

REPORTS AND INQUIRIES

Unemployment Insurance in Canada

The experience of the Canadian unemployment insurance scheme, which has been in operation for 21 years, has been the subject of examination by a special Committee of Inquiry, the report of which has recently been laid before Parliament and published.¹ The Committee recommended that the unemployment insurance system should be substantially revised in many respects to put it on a sound financial basis and to ensure that it can meet the current and future requirements brought about by revolutionary advances in technology, new conditions of international trade and continuing expansion of the labour force; and it elaborated a scheme intended to achieve these objectives. Many of the problems and situations considered cause concern in other countries also. Certain abuses and misuses of the existing unemployment scheme that were revealed are not peculiar to Canada, but derive from the insurance technique for providing financial support for the unemployed. The Canadian experience and suggested solutions to common problems in unemployment insurance should therefore be of considerable general interest.

The Canadian unemployment insurance scheme came into effect on 1 July 1941 and has since been amended on various occasions so as to widen the range of persons protected gradually (as was contemplated when the original legislation was enacted), to increase benefit and contribution rates, and to provide benefit during the winter months for unemployed seasonal workers under less stringent qualifying conditions than those required of other unemployed workers.² The Unemployment Insurance Act is administered by the Unemployment Insurance Commission, appointed by the Governor in Council, which comprises a Chief Commissioner, and two other commissioners, one each appointed after consultation with organisations representative of employers and workers respectively.

The scheme was intended solely as an insurance scheme, divorced from measures of unemployment assistance or other forms of social welfare. In this connection the Unemployment Insurance Commission some years ago made the following statement concerning the insurance principles embodied in it³:

¹ *Report of the Committee of Inquiry into the Unemployment Insurance Act*, Nov. 1962, published by Roger Duhamel, F.R.S.C., Queen's Printer and Controller of Stationery (Ottawa).

² Cf. *International Labour Review*, Vol. XLII, Nos. 4-5, Oct.-Nov. 1940, pp. 255-261. *Industry and Labour* (Geneva, I.L.O.), Vol. I, No. 4, 15 Feb. 1949, p. 155; Vol. IV, No 6, 15 Sep. 1950, pp. 273-274; Vol. VIII, No. 8, 15 Oct. 1952, pp. 348-349; Vol. XIV, No. 8, 15 Oct. 1955, pp. 372-375; Vol. XVI, No. 11, 1 Dec. 1956, pp. 470-471; and Vol. XXIII, No. 1, 1 Jan. 1960, pp. 25-27.

³ *Report of the Committee of Inquiry into the Unemployment Insurance Act*, op. cit., p. 20

A plan of insurance must have an actuarial basis. There must be a definition of the risk insured against and the conditions under which indemnity will be paid; the area of insurance must be limited to contingencies, not situations that are certain to occur; there must be some possibility of estimating the rate of occurrence of the contingency; the amount of the indemnity (under unemployment insurance, the rate and duration of payment) must be determined; and the premium or contribution must be calculated which is needed to provide a fund sufficient to meet all probable claims.

For an unemployment insurance plan to be genuine insurance, it follows that: (1) the insured person, to have an insurable interest, must be subject to the risk of losing something of real value; (2) the actual occurrence of this contingency must be easy of verification and of proof that it falls within the scope of the insurance contract.

Under unemployment insurance, as regards (1), the contingency is loss of employment and the earnings therefrom. A person who is not normally in insurable employment to a substantial extent and within a recent period of time has nothing of substantial value to lose and cannot have an insurable interest. As regards (2), there must be a ready means of determining when an insured person is unemployed and whether he meets the minimum conditions for the receipt of benefit.

The above is a brief statement of what is meant by "insurance principles" as that expression is used in connection with unemployment insurance. A scheme of cash relief for the unemployed which does not adhere to these principles is not insurance.

