things. We have some lobster fishermen as members. The question is, should someone who makes \$70,000 or \$80,000 be able to collect EI? That's part of the dilemma. They will not work for a certain amount of time, but there are seasonal workers in logging and other areas who are making more than the maximum weekly insurable earnings, who on the old system could collect EI. We have to go back 10 years to why these things were put in place. We've always said, though, if there are people being hurt by certain jobs, and that might be in the berry-picking area, then that's the area we should focus on—

Mr. Yvon Godin: Fish plant workers.

Mr. Garth Whyte: Perhaps, yes.

Mr. Yvon Godin: They don't make \$70,000.

• (1620)

Mr. Garth Whyte: No, but you know what I'm saying. These blanket changes that are made for political reasons, without looking at the implications, have caused us a lot of problems.

The second point is, whatever we do, let's not exacerbate the problem of the shortage of qualified labour. Here's a recent survey we did, with 21,000 responses. In Newfoundland, 30% of the respondents said shortage of labour was an issue. So here we have a province where they have upwards of 19% unemployment, and 30% of the respondents said they were having trouble getting people. In Manitoba, 52% said shortage of qualified labour was a problem. In Alberta it was 55%. So somehow the system is disconnecting. That's the challenge.

Mr. Yvon Godin: If I agree with you, what do you do? I am in the field with the fish plant workers. If they work in the fish plant for 10, 12, or 15 weeks, who will hire them for the difference, and bring them back to the fish plant? Outside of that, we'd have to close the fish plant forever. That's the problem.

Mr. Garth Whyte: It is, and we've talked about this for a decade. There's structural unemployment we have to deal with, and you can't just have an industry that's totally dependent on EI.

Mr. Yvon Godin: What do we do then?

Mr. Garth Whyte: We have to focus on that.

Mr. Yvon Godin: We've been trying for 10 years and don't have an answer. We still have people who don't have any food to put in their fridges, and they're fighting in the streets.

Mr. Garth Whyte: I'd rather focus on those people and also try to find future generations to fill jobs that are needed. There is a dilemma here.

Mr. Yvon Godin: I don't disagree with that, but what do we do with the fish plants? You love lobster. What do we do with them?

Mr. Garth Whyte: We have to figure that part out.

Mr. Yvon Godin: Give me some proposals to work with. Right now you're not giving me any proposals; you're coming down and saying, cut the workers—

Mr. Garth Whyte: I didn't say that.

Mr. Yvon Godin: Not you. Some do.

Mr. Garth Whyte: The first recommendation is, let's not make political decisions. Let's not say, okay, we're going to give extended parental leave for a year, without knowing what the implications are on half the economy. If they have four or five employees and lose three or four people, they're devastated.

One member was the only veterinarian in his town. He lost four of his five people and had no compensation for replacing those workers. There's no requirement for those workers to say, "Oh, by the way, I'm coming back". There's a real problem there. It was purely a political decision that didn't look at the implications.

So back to your fishery issue, I would like to study it, sit down and find a true solution, rather than trying to give you a quick political action.

Mr. Yvon Godin: The fish plant owner that I met last week was in southeast New Brunswick, and we didn't have much time. It's too bad we didn't have four hours to really debate. That's what I would like to see, instead of five minutes here and five minutes there.

I have to go to another meeting and will have to leave at 4:30. But I really recommend that we take four hours another night—I don't care if we finish at 12 at night—and talk. I think we want a common thing, and that's to help people and help businesses at the same time too. If businesses are going under, there will be no jobs for anybody. I don't want you to read me wrong, but at the same time, how can workers have money coming in to pay for their families if they don't have jobs? I think we could agree to that.

The Chair: Thank you very much.

We'll go to Jean-Claude D'Amours.

[Translation]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Mr. Chair.

I am a little surprised by something. On some issues, you are singing from the same song sheet, on other issues, however, you are at odds. Yet, many of you who are here today are representing businesses.

Firstly, it was remarked earlier that the number of hours that a person has to work in order to be eligible for employment insurance ought to be raised.

Secondly, some of you pointed out that the Canadian restaurant and food services industry—and I should point out that I am from the north of New Brunswick—plays an important role in terms of tourism.

Thirdly, I also heard it said that there was a shortage of employees in some fields.

I have just set out three different issues. If you reflect on what I have just said, you will surely realize that it contains an inherent contradiction. When the number of hours required to be eligible for employment insurance is increased, and people working in tourism find it difficult to meet the requisite number of hours, in order to survive, and to earn enough money to put food on the table, these people will simply leave their region for a place where they can find year-long employment. They certainly will not be heading for

Canada's rural regions, and it is even less likely that they will go to regions like my own where seasonal work is an anchor of our economy.

