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

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**Tuesday, December 7, 2004**

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**Chair**

**Mr. Rodger Cuzner**

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

Tuesday, December 7, 2004

• (1110)

[English]

**The Chair (Mr. Rodger Cuzner (Cape Breton—Canso, Lib.)):** We'll call to order the seventh meeting of the Subcommittee on the Employment Insurance Funds of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons With Disabilities.

We have witnesses today.

Witnesses, we really appreciate your coming. We know it was short notice. You had been questioned earlier in the process and you were asked, and responded to, some questions that were outstanding. We appreciate your bringing those to the committee. Some of the questions are very specific today for clarification, so rather than have a preamble, I think you would like to get right into the questioning as well. I think we'd all be best served by that.

In consideration of the time and what we have ahead of us, we'll enter right into a round of questioning. We'll follow the same format, but rather than a seven-minute round, we'll go with a five-minute round. If I could remind the members here that the five minutes will include both question and answer, we'll proceed with that.

Yes.

**Mr. Malcolm Brown (Assistant Deputy Minister, Employment Program Policy and Design, Department of Human Resources and Skills Development):** We were sent a list of questions by the committee staff. If it would be helpful—I don't have a long preamble or statement—to provide answers to those specific questions, if that's relevant, we'd be happy to do that. If you'd rather just jump into other questions, that's fine too, but it's just to save time. We've done some work, and if we've interpreted the questions the right way, we might be able to advance the discussion quite quickly. It would also be clear what our assumptions are.

**The Chair:** That makes sense as well.

Mr. Brown, please proceed then.

**Mr. Malcolm Brown:** Sure.

I think Bill needs no introduction. He appeared before you previously.

I'm the assistant deputy minister responsible for the employment program and policy design. With me is Rick Stewart, from the strategic policy and planning branch of the department.

We received, I think on midday Thursday, a list of five questions from the committee. What I thought I would do is confirm what those five questions are, give you our responses to them, and then we could either proceed with further questions or have a discussion about what we're pleased to think of as our thinking, in terms of the response to the committee's question.

The first question, just to review, was the question of going to a flat 360-hour entrance requirement. The second question was about raising the benefit from 55% to 60%. Then there was a question about 12 weeks, based on a 30-hour week, and estimates on cost. The first two, of course, were also asking us about estimates on costs. The fourth was extending the benefit period from 45 to 50 weeks. And the last question was really a series of questions about the 88% figure, which was a subject of some debate and discussion, I think, the last couple of times the officials from the department have appeared. The series of questions related to that were about essentially background that reflects the discussion that took place on where the figures came from, why not deal with "the missing 12%", and it wouldn't cost a lot of money to include the 12% to get to a figure of 100%.

Very briefly, in about a minute, I just want to identify a couple of things. We have turned these numbers around very quickly, essentially on Friday, some of the time on the weekend and yesterday, so these are preliminary estimates. They are our best shot, but give bureaucrats more time and they will refine the figures. But I think these are pretty good estimates.

We have made a series of policy assumptions at times, where the question wasn't clear to us. For example, on the "best 12 weeks" question, we assumed that this was over a 52-week period, a look back at 52 weeks. And because we were not clear on the connection between that and the 30 hours that was the basis of the question, we just focused on one element. Perhaps through the dialogue today, if we get more information, we could further refine our estimates on that figure.

We've also not tried to calculate what the impact on client behaviour would be of each of these measures. People will change their behaviour, as we know—part of this debate is about the change of behaviour as a result of the reforms in the mid-1990s—and those are difficult to predict. There are unintended consequences and we've not tried to predict those.

Finally, when I do get to costing, which I think is one of the things that's of interest to members of the committee, it's not possible to add A plus B plus C in each of the five or six items here because of the interplay between them in the short period of time. We could do it over a longer period of time, if we had more time, but it would be very complex, it would be actually quite expensive, and it would need to be validated externally because some of these pieces will interplay with each other. For example, the question of increasing the replacement rate from 55% to 60% interplays with the question of a flat period of 360 hours, and those two interplay. Frankly, all five of these could interconnect, and we would need to model that through. That's not something we could do in 48 hours.

With that bit of a disclaimer, I'll turn to the first question, which was, why not reduce entrance requirements to 360 hours? So that we're clear, reducing the entrance requirements to 360 hours would mean reducing the entrance period from 910 to 360 for new entrants and re-entrants. It would mean reducing from 600 to 360 hours for special benefits recipients. It would also mean changing, obviously, the variable entrance requirement, which varies from 420 to 700 hours, down to 360.