The unemployment insurance scheme is financed by employee and employer contributions, and a federal government contribution equal to one-fifth of the employee-employer contributions and interest in the accrued fund; the Federal Government pays the entire cost of the administration of the scheme. The contributions are paid into the Unemployment Insurance Fund, from which withdrawals can be made only for the purpose of benefit payments and refunds of contributions. When there are amounts to the credit of the Fund not currently required for the purposes of the Act, these may be invested in obligations or guaranteed by the Government of Canada. At one time the balance in the Fund was over 900 million dollars (31 December 1956), but in recent years, owing in part to a substantial rise in the unemployment level and in part to other factors, which are examined below, the balance has fallen rapidly, reaching 20 million dollars on 31 May 1962. In the original calculation provision was made for 3.10 weeks of benefit per person per year, and when the scheme was substantially amended in 1955 provision was made for 2.2 weeks of benefit per person per year. Actually, by the end of the fiscal year 1954-55, the balance in the Fund per insured person would have provided 12.97 weeks of benefit at the average rate, but by the end of the fiscal year 1961-62 it would have provided only 0.67 such weeks per insured person.

APPOINTMENT OF COMMITTEE OF INQUIRY

The precarious position of the Unemployment Insurance Fund in the last few years caused dissatisfaction and considerable concern in Canada. In the speech from the throne, delivered at the opening of Parliament in 1960, reference was made to the Government's intention to place before Parliament for approval amendments to the Act in order to safeguard its basic purpose, to strengthen the Unemployment Insurance Fund and to correct abuses which had developed in practice.

Subsequently the Government appointed a special four-man committee with full powers to inquire into and report on the suitability of the scope, basic principles and provisions of the Unemployment Insurance Act and regulations thereunder, the manner of operating the scheme and, in particular—

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

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

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

REPORT OF COMMITTEE OF INQUIRY

The report of the Committee, which was recently tabled in Parliament, was published in November 1962.

Existing Scheme

As a basis for its analysis the Committee studied the evolution of the unemployment insurance legislation. The following short description of the provisions of the Unemployment Insurance Act, as amended to 1959, will provide the necessary background for an examination of its findings and specific recommendations.

The unemployment insurance scheme covers persons working under a contract of service for an employer, excluding those who are not paid on hourly, daily or piece rates and who earn more than \$5,460 (originally \$2,000) per year. A number of specified industries and occupations are, however, excluded, notably most employments in agriculture ; some employments in horticulture and in forestry ; hunting and trapping ; employment as a teacher ; employment as a private duty nurse ; employment in domestic service except in a trade or business carried on for gain or in a club ; employment of a casual nature otherwise than for the purpose of the employer's trade or business ; employment as a member of the Canadian forces or the police forces and most permanent employment in the public services.

The following occupations, originally excluded for administrative reasons, are now within the scope of the scheme : transportation by air or by inland waterways, stevedoring, lumber and logging, nursing other than private duty nursing ; employment in public utilities and (on an optional basis) in hospitals and charitable institutions, some parts of agriculture, horticulture and forestry, fishing (including own-account and share fishing), and temporary employment in the Federal Government.

The Act requires the payment of contributions by insured persons and their employers in respect of each week in which an insured person performs any insured employment. The qualifying period for benefit for insured persons, other than seasonal workers, is at present as follows :

(1) if the claimant has had no previous benefit period established in the 104 weeks preceding his new claim, at least 30 contribution weeks in the last 104 weeks, eight of which contribution weeks must be in the last 52 weeks ; or

(2) if the claimant has had a previous benefit period established in the 104 weeks preceding his new claim, at least 30 contribution weeks

in the last 104 weeks, 24 of which contribution weeks must be in the last 52 weeks or since his last benefit period began, whichever period is longer, and eight of which contribution weeks must be in the last 52 weeks or since his last benefit period began, whichever period is shorter.

The duration of benefit is similarly linked with the claimant's previous contribution and benefit record. He has one week's benefit for every two weekly contributions; in case (1) above, he will be entitled for a minimum of 15 and a maximum of 52 weeks; in case (2) the minimum will be 12 weeks.