There remains more to be said about seasonal work. We often put it to one side, we forget that it is thanks to seasonal workers that all of Canada benefits from agriculture, fishing, forestry and tourism. Yet nobody is capable of recognizing these people's contribution to the Canadian economy. Their contribution makes it possible for us to buy pumpkins at Loblaws. Pumpkins don't come from Loblaws, you know, they come from a farm, even if urban myths would have it otherwise. In the rural regions, we react to such attitudes.

I am not convinced that increasing the number of hours required to be eligible for employment insurance, which you believe to be an employment incentive, will solve your problem. On the one hand, you are saying that it is important in terms of the restaurant business, but on the other hand, you point out the shortage of employees in some regions.

I would like to hear what you have to say to that. It might be somewhat difficult because I have made a comment rather than ask a question. But do you not feel that, at the end of the day, you are more or less representing the same people but do not realize the impact of your actions on one another?

• (1625)

[English]

The Chair: Mr. Atkinson.

Mr. Michael Atkinson: I've heard a very common message here today, and that is that the program is running amok, in the sense that many more funds are being exacted from employers and employees than are required to run the fund. If we're going to start talking about amendments to the program and how it can be more effective for seasonal workers or for other measures, fine, but let's look at the bigger picture first. We have a situation in which that program, notionally or otherwise, is exacting an unfair tax on employees and employers in this country, well beyond the objective of the current legislation and well beyond the needs of that program.

Before we start talking about what colour the upholstery inside the car should be, let's make sure we can still afford to run the car and it's doing what it's supposed to be doing. I think from that perspective I'd be very happy to engage in discussions about how the EI program can be made more effective and more efficient in the areas you've suggested. But let's first look at the bigger picture.

I agree it has taxed employees and employers way beyond the needs of that particular program, as it stands right now. Let's fix that first. Let's make sure employers and employees aren't being unduly burdened by the system first, before we start looking at how we might change that system. Let's make sure we have the financing end of it right.

[Translation]

Mr. Jean-Claude D'Amours: I am sure there are others who would like to respond to what I said but I'd like to expand somewhat on your comments.

For the time being we are attempting to balance revenues and expenditures—I do not like the term expenditures because we are talking about benefits for people who need them—in the context of premiums. On the other hand, when it comes to first-time eligibility or the number of hours required, from one year to the next, with regard to eligibility, people are being penalized. So in order to attain this balance, we must also take into account the fact that we wish to increase the number of people entitled to benefits.

In this respect, no one can claim today that all businesses and all governments know exactly what the amount will be at the end of the year. We are attempting to reach a balance but we must keep in mind that we also want to offer more to our workers who are in need.

[English]

The Chair: Mr. Whyte wanted to make a comment first, then we'll go to Mr. Murphy, and we'll wrap it up.

Mr. Garth Whyte: Thank you.

I agree that it's a balance. First, we used to say, and we should say it again, the number one social program is a job. It's the number one social program. The best satisfaction for a person is a job, and that should be the goal for all of us. There's a fine line between encouraging and not discouraging someone to find a job. The other side of the balance is helping people who are blindsided by losing their jobs.

If there are structural problems, we have to focus on the structural problems of people going on EI and then working, again going on EI and then working, and so on. Is that good? It's not. In studies from working with the Canadian Labour Force Development Board, we've seen it over and over again. We have to help, but that doesn't mean we can't focus on that. We thought the EI program was an insurance program, and there are ways to make it more efficient.

I want to slip this in, Mr. Chair. There are things in the EI program that are so complex they're costing employers money and employees money, because they don't know how to use the system. If nothing else, let's fix it.

We worked on the hand-out with Revenue Canada because we had members who had spouses being charged EI. They found out later that if their spouses went on EI, they couldn't collect, yet Revenue Canada kept collecting EI premiums. We worked on a four-page hand-out for people that said, if you have relative working for you and they can't be fired and can't collect EI, let's not collect it. We had to do that, EI didn't. I'll give you a copy of it.

I'm frustrated when I hear on the radio about other businesses—which aren't members, by the way—charging businesses to help them get EI rebates. It is outrageous when you have companies growing due to the complex EI system and they make money off it. They say that they think they can find money for you. Give them 50% and they'll do it for you. That's outrageous.

• (1630)

The Chair: If you want to make a point, Mr. Murphy, do it very quickly.

Mr. Michael Murphy: Thank you, Mr. Chairman.

I'll only make two points in trying to respond to the member's comments. I think one bears directly on the comment, the other

doesn't. I'll do the first one, which is not directly related to what you said by way of remark.