• (1115)

That's our assumption, just so we're clear. Under this approach, it would, of course, mean that some people would have a very significant benefit—for example, people working in Toronto would see their hours required reduced by 340, while people in Newfoundland would see them reduced by as little as 60 hours. That's the interplay with the variable entrance requirement.

Our estimate on costs on this is that it would be at least \$390 million a year and that it would roughly benefit about 90,000 additional individuals. As you well know, our current estimate on claimants is about 1.9 million claimants a year.

If it's most helpful, I'll just go through all of these, or would you prefer me to break at each one for questions, Mr. Chair? Just continue?

**The Chair:** I think continue, yes.

**Mr. Malcolm Brown:** In terms of raising the benefit rate from 55% to 60% of average earnings, this one's quite straightforward. The estimate on cost would be \$1.2 billion a year. This again is a preliminary estimate. This is essentially the net effect of increasing the maximum weekly from \$413 to \$450 a week. Seasonal workers would account for about 23% of the beneficiaries overall and would get about 21% of the additional expenditures. It's tilted in terms of the benefit to communities other than seasonal communities.

Then turn to why not use.... The question is around the best 12 weeks benefit rate calculation. As I said, it was not clear to us this interaction with the 30 hours, the estimate of 30 hours. Our estimate in terms of costs are \$320 million per year. It would benefit approximately 470,000 claimants.

In terms of seasonal workers, they would account for about 38% of the beneficiaries, so about 38% of that 470,000 people, and they'd receive about 42% of the additional expenditures. So it is tilted in favour of seasonal workers.

This table is well familiar, so I won't go into a long explanation—but I could if asked—as to why we think there are issues with this, the burden on employers in terms of complexity, and the need for employers to change the way they provide information to us. There are also concerns around the impact this might have on some people in that we might be trading one set of disincentives for another in terms of people potentially refusing work once they've met their 12 weeks. We're not sure the degree to which that would play out. We'd only know if we ended up doing it. There is a very strong argument on the counter side that our current system discourages people from accepting that work. There's also the question of people sharing jobs. But many of these are issues that we have at play now.

Then there's the question of increasing the maximum entitlement from 45 to 50 weeks. Our estimate of the cost of this is that it's relatively minimal. It's about \$11 million a year, but again it's impossible to predict. This is based on our understanding of the world today. This might have an impact on behaviour change, or lead to behaviour change, that would quite significantly move the cost estimate up. I think as people know, the reason cost levels in this estimate are relatively small is that on average most people don't claim the maximum, don't exhaust their benefits. So it's a relatively small pool of people we're talking about.

Then we turn to a series of questions about the 88% EI coverage issue. The first question—and there were really four, I suppose—is where does the 88% accessibility figure in the monitoring assessment report come from? What does it include? Why not lower the entrance requirements so that you have 100% coverage? And wouldn't the cost of this be essentially negligible? Where the figure comes from is the survey of labour force income dynamics. This is something prepared by Stats Canada. It includes all paid employees and it determines how many had worked enough hours during the year to qualify for EI benefits. So essentially, employees who've had enough insured hours to meet the applicable threshold are included in the 88% figure and those who don't qualify are the remaining 12%.

The model does take into account all current, in place today, eligibility rules, including the new entrance/re-entrance provisions, the 910 hours, and the variable entrance requirements. I believe documentation on this is....

This is complex, and I've been in this job about a year and I get confused, so I have these guys with me.

This isn't the first time we're showing this. This documentation I think is reflected both in the monitoring assessment report and it was shared with the committee last week and with the standing committee in May following an appearance at the end of April just prior to the election.

• (1120)

On the question of cost, I think that answers where it comes from and what it includes.

To respond to the question of why not lower the entrance requirements so you'd get 100% coverage, effectively that would mean if you had one hour of work in that year you would qualify for benefits, because the 12% includes people who have had one hour of work up to people who are just short of qualifying for EI. The question is, where do you draw the line? I think that's where the government and Parliament will make their assessments.

In terms of estimating cost, because of the fact that you'd be needing to model the behaviour of this group of 12% to begin with, it's complex to estimate what the cost would be. We are quite sure it's significant. We also think that if you were to implement a 100% coverage rule, so that if you had one hour of employment...then a lot of people who currently don't work at all would find that one hour of employment and the 12% figure would grow substantially because it would be very easy to qualify for benefits. At its core the question is where to draw the line on being eligible for EI. That's the core of the question there.