The concept of a "benefit period" is an administrative device established so that it will not be necessary to apply the contribution tests every time an insured person claims benefit. When an insured person first files a claim and meets the qualifying conditions, a benefit period is established for him and an entitlement benefit is determined, involving a maximum weekly rate of benefit and a maximum duration and amount. Benefit periods either lapse at the end of 12 months or are exhausted when the whole benefit entitlement is used up.

In 1950 the Unemployment Insurance Act was amended, *inter alia*, to provide supplementary benefits in the winter season at approximately 80 per cent. of the regular benefits for classes of persons who (A) for various specified reasons had not had an opportunity of accumulating sufficient contribution credits for regular benefits, or (B) had exhausted their benefit rights. In 1955 the supplementary benefits were replaced by seasonal benefits, payable at the same rates as regular benefits within a specified period of the year (currently 1 December to 15 May). The qualifying period for seasonal benefits for persons in class (A) is at least 15 contribution weeks during a current fiscal year; persons in class (B) qualify for benefit where the regular benefit year terminated after the 15 May preceding the claim. A person who qualifies is entitled to benefit for five weeks for every six contribution weeks.

The insured employees and their employers contribute to the unemployment insurance scheme, according to the wage class of the insured person, in respect of each week in which he performs any insurable employment. There are 12 wage classes, and at the present time the weekly contribution rates for insured persons and their employers vary from 10 cents in respect of persons whose weekly earnings are under \$9, to 94 cents in respect of persons whose weekly earnings are \$69 and over. At the outset of the scheme there were eight wage classes, and the contributions varied from 9 cents for those with weekly earnings under \$5.40, to 36 cents for those with weekly earnings over \$26.

In addition to showing that he has fulfilled the contribution conditions for unemployment insurance benefit, the claimant has to prove that he was unemployed on each day for which he claims to have been unemployed, that he is capable of and available for work but unable to obtain suitable employment. Employment is not considered suitable for the claimant: (a) if it arises in consequence of a stoppage of work attributable to a labour dispute, or (b) if it is in his usual occupation either at a lower rate of earnings, or on conditions less favourable, than those observed by agreement between employers and employees, or, in the absence of any such agreement, than those recognised by good employers, or (c) if it is of a kind other than employment in his usual occupation at a lower rate of earnings or on conditions less favourable than those that might reasonably be expected to obtain, having regard to those that he habitually obtained in his usual occupation, or would have obtained had he continued to be so employed.

After a lapse of a reasonable period, employment other than the claimant's usual occupation is considered suitable if it is at a rate of earnings not lower, and on conditions not less favourable, than those observed by collective agreements, or, in the absence of such agreements, than those recognised by good employers. The insured person is disqualified from receiving benefit if he lost his employment by reason of his own misconduct or if he voluntarily left it without just cause; the disqualification may not exceed six weeks.

The claimant is permitted to earn an amount fixed according to his average weekly contribution class and to whether or not he has a dependant; if the claimant's earnings exceed the amount specified, his benefit is reduced to the extent of the excess. The allowable earnings without deduction range from \$3 to \$14 for a person with no dependants, and from \$4 to \$18 for a person with dependants.

The benefit rates vary according to whether the beneficiary has a dependant or not. For those with dependants the present weekly rate ranges, according to 12 classes of average weekly earnings, from \$6 to \$27 and, for persons with dependants, from \$8 to \$36; at the outset of the scheme the corresponding rates were respectively 34 times and 40 times the employee's average contribution within the previous two years. There is a waiting period of one week (originally nine days).