I think the frustration is certainly evident in terms of employers, as we agree, who pick up close to 60% of the costs of the program. For the costs in the system, I'll use parental leave as a very visible example. I think it's the one that really gets at people quite a bit. Not only is it now a \$2-billion program out of what is a \$15-billion payout kind of program, nobody had a chance to even consult on the program. It was a done deal, and employers had to deal with it. When you add all that up and you look at the frustration that developed as a result, it's part of the concern here. There's no question about it. You're dealing with what is supposed to be an insurance program and you're dealing with these other issues, in some cases, without even a chance to talk about it before it happened. It literally was imposed.

The second comment I'll make very briefly, which is on the issue of hours of work, raising it as one specific example of where we actually tried to do this. The government at the time, a previous version of this government, in 1996, brought in these reforms to EI that we thought were very necessary. It was necessary to reform EI, and that was one of the things that were part of it. We saw a very short and limited history of implementation, which didn't give us a chance to assess how this was going to work, and then it was pulled back immediately after the next election.

From that standpoint, I think the idea is this. Why don't we look at reform and not get into the same bind we have in other programs? I won't get into the health care situation, but there is a bit of a parallel in one sense. We continuously put more money into the pot, without addressing the fundamental need for reform. I think that's the philosophy behind some of the thinking.

I'll leave it at that, Mr. Chairman. Thank you.

The Chair: We've really run over on this. We can get back to you. If you can make your point during another answer, could you do that? Just sort of make note and lump it in.

Mr. Van Loan.

Mr. Peter Van Loan: We're in the process of trying to develop a policy here. I'm looking for substantive advice on that, so when I ask this, I'm not looking for speeches but a substantive mechanism.

Mr. Atkinson uses the term, first, "turn off the taps". We know we have a law that purports to do that but doesn't. Let's say we were going down the path of having a segregated insurance fund, something that the unions, by and large, have said they would support and would like to see. If the funds went into that and you operated it with a maximum reserve fund, I would say you could take that from the federal government, out of the surplus. Set aside what we do with the actual surplus, but take that maximum reserve. What mechanism do you then use to ensure that it isn't having further surpluses run up?

Does anybody have thoughtful ideas that are substantive?

Mr. David Stewart-Patterson: It seems to me that once you've set up a segregated fund and you've established the formula that says you have your reserve ratio and you have your maximum limit, then you have stability in the rate-setting at that point. That's predictable. If it builds up to the point where you've exceeded the reserve ratio or the maximum surplus, the rates come down automatically. In other words, you take that kind of political lever out of the government's hands and you're basically saying that no more money goes into that fund than is needed to meet its purposes.

Furthermore, you have to have consultation. If you're going to change the purposes of the fund, like adding in parental leave, you have to consult on that. Again, when you're setting up a segregated fund, this money is in trust. That's supposedly the way it has been all along, but it really hasn't been, okay? And I'm not disagreeing with the notion that the money was taken under false pretenses, if you want.

As I say, the mechanism itself works fairly clearly and fairly simply. That's not the big problem. I think the big problem is the transition, what you put into the fund, and where that money comes from initially.

• (1635)

The Chair: Ms. Reynolds.

Mrs. Joyce Reynolds: In our submission, we've detailed how we think it should be addressed.

Mr. Peter Van Loan: If I had your submission, I could cope with it. I don't have your submission.

Mrs. Joyce Reynolds: You will receive it shortly, hopefully. It was sent in. It wasn't translated in time.

What we suggest is setting it up similar to the workers' compensation model used in most provinces. It's an arm's-length organization. You could have policies that would limit the size of the surplus, and once it reaches a certain amount, it would have to be repaid to employers and employees through premium reductions.

There is a model out there. I won't go through it all now, but I do suggest that you go through our submission when you receive it, because it would allow the EI system to be operated at arm's length from government.

The Chair: Mr. Murphy.

Mr. Michael Murphy: I was just going to say we had this exact question put to us by the Department of Finance within their consultations about eighteen months ago, I guess it was. I think many of the groups around this table...I know we participated directly, and we answered that question specifically.

As we briefly covered today, do it on a five- or six-year cyclical basis. Don't set a rate for one year, set it for the cycle. Then, if you have to adjust it next year, don't set it again for one year, just add another year, and keep going that way. And do all of the other things we've all talked about, in terms of making sure you have the right kind of outside advice, actually having a transparent process, and actually having somebody asking stakeholders to participate in the process. That actually used to happen within EI rate-setting, but it hasn't for a while.

So there are a number of very specific things we've put on the record, within the consultative process—

Mr. Peter Van Loan: I wasn't in the Department of Finance eighteen months ago, so—

Mr. Michael Murphy: I understand that, so we've put it in our brief.

Mr. Peter Van Loan: It should be evident that the answers aren't coming from the Department of Finance under the policy. It's going to be coming from us folks, so we need your help.

Mr. Michael Murphy: Absolutely.