That's our preliminary set in trying to respond to your questions. We'd be happy to take whatever questions you might have. I've been very quick in trying to respond to the chair's directive.

**The Chair:** We certainly appreciate that, and we'll jump right into the questioning.

Mr. Devolin, welcome to the committee. We're going to do a five-minute round. If you like, take the first five minutes.

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** I apologize for being late. I've been late all morning, it seems; it just keeps getting worse.

I have a general question about the EI program. On the recommendations or the ideas that have been put forward in terms of enriching or increasing the payments and widening eligibility, have you rolled all of those up together? I understand there's a notional surplus within the EI fund where we collect more in premiums than we're paying out in benefits. As you might surmise, many in my party believe that what we ought to be doing is lowering premiums, which lowers the cost of labour and hopefully creates more jobs and addresses our ultimate goal, which is actually to get more Canadians working, as opposed to making the benefits richer or widening the eligibility.

On this set of recommendations that have come forward that are essentially aimed at putting more money out of the program, have you rolled them all up? Given the dollars in the notional surplus today, is it possible to pay for all these enhancements?

• (1125)

**Mr. Malcolm Brown:** I'd answer the question in two ways, very quickly.

One is that it's a notional surplus. There is an annual cash account surplus in terms of year to year. I think this year if you discount the notional interest, which isn't real money, we're within a few hundred million dollars of equilibrium. I think that's an important piece. If the surplus is notional, it can be notionally \$4 billion, \$5 billion. It's hard for me to say what a notional account can pay for. I'm not trying to play a word game, but I do need to separate that.

I want to answer the second half of your question, which is, have we added this up? I'm not sure if you were here as I started. I had a couple of preliminary comments where we essentially had five or six questions from the committee and we've done each one of them individually because of the time we had. The process of totalling them together is not just simply A plus B plus C; it's the interaction between them, and that's actually very complex to calculate. It would take a fair bit of time, and it would be so complex, frankly, that we wouldn't have enough confidence in it without doing some external validation, which would take some time. It would also be expensive, because we have quite a sophisticated modelling group that works for this fellow over here, and we've not set it up to do those kinds of calculations, particularly with things that are so different from what we do today.

**Mr. Barry Devolin:** Not to hold you to this, but for yourself or for one of your colleagues, in broad strokes, is it your sense that rolling all of these enhancements up would obviously create increased cost on the system? Is it your opinion that to actually implement these recommendations in order to keep the system in balance we would actually have to increase EI premiums to pay for this?

**Mr. Malcolm Brown:** Yes.

I think because of the year-to-year basis that we're on and the fact we are now so close to equilibrium that we would.... Just one of these initiatives is \$1 billion, and I think in the documentation that was shared with the committee there's a reference from the chief actuary that talks about a 10% decrease in the premium being worth more or less \$800 million to \$900 million. So that gives you a rough estimate, once you take into account whatever annual flexibility or surplus there is in the account.

**Mr. Barry Devolin:** Right.

So, in your opinion, the inevitable consequence of implementing this set of recommendations would be the requirement to raise EI premiums?

**Mr. Malcolm Brown:** There are some recommendations here, and I don't know them.... We were asked a series of questions here. Some questions here have very small costs and there are some that have very significant costs. It's frankly the choice of the committee to make recommendations as to what the mix is, and then I think the math is probably pretty straightforward.

I'm not trying to avoid the question; I'm just trying to be precise.

**Mr. Barry Devolin:** No, that's fair.

**The Chair:** Thank you very much.

*Monsieur Lessard, cinq minutes.*

[Translation]

**Mr. Yves Lessard (Chambly—Borduas, BQ):** It is very clear to me that the question of premiums is not some esoteric issue about what would make someone here happy or what workers might prefer. The premium is already over \$3 for everyone \$100 of insurable earnings. It was announced yesterday that premiums would now be set at \$1.95, even though that issue is under discussion. Obviously, even if we talked about this with people able to show us the results of our decision, it would not change very much. It is an out and out political decision. Yesterday's decision completely defies the logic in the employment insurance study that we parliamentarians have undertaken.