Financial Operation of the Scheme

The annual revenue of the Unemployment Insurance Fund from contributions by the insured employees depends upon the weekly contribution required in each wage class and the total number of weeks of contribution made during each year in each class. The earnings classes and the contribution rates were substantially altered in 1950, when supplementary benefits were introduced and 6 cents added to the employers' and to the employees' contributions to meet the cost of these new benefits. Besides contributing the usual amount equal to one-fifth of the employees' and employers' contributions the Government guaranteed to cover any deficit arising out of the supplementary benefits, but it was never necessary for it to intervene. In 1955 the method of determining contributions for weeks in which the insured person worked in insurable employment for less than a full working week was altered; in such cases contribution for a full week was to be acquired irrespective of the number of days worked and this contribution earned credit for a full week. Thus the qualifying conditions for benefit were eased, particularly for those who were irregularly attached to the labour market. In 1959 the contributions were raised by 30 per cent. The rise in wage levels resulted in a steady movement of insured persons upwards through the earning classes, with the concentration in the top class. Taking the contributions as a whole, the average number of weeks of contribution per insured person per year was low and it remained remarkably stable; over the years 1943-44 to 1960, the lowest annual average was 36.4 (1947-48) and the highest 37.7 (1960). The data show that in Canada a large proportion of persons who were in insurable employment during some part of the year spent considerable periods in uninsurable employment or in own-account work. There was a strong correlation between the wage class and the average number of weeks of contribution per year, the lowest averages being found among the lowest wage classes. The low average number of contribution weeks is attributed to seasonal influences and the movement of some groups into and out of the insur-

able labour force, rather than to wide variations in employment levels.

The employers are required to contribute to the scheme at the same time as their employees. The rates for employees were set with the intention that their contributions should in total equal the employers' contributions. Originally, the employer's contribution was less than the employee's in the two top earnings classes and higher than the employee's contribution in the other classes. As a result of the concentration of insured persons in the top classes, the employers' contributions failed to match those of the employees. This phenomenon led to an alteration in the employees' contribution rates for 1950, and again in 1955, when equal rates were fixed for the employers and employees in each class. It has been estimated that had the same employer-employee rates applied class by class from the outset of this scheme, the Fund would have been 29 million dollars larger by 31 March 1947.

The federal government contributions to the Unemployment Insurance Fund were of three kinds, namely: (1) a contribution equal to one-fifth of the joint employee-employer contribution; (2) a contribution in respect of military service prior to 1955 for each veteran who obtained insurable employment within a specific period after leaving military service; and (3) between 1950 and 1955 a contribution to the supplementary benefit. The contribution in respect of military service sometimes included lump sums covering contributions for a single case for several years and therefore caused some distortion in the revenue figures, particularly in the years immediately following the end of the Second World War. The Federal Government paid the full amount of the administrative expenses, an amount which represented about 13 per cent. of the normal contribution revenue (i.e. excluding government contributions for military service). The Committee agreed that the extent and efficiency of the administration should not be made dependent upon money in the insurance fund, pointing out that administrative problems and costs are likely to be high when unemployment is high and the Fund is thus required to meet increased charges from benefits.

A third source of revenue for the Fund was invested income, a source that has been more important than was originally expected. Up to 31 March 1961 interest represented about 8½ per cent. of contribution income.

The main factor affecting the benefit expenditure was of course the amount of unemployment. Table I shows the ratio of the number of persons without work and seeking work to the total civilian labour force from 1941 to 1962. The figures show that unemployment was very low for most of the history of the scheme. They reflect the seasonal trend from low unemployment in the summer months to a peak in February and March.