The Chair: Mr. Whyte—and I should remind everybody that the second round is a five-minute round.

Mr. Garth Whyte: There are many ways this can be done. Part of it is the Workers Compensation Board model, but the danger is that you need a governor on that. In our brief, we gave principles. Follow some of those principles. One of the key ones is that you have to have expert advice and you have to use an EI actuary.

We've heard talk of eliminating the actuarial position. That would be outrageous. You need that. If you do not have some sort of arm's-length person, you'll run into a Workers Compensation Board scenario, where some of them don't even do their cost-claim studies appropriately, and then you get all sorts of mischief happening.

We tried to put it in our brief, and we would come back to you. Give us some of your models that you're looking at, and we'll work with you. But at least try to put principles in place for when you're setting up this rate-setting mechanism. It's very important, and we gave you that in our brief before you. But one of them, again, is to depend on a chief actuary. Do not dismiss that.

Mr. Peter Van Loan: What about the composition of a board or trustees for the fund?

Mr. Garth Whyte: Labour or business—

Mr. Peter Van Loan: No government side?

A voice: They're not paying.

Mrs. Joyce Reynolds: Right now, we're looking at employers paying 60% and employees paying 40%. We believe that if you keep all the social programs within the EI program, whatever the percentage of those are, government should pay. The structure of the board would then reflect the contributions of employers, employees, and government.

The Chair: Thank you very much, Mr. Van Loan.

[Translation]

Mr. Lessard.

Mr. Yves Lessard: Earlier on Mr. Whyte quoted Mr. Clinton whose said that the number one social program was employment. Nonetheless, unemployment is a fact of life and even though we may wish to create jobs, the potential job pool may prove to be limited. So that means there are the unemployed; their number increases or decreases along with economic cycles.

So far we have had no discussion about what has generated the surpluses. I think that you are aware that the entitlement rules for employment insurance have changed, particularly since 1995-1996. Organizations that represent workers, including the CLC, estimate that if we had kept the same rules we had eight years ago, that is in 1995 and 1996, the percentage of unemployed who would have been entitled to employment insurance benefits would now be 76%. The present rate is 38%, which gives us an idea of where the surplus comes from. We have made savings by tightening up the employment insurance rules.

Is this something that you have observed? If not, let me bring it to your attention. We have checked this out and it is true. It was not refuted by the Department of Human Resources and Skills Development. They however do maintain that with the new rules, the rate will be increased to 80%. The fact remains that we are talking here about more restrictive rules.

My question is the following. Have you observed this to be the case and, if need be, would you be reluctant to see a return to rules similar to the previous ones? This would allow for assistance to those unfortunate enough to lose their jobs, whether it be because of restrictions imposed by employers or for other reasons. We are talking about people who really need this kind of support. Would you be reluctant to return to approximately the same levels of benefits and eligibility?

• (1640)

[English]

Mr. Michael Atkinson: I'm reticent about any changes to the benefit or eligibility side of the EI program until we get the rate-setting mechanism where it should be.

Mr. Garth Whyte: I would say the same thing.

I would also say, though, that if this group wanted to have a think-tank to focus those where there's structural unemployment, we would be there. But based on 2,400 responses from small enterprises in Quebec, 50% of them say the shortage of qualified labour is an issue. So just to assume that a program will solve the problem is not the way to go. Somehow, we have to match those businesses that need people versus those people who need jobs. Just focusing on EI as the solution is not the way to go. I think that's where we miss the boat every time.

When we did change the eligibility, there were two issues there. Our unemployment rate has gone down. We've had very good growth since September 11, when everybody said the sky was falling. What happened? Well, thank goodness, we had at least some policies in place that encouraged people to set up their own jobs, start their own business, and get a job.

So there's a fine line between those who truly need help and those people who are using the system. I think somehow people are afraid to say that around here, but there are people using the system. When you increase the eligibility rate, often unfortunately the people who need the system aren't using it, it's those who know how to work the system.

The Chair: Ms. Reynolds, you wanted to make a comment as well.

Mrs. Joyce Reynolds: Another way to look at the issue and to address it is our yearly basic exemption proposal. In our industry we hire a lot of students, entry-level workers, part-timers, who are getting very valuable first-time job experience, life skills, and employment skills. They're required to pay into the program from the first dollar. In some ways, the dollars they're paying in are a higher percentage of their income than other workers; they're subsidizing some of the very highly paid seasonal workers who are using the program on a continual basis. Instead of saying we need to find a way for these guys to be able to collect unemployment.... Actually, if you're a student who's just trying to save and contribute to your education, it's probably not appropriate for you to go on unemployment insurance. What is inappropriate is that they're paying such a high percentage of their income towards the program, and that's the issue that needs to be addressed.