My question is about why you were asked to appear here before the committee. We very much appreciate you being here this morning. You talked about a rate of 12% that would make everyone eligible. How many of those 12% would be affected by the measures that we are recommending or studying and that you mentioned earlier, that is, 360 hours, 50 weeks or an increase from 55% to 60% of income?

•(1130)

**Mr. Malcolm Brown:** That is an interesting question, Mr. Lessard. For the moment, I would say that it is difficult to estimate the number.

[English]

That's frankly in part because trying to estimate the interaction between some of these I think would be a very significant piece of work. We could potentially examine the movement back and forth from the 12%. How many of the 12% would move into the 88% based on these initiatives? We don't have that figure, and it's not something we could do very quickly.

I think there would be—and feel free to jump in if you'd like, Bill or Rick—some quite significant data limitations, because essentially you'd be taking a snapshot of the 12% today and saying, of those 12%, how many with these initiatives...and maybe you could layer them on one by one, but there would be some double counting. There are also limits on the degree to which we can identify the nature, the characteristics, of that 12% in a detailed enough way to know how they might move in.

Bill or Rick, do you want to add anything?

[Translation]

**Mr. Bill James (Director General, Employment Insurance Policy, Department of Human Resources and Skills Development):** I would like to add something about the 12%. For the people in that category, even a significant reduction in the number of hours required would increase coverage only slightly.

The 50 weeks or 60% that you mentioned would not increase the number of people included in the 12% eligibility rate. It is really the number of hours required for eligibility that would change the 12%.

Second, we have to look at the fact that a lower eligibility rate would lead to a change in people behaviour, where that is possible, in certain sectors. The model that we have does not allow us to estimate that effect, but we have to take for granted that changing the

scenario to one hour of work can have a significant effect on people's behaviour.

**The Chair:** Thank you.

Mr. Godin.

**Mr. Yvon Godin (Acadie—Bathurst, NDP):** Thank you, Mr. Chairman. I would also like to welcome you here. You came on short notice, but I believe that you have been basing things on this information for a long time.

I have been asking the same question in the House of Commons for about six years now. The answer that I finally have from you, according to the document that you sent us, is that if someone is new in the system but does not have 910 hours, he or she is not included in the 88%. The 88% are those who are eligible. To be eligible, you need at least 910 hours. Is that right?

•(1135)

[English]

**Mr. Malcolm Brown:** If you're a first-time claimant, yes.

**Mr. Yvon Godin:** It means you can pay into it, but you're not eligible and you're not part of that 88%.

**Mr. Malcolm Brown:** Yes.

**Mr. Yvon Godin:** On December 7, 2004, we finally got the answer.

**Mr. Malcolm Brown:** Let the record show that it was these three who provided the answer.

**Mr. Yvon Godin:** Yes, and we will have a press conference on that.

**The Chair:** Three wise men.

[Translation]

**Mr. Yvon Godin:** You use the term counter side. How does the counter side, if I have understood correctly mean that if we pick the 12 best weeks, that may encourage people to quit their jobs, when they are people in Canada right now who are breaking the law and you are not giving it more teeth?

For example, in southeastern New Brunswick, there were about 1,500 people who got caught for breaking the law by banking hours with their small weeks.

**Mr. Malcolm Brown:** I agree that...

**Mr. Yvon Godin:** What do you suggest we do to improve the system and encourage people to work?

You say that if we select the 12 best weeks, we will encourage people to quit their job. But the system is structured in such a way that those who leave their employment are not entitled to EI benefits. The system is already protected. By picking the best weeks, we encourage people not to work.

The people I talked to, whether in the southeast or the northwest of the province, whether in Toronto or elsewhere in Canada, all say that if they work only a few hours a week, that this will reduce the amount they get in EI benefits. It is punitive and an incentive not to work.

I need to understand what you are saying on this point.

**Mr. Malcolm Brown:** There is no doubt that there is a debate on the whole issue of how the various elements of this system interact. [English]

There is no question that, as I think the committee has heard, we hear of instances where you have anomalies—that's the bureaucratic phrase we use—that lead to the situation where you can discourage people from taking certain kinds of work. I think we agree on that.

The question for us is, in terms of the challenges around the best 14 weeks or the best 12 weeks, are there other best-week scenarios around that will encourage certain people who are right now discouraged from taking work? Will it have an impact, and—this is by no means a generalization, but it's the kind of question that as officials we need to ask ourselves—are there circumstances where people who, once they get their best 12 weeks for that period of time, may make the calculation that they're better off? People may be able to estimate from year to year, make pretty good sense of when they had their best 12 weeks, and conclude that there will be no other higher weeks that will increase their benefit. Now, I'm not suggesting that's a large proportion of a community, but it is an issue for us.