The effect of unemployment upon benefit expenditure depends upon the coverage and benefit provisions of the scheme. The Committee considered that the principal exceptions, apart from those due to increases in the earnings ceiling for coverage, that had a significant effect on the financing of the scheme were employment in lumbering, logging, stevedoring and inland transport by water, and fishing. There have been a number of changes in the qualifying rules. Some were important to individuals but had little impact on the finances of the scheme. The most important from the financial point of view were made in 1955, when the contribution criterion was changed so that work for only part of a week earned a week's contribution credit. This was

TABLE I. RATIO (PERCENTAGE) OF NUMBER UNEMPLOYED TO THE TOTAL CIVILIAN LABOUR FORCE ¹

Year	Month											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1941	—	—	—	—	—	4.4	—	—	—	—	—	—
1942	—	—	—	—	—	3.0	—	—	—	—	—	—
1943	—	—	—	—	—	1.7	—	—	—	—	—	—
1944	—	—	—	—	—	1.3	—	—	—	—	—	—
1945	—	—	—	—	—	1.6	—	—	—	—	4.3	—
1946	—	5.3	—	—	—	2.9	—	2.6	—	—	2.9	—
1947	—	—	3.4	—	2.0	—	—	1.6	—	—	2.0	—
1948	—	3.6	—	—	—	1.9	—	—	1.4	—	2.2	—
1949	—	—	4.3	—	—	2.1	—	2.0	—	3.0	—	—
1950	—	—	6.8	—	—	3.1	—	2.1	—	—	2.6	—
1951	—	—	3.9	—	—	1.8	—	1.7	—	—	2.3	—
1952	—	—	5.0	—	2.3	—	—	1.9	—	—	2.5	3.0
1953	4.5	4.4	4.1	3.7	2.4	1.9	1.8	2.0	1.8	2.3	3.4	4.1
1954	5.8	6.4	6.5	6.1	4.2	3.5	3.3	3.4	3.2	3.5	4.2	4.9
1955	7.2	7.4	7.7	6.2	4.0	3.0	2.7	2.4	2.6	2.7	3.1	3.9
1956	5.6	6.1	5.7	4.8	3.0	2.2	1.9	1.9	2.0	1.9	2.5	3.6
1957	5.7	6.1	6.5	5.7	3.5	2.9	2.9	3.1	3.5	3.7	5.2	7.0
1958	9.7	10.1	10.6	9.1	6.4	5.5	4.9	5.0	4.6	5.3	6.2	7.6
1959	9.5	9.4	9.1	7.6	5.7	4.0	3.7	4.0	3.6	4.0	5.1	6.5
1960	8.8	9.6	9.8	8.8	6.6	4.9	5.0	5.3	5.1	5.7	6.6	8.2
1961	10.8	11.3	11.1	9.7	7.0	5.6	5.2	4.8	4.7	4.9	5.4	6.4
1962	8.5	9.1	8.7	7.5	5.1	4.5	4.5	4.1	3.9	—	—	—

Source: *Labour Force Surveys*, Dominion Bureau of Statistics.

¹ For years 1941 to 1952 inclusive, labour force surveys were not made monthly; figures shown are the only figures available.