• (1645)

The Chair: Thank you very much.

We'll go to Monsieur D'Amours.

[Translation]

Mr. Jean-Claude D'Amours: Thank you, Mr. Chairman. I am almost glad that my colleague from the riding next to mine has left because I think that some of the comments would have made his hair stand on end. Nonetheless, I will react to some of what has been said. I am sure that he would have done the same thing.

If I am correct in my understanding of what was said, work itself is like a social program. This is what I understood. Some people are making use of the system and people pay in order to offer those who have seasonal work the chance to keep on living. It would appear that this is a big problem.

I can understand your position as representatives of the employers but if you pardon the expression, it is almost scandalous. There are people who have seasonal work. When I hear terms such as EI working, I do not know whether you realize it or not, but it might do you some good to come in my constituency or that of my neighbour Godin to see what the situation is. As I said earlier, in this country it is thanks to agriculture, forestry, the fisheries and so forth that people are lucky enough to have fish, potatoes and food on their table. It is not because these people do not want to work.

[English]

Mr. Garth Whyte: I'm sorry, but I'm tired of this type of comment assuming that we are denigrating these types of people. I think we're in violent agreement here. Of course, there are people.... I'm saying that if there are structural problems that we have to look at in your riding, where we have many members, definitely we should look at those problems. But there are other people who.... Are you saying no one in your riding is using the EI system inappropriately?

[Translation]

Mr. Jean-Claude D'Amours: No, by no means. What I said is that in my constituency, in view of the present situation, there are people who work x hours per week and when there are 6 or 10 feet of snow, they are unable to keep on working. It so happens that these people are required for the following season. What happens the following season is they start working again but when there is another 6 or 10 feet of snow, then they start receiving employment insurance benefits. That is the employment situation as it exists in my riding and in others. I do not say that it is generalized and that all jobs are like that. Nonetheless, there are particular situations in rural areas where seasonal work is found.

That is the comment I made previously.

Mr. André Piché (Director, National Affairs, Canadian Federation of Independent Business): Mr. D'Amours, I will attempt to answer your comment because there may be a problem of translation. I think that Garth does agree with you on this point. There certainly is a problem here that we must deal with. We have to realize that when we are talking about the employment insurance system, it is a huge one, a very wide-reaching program. Many problems have been observed over the years. Today we are focussing on certain aspects. We mentioned that we did have concerns about the management of the employment insurance fund.

With respect of the operation as such, we agree entirely that certain improvements to the program should be considered. We have no problems with this. The point made by Garth, and I am in full agreement with him, is that the best social program is a job. I think that everyone agrees with this.

We also noted the fact that there is a shortage of workers in Canada. It is not the situation everywhere but it does nonetheless indicate that the economy has changed a great deal over the past 20 years. Should we not then examine this dynamic and determine how we can improve the program in order to respond more appropriately to the needs of the unemployed in Canada?

Today we have focussed on the management of the program because there is a problem of credibility with the management of the program over the years. That is the aspect we have considered.

We can provide you with a copy of our study on manpower shortages. I think that you will find it interesting. We even have recommendations that might be helpful in solving certain problems.

• (1650)

Mr. Jean-Claude D'Amours: I know, Mr. Chair, that I do not have much time left but I just like to make one last comment on this point.

You have made your opinions known, including on the issue of the fund. There has been thought about creating a separate fund and so forth. I do not have any problem with that but I do have some with comments that I find rather irritating. In all of this, yes, the question of the surplus is one thing, the premiums are another thing. But the benefits paid to people are a combination of premiums and the fund. So I would describe this as "rather irritating".

[English]

The Chair: Mr. Patterson, did you have a comment?

Mr. David Stewart-Patterson: If I may, Mr. Chairman, because I think it's important. When we talk about reform of the unemployment insurance system and setting up a segregated EI account, we may be talking narrowly about how to handle the unexpected ups and downs; but in a dynamic economy, companies create jobs and companies lose jobs, and companies grow and companies fail.

In the broader context, I think we need to make sure we make a distinction between cyclical unemployment, which is a risk we're trying to insure against, and structural unemployment, which is a broader issue. What we're suggesting here is that a reformed unemployment insurance fund may not be the best vehicle to get at those things, because they're long term. I think the real issue, in the sense of seasonal workers and structural unemployment, is how to make sure people have an adequate income on an annual basis. That's a broader social goal.

I think over time these kinds of structural issues are going to decline. It doesn't mean we don't have problems today, but if you look at seasonal unemployment in Atlantic Canada, it's gone from 18% of the total in the 1980s to 16% in the nineties to 12% since 2000. So to some extent, economic growth deals with these structural issues.

We still have problems we have to deal with in the short term, but I really think we're shifting from an era where the biggest problem was a limited pool of jobs to an era where the biggest problem is going to be a limited pool of workers. It's managing that transition that's the tricky part.