**Mr. Yvon Godin:** Monsieur Chair, through you, what do we do with people right now who are forced to cheat the system and you're caught with it? What's the difference between the two?

**Mr. Malcolm Brown:** I'm not suggesting one is better than the other.

At the end of the day, the government and Parliament will direct us on how to proceed. What we're saying is, there's no magic bullet. Just as the initiatives and the reforms that took place in the mid-nineties had consequences that weren't anticipated, we would say that in a best-week scenario there are also consequences we would be concerned about. Those need to be balanced by members of this committee and the government as you move forward on making recommendations and decisions about policy directions for us as officials to implement.

**Mr. Yvon Godin:** I'll ask one last question.

Could you explain to me why you said that if a person worked one hour, if we go to recognizing all the hours, a person could qualify for EI? That's what I understand from you. If we have 360 hours, how can he qualify for EI if he only has one hour? I just don't understand that.

• (1140)

**Mr. Malcolm Brown:** It's because we weren't doing the two questions together. This was a question around how to qualify. If you want to get 100% coverage, if you want to get that 88% figure increased to 100%, the only way to do it is to lower the eligibility rate so significantly that it's essentially one hour.

Now, the question Mr. Lessard asked was essentially—and I'm paraphrasing here—how many of the 12% will move over from the 12% category to the 88% category by a reduction of hours to 360? Bill indicated that we did not do the math because it's complex and there are significant data limitations. It's not clear to us how many there would be, but there's no question there would be some. Your question is assuming that the hourly rate is 360 or whatever. In order to get to 100%, you'd have to lower it to a single hour.

**Mr. Yvon Godin:** I understand, but that's not what we're suggesting.

**Mr. Malcolm Brown:** No. Let me be clear. We weren't suggesting that's what you were suggesting. It was just in response to the question, how do you get to 100%? You can get closer to 100% by lowering the eligibility requirements, and it's a political decision—and that was the last point in my presentation—as to where the appropriate point is for that cut-off to take place. Otherwise, anybody with an hour's work would be able to qualify. We phrased it that way to make the point obvious in terms of the limitations on getting to 100%.

**The Chair:** Monsieur D'Amours.

[Translation]

**Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.):** Thank you, Mr. Chair. I will start with a question to which I would like a very short answer. If we go for the 12 best weeks, you indicated that the additional cost would be approximately \$320 million. To come up with your numbers for the 12 best weeks, did you include or exclude the divisor?

[English]

**Mr. Malcolm Brown:** No.

Bill, correct me. If I'm right, the best-12-weeks scenario essentially eliminates the divisor.

[Translation]

**Mr. Jean-Claude D'Amours:** Okay.

I will now go to the issue of reducing the number of hours from 910 to 360. You mentioned that it would cost \$1.2 billion, did you not?

These are people who don't have access to employment insurance at the moment. I'm concerned about seasonal workers. Seasonal workers living in rural areas will have to go into another region to find another job in order to accumulate the requisite number of hours. The people need to put bread on the table, they need to feed their children.

Do you have a general idea of the number of people who are mainly seasonal workers? It is the seasonal workers who can't reach 910 hours. Do you have any idea of the number of people who could become eligible? Let's be clear: to accumulate 910 hours, you have to work 35 hours a week during 26 weeks. But it is very hard to work 26 weeks in a seasonal job. Do you have a ballpark figure?

**Mr. Malcolm Brown:** I want to be very clear on the cost of this change,

[English]

the \$1.2 billion cost related to the change of the benefit rate going from 55% to 60%. The cost of changing the entrance requirement to a flat 360 is at least \$390 million, just so we're clear about that. In terms of making an estimate, I'm not sure we have that figure in front of us.

I'm just trying to think. Would we be able to calculate, Bill, the impact of...? Again, there's a question of change in behaviour, but as a snapshot of today's experience, is it possible, Bill?

• (1145)

**Mr. Bill James:** The difficulty in doing that would be associated with trying to gather information about those who are not covered right now and the seasonality of their work. In terms of our cost modelling, usually we use the information that is on existing claimants. That points, really, to the difficulty of predicting the additional population that would be covered by this.

So the short answer is no, we wouldn't have a quick answer on that. It's something we could go away and look at, but there would be a lot of uncertainty with any prediction like that.