TABLE II. RATIO (PERCENTAGE) OF AVERAGE NUMBER OF BENEFICIARIES EACH MONTH TO AVERAGE INSURED POPULATION FOR THE MONTH

Year	Month											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1944	—	—	—	0.6	0.6	0.4	0.2	0.2	0.2	0.3	0.3	0.5
1945	0.7	1.1	1.5	1.1	1.0	0.8	0.8	0.9	1.2	2.1	2.9	3.8
1946	4.9	6.6	7.4	7.4	6.0	4.8	3.9	3.4	3.4	3.0	2.7	3.0
1947	4.1	4.6	4.8	4.4	3.7	2.7	2.2	1.8	1.7	1.8	1.9	2.9
1948	4.6	6.0	6.7	6.0	4.5	3.1	2.6	2.2	2.0	2.0	2.6	3.9
1949	6.4	8.2	9.2	7.4	5.9	4.3	2.5	2.4	2.5	2.8	4.0	4.8
1950	8.4	9.0	9.7	7.1	5.0	3.4	2.8	2.4	2.2	2.3	2.7	3.5
1951	5.7	6.2	6.2	3.6	2.5	1.9	1.9	2.0	2.1	2.3	3.1	4.8
1952	7.6	8.3	8.4	6.4	4.3	2.7	2.8	2.6	2.4	2.5	3.6	5.1
1953	8.2	9.3	8.4	6.2	4.0	2.9	2.8	2.7	2.9	3.7	5.5	6.6
1954	11.7	12.9	13.2	13.9	7.6	5.2	5.0	4.7	4.8	5.3	6.3	8.0
1955	13.1	14.1	14.8	14.8	8.3	5.1	3.9	3.2	3.2	3.2	3.4	4.6
1956	8.7	11.4	12.3	11.4	6.2	3.4	2.8	2.7	2.6	2.5	2.8	4.0
1957	9.2	11.5	12.5	12.3	8.1	4.5	3.9	3.9	4.2	4.5	5.7	8.9
1958	15.2	17.5	19.1	17.7	14.3	10.4	7.2	5.6	5.6	5.5	6.5	8.9
1959	15.3	15.8	18.0	15.3	11.8	4.9	4.1	3.9	3.9	4.0	5.1	8.6
1960	14.4	15.7	17.0	17.2	13.5	6.8	5.6	5.3	5.6	5.6	6.7	9.6
1961	15.8	17.4	19.1	17.0	13.8	6.3	4.9	4.8	4.4	4.4	5.3	7.8
1962	13.5	14.2	15.4	13.6	10.8	—	—	—	—	—	—	—

accompanied by a restrictive measure which, however, was somewhat relaxed in the following year.

Table II contains an index of the impact of unemployment on the scheme from 1944 to 1962. The ratios follow the same trend as those in table I but are considerably higher. In this connection it must be noted that table I shows the ratio of unemployed persons to the total *labour force*, whereas table II relates the beneficiaries to the average *insured population*. The excess of beneficiary ratios over unemployment ratios is greater in the winter months than in the late summer and autumn months. As the Committee pointed out, this suggests that a good many people went on benefit during winter but did not regard themselves as unemployed for purposes of the labour force surveys. The decline of the beneficiary ratios to less than the unemployment ratios, e.g. in the late summer and autumn, suggests that there was a growing number of unemployed persons who had exhausted their right to unemployment benefit.

Table III shows, for the period 1942 to 1961, the number of persons who suffered unemployment during the year, filed an initial claim and qualified for benefit. The variations were explained by changes in coverage and qualifying conditions and the introduction of supplemen-

TABLE III. NUMBER OF BENEFIT PERIODS ESTABLISHED AND RATIO (PERCENTAGE) TO INSURED POPULATION

Year	Regular benefit periods			Supplementary benefit periods				
	Number established	Ratio to—		Number established			Ratio to—	
		Covered population ¹	Contact population ¹	Class A ²	Class B ²	Total	Covered population ¹	Contact population ¹
	('000)	(%)	(%)	('000)	('000)	('000)	(%)	(%)
1942...	17.2	0.7	0.6	—	—	—	—	—
1943...	19.6	1.0	0.7	—	—	—	—	—
1944...	66.9	3.0	2.4	—	—	—	—	—
1945...	223.3	10.3	7.5	—	—	—	—	—
1946...	304.7	14.1	10.0	—	—	—	—	—
1947...	265.1	11.5	8.2	—	—	—	—	—
1948...	392.1	16.2	12.1	—	—	—	—	—
1949...	556.1	21.5	17.6	—	—	—	—	—
1950...	593.3	21.9	17.1	—	—	113.7	4.2	3.6
1951...	617.7	20.4	16.6	35.5	53.0	88.5	2.9	2.5
1952...	731.0	23.4	19.5	34.9	61.1	96.0	3.1	2.6
1953...	852.6	26.7	21.9	39.9	109.4	149.3	4.7	4.0
1954...	984.8	30.0	25.2	51.5	159.2	210.7	6.4	5.4
1955...	849.4	24.8	20.9	55.9	194.1	250.0	7.3	6.4
1956...	834.4	22.4	19.0	101.1	154.6	255.7	6.9	6.2
1957...	1,086.2	27.4	24.0	144.0	64.8	208.8	5.3	4.7
1958...	1,091.5	26.6	24.3	220.8	249.7	470.5	11.7	10.4
1959...	985.1	24.0	21.1	256.0	188.3	444.3	10.8	9.9
1960...	1,065.8	25.8	—	284.7	159.1	443.8	10.8	—
1961...	967.7	23.9	—	278.1	187.7	465.8	11.5	—

¹ For explanation see text, p. 464.