The Chair: I'm going to take the liberty of posing a couple of questions.

I think those figures are very valuable in terms of the way the economy is turning somewhat. I think it indicates a couple of things. First, for Atlantic Canadians, if there is access to full-time year-round employment, they're certainly going to seize those opportunities.

As my comment on the abuses, I think no matter what the system is, whether it's health care or whatever, the opportunity is there to abuse the system and we have to be vigilant. Present company excluded, I would think some Canadians each spring, when it comes time to fill out their income tax, exercise certain liberties that might be less than what the Government of Canada is looking for in their claims.

That said, of course, when we've heard from the labour groups and the work groups, they would identify the other side of it. Maybe they would take a different spin on the figures that you've identified, Mr. Patterson, that the decline in those numbers from seasonal workers is because the changes that were made in the mid- and late 1990s would have shuffled them out of the queue and would have made them ineligible for benefits.

I think that would be the position from some of the worker groups, because their take on the surplus is that it has been created because so many fewer workers are now eligible to receive benefits. That's what we would get from the workers. So I'll get you to comment on that.

But I want to go back, if I can, because I'm very concerned about the qualified workers and the numbers that were identified in Newfoundland—19%—and in Manitoba as well. If there's one thing that the Federation of Independent Business does, it's that you guys know where your people stand on every issue. You do a great job of that. Have they identified the reasons they haven't been able to access that skilled labour?

● (1655)

Mr. Garth Whyte: We have a report we can give to the committee that we've given in the past. It's not just that the job needs to be filled, but they're underfilling the job with a person who's not as qualified. So there are various reasons. We talk about the different requirements and the skills that are needed.

Again, I want to get the record straight here. If we sound so passionate about this, it's because a decade ago we worked with the Canadian Labour Force Development Board on trying to help in regard to that very issue that you're talking about, and we're here talking about it a decade later. So even though we increase EI premiums, increase benefits, it's not being solved. The frustrating thing for us is that if there's another recommendation, whatever you recommend, make sure it's measured so that you can measure the effectiveness of the program. When these programs are put in place, they are not even measuring the outcomes; it's a way of just funnelling money. That has been very frustrating to us. So then we're not solving the problems.

But yes, we can give you our reports on the shortage of labour and where the issues are. In New Brunswick, it's 30%; in Nova Scotia, 31%. This is the most recent, 30%. There's a disconnect in matching sometimes in what's involved, but it's not a quick fix; it's a long-term thing.

The Chair: It would also speak to what Mr. Ryan had identified to us, the problem with mobility.

Are you suggesting, Mr. Ryan, that we try to address the lack of mobility through the EI program, or would that be better done through tax incentives, through tax deductions to workers who travel to seek employment?

I think it's much better for a guy from Glace Bay to spend five weeks in Fort McMurray than to be home on EI. I see that, but there's a cost. If you go for five weeks of work, it's pretty much taken up in your accommodations and your travel there, and what have you—if that's your suggestion.

Mr. Patterson, you wanted to make a comment.

Mr. David Stewart-Patterson: To expand on the numbers, the numbers I quoted were coming from a report just out from the Atlantic Provinces Economic Council. It makes it clear that there's not a substitution effect here. What they're saying is, since 1998, full-year employment in Atlantic Canada has gone up at an average annual rate of 2.2%. Seasonal employment has also gone up, but only by 0.5%. So we're saying here that full-time jobs are growing faster than seasonal jobs, and that has a long-term impact.

The Chair: Okay.

Mrs. Reynolds, taking the lion's share of your members, would you be able to identify how many would be in rural Canada or in

seasonal operations? Would you be able to draw that from your membership?

I'll just speak to my own personal situation. In Cape Breton we have a very active tourism industry. It has a very short season, but it's a key pillar of our economy. We've heard from not just the workers but from the property owners, the asset owners, the providers, that they have trouble getting workers after the main season. If they have a fairly significant event and want to bring workers together, they won't come in to work for those two or three days because it would impact on the benefits received for the rest of the winter. It really acts as a disincentive.

Are you hearing anything like that from some of your members?

Mrs. Joyce Reynolds: First of all, our membership, very much as the industry is structured, is probably 60% made up of small, independent, owner-operated businesses, and we're in every single community in the country. In fact we're the cornerstone of most communities. I think we really have a huge impact on the economies of communities right across this country.

We're really not hearing this from our members, to be honest with you. We are hearing from our members that the payroll tax burden is prohibitively high. We are looking at an industry that has very skinny margins, and they're having to pay payroll taxes before profit. Today you've heard a lot of consensus views on a number of issues, but where you haven't heard a consensus view is in whether payroll tax reductions are a priority over capital tax or income tax reductions.