[Translation]

**Mr. Malcolm Brown:** For example, it is not simply a proportion of the 90,000 people who will be affected by this change because of a change of behaviour.

[English]

You may start to draw more people in. We might be able to do an estimate, but it would be wrong because it would be an estimate. I gave you the figure, that we thought 90,000 people would be affected by this, but that's 90,000 people today. There may be other people who aren't bothering to work who may then be drawn in, so the number might shoot up quite significantly.

Again, this is one of the challenges, and it is in fact why the act has provisions for piloting, because it's very hard to predict behaviour and costs associated with change in behaviour.

**The Chair:** I think if we want to just tidy up we'll go one more quick round, if anybody has one last question to throw in. We'll have three minutes for question and answer and we'll just finish it up.

**Mr. Barry Devolin:** I have one minor question of clarification. For context, I want to let you know I'm from central Ontario. I'm from a relatively poor rural area with lots of minimum wage jobs and a much smaller number of seasonal jobs that pay better. Over a beer or a coffee, this conversation and these calculations take place all the time, in terms of "If I take this job and I get these benefits, as opposed to that job...." So the sense that people may be doing this is absolutely true. I've listened to the conversations, and I have participated in a couple of them over the years.

On the \$1.2 billion you said would be the cost for the change from 55% to 60%—and I apologize if you've answered this—is that just based on the increased percentage, or is there some factor in there recognizing that it would increase people's desire to draw EI?

**Mr. Malcolm Brown:** I think it's just a straight math calculation.

**Mr. Barry Devolin:** So \$1.2 billion is the straight math calculation. All we know is that it would be at least \$1.2 billion, probably more.

**Mr. Malcolm Brown:** Yes.

**Mr. Barry Devolin:** Almost certainly more....

Okay, thanks.

**The Chair:** Monsieur Lessard.

[Translation]

**Mr. Yves Lessard:** There is one aspect on which you sometimes focus and you did so again this morning. You said that a change in the eligibility rules would lead to a change in behaviour which would create a demand that would exceed what people are entitled to. Did I understand you correctly? I don't understand why that is so important. There is perhaps something in your remarks that I do not understand.

[English]

**Mr. Malcolm Brown:** It's another good question.

I think what we're trying to indicate is that these are low estimates, because these are based on behaviour, by activity that takes place today, essentially. As we've learned through 30 or 40 years or more of employment insurance, people's behaviour changes, and it's hard to predict how it may change. Obviously this is about encouraging people to find work. Many times there are predictions made about behaviour, and the predictions are right, because you end up encouraging the kind of behaviour you want to encourage—attachment to the labour force, people taking jobs for longer periods of time. But other times you can have unintended consequences. I'm not sure that some of the results of the 1995 reform were anticipated. You have both positive and negative.

One example is the divisor. There is no question that the divisor is not loved, but our evidence shows that behaviour actually changed—and I'm not sure we had predicted this. People were able to find those extra two weeks of work. Not everyone. Let me be careful; I said "people". The figures are clear that even of seasonal workers, 93% of those in a seasonal industry, a seasonal work pattern, are not penalized by the divisor.

Now, I'm not saying the divisor isn't a difficult issue, but as a bureaucrat what I'm telling you is this. We wouldn't have predicted that it would have been "that successful" in terms of encouraging people to find those extra two weeks of work. As a good bureaucrat I need to say this is all subject to possible changes in behaviour we can't predict, because there are always changes in behaviour you can't predict, both good and bad.

• (1150)

**The Chair:** That's great. I always seem to be cutting you off, Mr. Lessard, but it's usually because you're asking the question at the end of your time. Believe me, that's the three minutes.



**Mr. Malcolm Brown:** I will try to be more brief.

**The Chair:** No. That was an important question.

Monsieur Godin.

[Translation]

**Mr. Yvon Godin:** I don't agree with you. In terms of the 12 best weeks, the fact is that by banking their hours people break the law. Some people pick their best 14 weeks; that's the problem. And when you find them out, you tell them that they owe you \$20,000. That's the reality.

However, you say that if we reduce the number of hours required, that could encourage people to work. Isn't that precisely what the system should do; encourage people to work? It could encourage other people to work. That is precisely what I noted.

[English]

**Mr. Malcolm Brown:** It could draw people in. The question is, what's the cost associated with it? There's a political issue. And I think we agreed on it, as to what's the right issue. It's not for bureaucrats to provide advice on where you draw the line. The trade-offs are cost, and you may be encouraging very short periods of work as opposed to encouraging longer periods of work. That's a political choice.

[Translation]

**Mr. Yvon Godin:** It was proposed outside of Bill C-2 to raise the rate from \$39,000 to \$41,000. How much revenues will that represent for the employment insurance fund? I'm not sure if it is fair to ask you that question, but perhaps you have those numbers.

[English]

**Mr. Malcolm Brown:** I'm not sure we have that figure today. It would be relatively easy, I think, to get in terms of the impact.

**Mr. Yvon Godin:** Is it possible to send it to the committee?

**Mr. Malcolm Brown:** Yes, absolutely.

**Mr. Yvon Godin:** Thank you.

**The Chair:** Do you have a final question, Monsieur D'Amours?

[Translation]

**Mr. Jean-Claude D'Amours:** Thank you, Mr. Chair.

I have two questions and I will ask them both before hearing your answer.

When I was a municipal councillor, we were able to say, for example, that a \$100,000 raise meant one cent more in municipal taxes for residents. Could you tell us what will be the impact, for example, that a \$250 billion increase in benefits would have on premiums? I would ask you to answer that question after the one I will be asking now.

To get back to what was said earlier about lowering the hours from 910 to 360, I agree that there are patterns and that we must take them into account. People leave the rural areas to look for work in urban areas. They would much prefer to find work in their own region. Then there is the specific situation of the seasonal industry. Seasonal work must be considered a specific case. One way or another, seasonal workers will find a job but there're very strong chances that they will nevertheless need employment insurance. The challenge is

to keep them in their own part of the country to ensure the development of those rural areas.

Please answer this question first. If you have time, you may answer my first question.

[English]

**Mr. Malcolm Brown:** On the first question, as I mentioned before, I think the background documentation that was given to the committee on Friday makes it clear that, roughly speaking, about \$90 million to \$100 million equals a penny of the premium rate. When he's doing his math, the chief actuary needs to take into account whatever flexibility there is, and the government would need to in terms of the annual surplus in that particular year and ongoing years.

So it's not exactly, necessarily, that \$100 million is going to lead to a penny increase. If the government or the committee made recommendations and then came to officials and asked what it would cost, we would do the math at that point in time to determine what flexibility there is in the account and what additional piece.... But generally speaking, \$90 million to \$100 million is a penny.

On the second question on the 910 and work in rural Canada and seasonal work, I couldn't agree more. There are two issues, two questions of debate. One is the question of the generosity and the flexibility or not, depending on your point of view, of EI. The other is the absence of work.

One of the key policy challenges for bureaucrats and for members of Parliament is to think through the other side of the equation and not be naive about it. You're not going to create the labour market of the Golden Horseshoe and Toronto in the Gaspé, in parts of New Brunswick, or parts of Newfoundland. But are there things you can do that extend the season? There are examples of communities extending shoulder.... There's work going on in Quebec now about extending the tourist season.

Lots of people say the information technology world is going to be a panacea. I don't think it is, but there may be elements that are relevant. If you begin to talk enough about one, two, three, and four jobs here and there, then like retail, it's all local. I think it's that kind of initiative that begins to make those changes, but you have to recognize that there are limits in terms of the job creation capacity. My own view—and this is work we're trying to do internally—is to push hard with our colleagues in the regional development agencies, on diversification and improving the economic prospects of rural Canada.

• (1155)

**The Chair:** Thank you very much, Mr. Brown.

I'll allow you a few minutes to wrap up. If there's anything you might want to finish with just before we disperse, if there's something you haven't had the opportunity to say, then by all means....

**Mr. Malcolm Brown:** The people who really know what they're talking about have just slipped me a note here that tells me that while we can probably do a partial estimate on increasing the maximum insurable earnings, this is not straightforward. We'll do our best trying to pull a figure together, and we'll do what we can as quickly as we can. If it's a partial figure, we'll make it clear what would be required and how long would be required to provide a response.

Other than that, if there are no other questions, we can get out of your hair.

**The Chair:** That's great. We appreciate your being here today and your answer to Mr. Godin's seven-year-old question.

**Mr. Yvon Godin:** [*Inaudible—Editor*]...the three cents to create jobs in our country.

**The Chair:** We will suspend for five minutes to clear the room.

[*Proceedings continue in camera*]

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