Our industry is very clear that payroll tax reductions are their top priority. We're labour intensive. A capital-intensive sector or industry would have a different perspective. I want to make it very clear that this is our top priority as an industry.

● (1700)

The Chair: There are 15 minutes left. Mr. Ryan, I'll ask you to make a quick comment, but there are 15 minutes left, and I'd like each of you to have an opportunity to make a one-minute summation. I think we'll do one quick round of one question each, if that's okay; keep your preamble short.

Just before we do that, Mr. Ryan, if you want, you may make a comment.

Mr. Dennis Ryan: Very briefly, on your point about the tax versus EI question, from an employer's perspective I think a tax approach would be very beneficial. But you have to recognize that from the employee's perspective, if they don't have the money to be able to travel to take the job, then they can't use a tax benefit for something they weren't able to spend any money for; whereas under the EI approach, to assist them to get to that location and have that job would, I think, be much more beneficial to an employee.

The Chair: Mr. Van Loan.

Mr. Peter Van Loan: We've heard from the unions some ideas about tinkering with shortening the number of hours for eligibility and so on—ways of changing the program similar to those Mr. D'Amours and others are talking about. From some of you we've heard, get rid of the employer premium multiple; make it an even fifty-fifty. Some of you have some other programs you want to see restarted or started.

If we came forward with a proposal that said don't tinker with anything, don't change it one way or another, just segregate the funds and stop running the surplus—run it as a segregated fund—is there anybody who would have a problem with that as a step forward?

Mr. Michael Murphy: Is it the only step?

Mr. Peter Van Loan: Yes.

Mr. Michael Murphy: I don't think doing that is enough. In my view, it wouldn't address some of the issues we put on the table.

The Chair: Are there any other comments on that?

Mr. Michael Atkinson: It would depend on the circumstances, on what happens when you generate the surpluses again under that kind of program, and how additional—

Mr. Peter Van Loan: If the surplus were run as a segregated fund and the surpluses that were generated went to reducing it in the future, as we said, so that you got your maximum ratio...?

I'm just trying to look for a place where we could get consensus, because we feel that you guys want to go in some direction.

Mr. Garth Whyte: We think there's already a surplus there. We don't think you should be building up a new surplus.

Mr. Peter Van Loan: No, you'd take that out of the existing surplus.

Mr. Michael Atkinson: I think it depends on what that segregated fund looks like, who manages it, and what some of the controls on it are. For example, one of our bigger concerns would be what else is going to get dumped into that fund and what the control over it is, because you can have all the controls in place to ensure that costs are somewhat equivalent to what they should be in terms of premiums, etc., but if the benefit package just keeps increasing without the kind of effective consultation we want, and if it gets further away from being an employment insurance program and becomes a social welfare program, then we'd have concerns over that. It's not just a question of managing the fiscal situation with the fund, but of managing the fund per se to ensure that it sticks to the purposes it was intended for.

The Chair: Monsieur Lessard.

[Translation]

Mr. Yves Lessard: As was pointed out by the Auditor General and the actuary of the fund, the reserve, in keeping with current obligations, should correspond more or less to one-third of the current surplus, or \$15 billion. There is more or less a consensus on that, as long as the reserve represents roughly the equivalent of one year. I think everyone more or less agrees on that. That has been acknowledged.

My comments are in keeping with those of my colleague. I must say that we are very happy to have you here. I had high expectations with respect to your contribution, since you are highly representative of the business community. However, I must point out that I am still not satisfied with respect to one component.

I am quite satisfied with some things. For example, at the risk of repeating myself, we see consensus that there must be a separate fund, of course. Labour organizations, like yours, agree with that. As for using it exclusively for unemployment, I will come back to that. I do not think we will have much trouble agreeing on that. There is almost agreement on reimbursing the \$46 billion that should go back to people who have contributed, except for one organization, the one representing independent businesses. On the idea of a reserve, there is agreement, but only as long as it is a reasonable reserve based on the obligations of the account over one year. Finally, there is consensus on transparency. I think that transparency is the key component.

Where I'm still not satisfied is with respect to the system itself. Earlier on, I asked the question, and the reflex was to rely on Mr. Whyte's response to some extent. I am not being critical. You expressed your opinion by saying, maybe not in these terms, but this is how I interpreted it...

• (1705)

[English]

The Chair: Do you have a question?

[Translation]

Mr. Yves Lessard: Yes, I am getting to it.

[English]

The Chair: It's too late anyway. We wanted to wrap this thing up. With your preamble, you're into two and a half minutes now. If you can pose a question, they can if they want address it in their closing comments, but you've gone on much too long.

[Translation]

Mr. Yves Lessard: I am getting to my question.

[English]

The Chair: Go ahead, quickly.

[Translation]

Mr. Yves Lessard: My question is very short, Mr. Chairman. I understand what you are saying, but I had to start with a preamble so that everyone would understand.

The answer I got earlier on was, among other things, that the employment insurance fund was not set up for thieves, in other words people committing fraud. However, it was admitted that those are exceptions.

That gentleman asked the question earlier on: as entrepreneurs, what type of fund would you like us to recommend to Parliament?
[English]

The Chair: If you'd like to address that in your closing remarks, you can.

Monsieur D'Amours.
[Translation]

Mr. Jean-Claude D'Amours: Basically, it comes back to the same thing. What I understood is that you for the most part would like—it is difficult to speak for everyone—for employees' premiums to be equal to what employers pay. There is almost full agreement on that.

However, there is one issue that bothers me. We are talking about an fund that would seem to be separate, but the federal government would remain responsible for it. The federal government would remain the father and the mother of the family, and if situations or extremely difficult economic cycles were to arise, the government would be there to back the fund and make up for the shortfalls. Maybe it is just the latter part, on the role of the government, that bothers me. We want something independent, but at the same time, we still want the government to protect the program.

[English]

The Chair: I think what we'll do is go with closing remarks, one minute each, and you'll have to keep it to the one minute.

If we would like to start, we'll go to Mr. Atkinson.

Mr. Michael Atkinson: Our message is a bit of a plea. We don't want to be here 10 years from now and not have advanced anywhere on this file. Please, for Pete's sake, let's start looking at making some substantive reforms to the EI system to bring it much more in line with what its intended purpose was, and let's have effective consultation with the only two contributors to the fund right now, employers and employees.

The Chair: Ms. Reynolds.

Mrs. Joyce Reynolds: I do want to address one of the last comments, because my comment that low-income employees and labour-intensive businesses were subsidizing high-income seasonal workers was, I think, misinterpreted. I asked who used the program. I'm not faulting people who use a program that exists. I'm just stating a fact, that there is some cross-subsidization going on here. I never said anybody is stealing or grabbing. I said they use the program and it's the premiums that are paid by labour-intensive businesses and low-income workers that are subsidizing that to a certain degree.

My final comment is that the EI program's integrity and accountability urgently need to be addressed. We either need to set up a separate fund or need to look at a long-term, low, stable rate so some of the surplus that has been generated can be returned to employers and employees through premium reductions. Finally, we need to establish a YBE. It's been recommended by this committee and the finance committee, and it needs to be acted upon.

Thank you.

• (1710)

The Chair: Thank you.

Mr. Murphy.

Mr. Michael Murphy: Thank you, Mr. Chairman.

The title of our brief indicated that EI was a system in need of reform, and that's the fundamental message. More specifically, I would just say, in terms of curtailing the expanding purpose of the program, get it back to its insurance roots. That is what we're talking about here, with three very specific things: making sure we have a meaningful process for rate-setting on a going-forward basis, dealing with the unfairness of employer overcontributions, and as well dealing with the issue of equalizing premiums for employers and employees.

The Chair: And Mr. Whyte, finally.

Mr. Garth Whyte: The title of our report is "Ensuring EI Fairness". Right now the system is not fair. We made a presentation to your predecessors 10 years ago, saying we'd be having this discussion with you in 10 years—and we are. We said you were building up a surplus, and you are, and we think it's not fair.

Our role here at the Canadian Federation of Independent Business is to represent the job creators. We asked them what federal government measures would help them be more productive to help create more jobs. They said, number one, reduce payroll taxes.

We're back to EI reform. We definitely would work with you to look at ways to deal with structural unemployment, where people are having a tough time. We have nothing against that. I don't think unions have a monopoly on compassion. Our members live in the community in every one of your ridings. What we're saying is that any changes you make to an EI program should not hurt small business job creation, nor should it exacerbate the qualified labour shortage problem.

The Chair: Thank you very much.

Mr. Patterson.

Mr. David Stewart-Patterson: Perhaps I can just close by coming back to the last round of questions. Where do I sense some consensus here? I think there is consensus that we need a segregated fund, that the fund should only charge premiums that are stable over the business cycle, and that they shouldn't be larger than necessary to cover the cost of the program. The use of the fund should only be for insurance purposes, and that means no adding mandates without real input, without consultation with the employers and employees who are paying the bills. To make that happen you need transparent, arm's-length governance.

We need consensus, and it's going to be difficult. How do you manage that transition, and in particular, how much money gets put into that segregated fund to kick it off and where does that money come from?

The Chair: Thank you very much to all. I really want to thank you for coming out and making the presentations. There was a good exchange.

That closes our meeting.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliamentary Internet Parlementaire at the following address:
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.