² For explanation see text, p. 459.

tary or seasonal benefits. The sharp rise in the number of supplementary benefit periods established in 1958-59 was caused principally by the difficult employment conditions. It appears that many people were able to get enough work to qualify for supplementary benefit but not for regular benefit, and that many insured persons had exhausted their regular benefits and were unable to requalify.

Changes in the benefit formulae which relate the duration of entitlement to the number and density of contributions and a reduction in the waiting period were reflected in the annual number of weeks of regular and supplementary benefit paid and the annual average number of weeks of benefit per person in the *covered* population (i.e. at any particular time, all those in insurable employment together with those drawing benefit or serving a waiting period) and in the *contact* population (i.e. all persons within the plan at any time during the year) as shown in table IV.

TABLE IV. ANNUAL NUMBER OF WEEKS OF REGULAR AND SUPPLEMENTARY BENEFIT PAID, AND ANNUAL AVERAGE NUMBER OF WEEKS OF BENEFIT PER PERSON IN THE INSURED POPULATION

Fiscal year	No. of weeks of benefit paid	Average No. of weeks per person in—	
		Covered population ¹	Contact population ¹
	(⁰⁰⁰)		
1942-43	65	0.03	0.02
1943-44	152	0.07	0.06
1944-45	428	0.19	0.15
1945-46	2,402	1.13	0.80
1946-47	3,874	1.77	1.27
1947-48	3,019	1.30	0.93
1948-49	3,980	1.60	1.23
1949-50	6,148	2.37	1.94
1950-51	6,303	2.24	1.77
1951-52	5,875	1.91	1.57
1952-53	7,751	2.47	2.06
1953-54	10,265	3.19	2.62
1954-55	13,791	4.16	3.52
1955-56	11,735	3.37	2.83
1956-57	11,601	3.04	2.60
1957-58	18,169	4.50	4.01
1958-59	22,513	5.47	4.99
1959-60	19,377	4.70	—
1960-61	22,230	5.40	—
1961-62	18,935	4.69	—

¹ For explanation see text.

The rate of benefit was changed from time to time. The average rate was affected by the proportion of beneficiaries in each earnings class and the proportion having a dependant. The standard rate of benefit aimed at appears to be about 50 per cent. of earnings in the higher classes for claimants with a dependant, and a little over 40 per cent. for claimants without a dependant; the ratios were somewhat higher in the lower earnings classes.

TABLE V. COMPARISON OF REVENUE AND BENEFIT PER PERSON IN THE CONTACT INSURED POPULATION

Fiscal year	Normal ¹ contribution revenue	Benefit payment			Average weekly benefit	Number of weeks of benefit paid	Weeks of benefit per person supported by contribution
		Regular benefit	Supplementary benefit	Total benefit			
	(\$)	(\$)	(\$)	(\$)	(\$)		
1942-43 . . .	25.99	0.27	—	0.27	11.02	0.02	2.36
1943-44 . . .	26.77	0.62	—	0.62	11.33	0.06	2.36
1944-45 . . .	26.95	1.79	—	1.79	11.60	0.15	2.32
1945-46 . . .	24.23	10.59	—	10.59	13.32	0.80	1.82
1946-47 . . .	26.70	14.14	—	14.14	11.13	1.27	2.40
1947-48 . . .	24.37	10.72	—	10.72	11.58	0.93	2.10
1948-49 . . .	31.20	15.38	—	15.38	12.52	1.23	2.49
1949-50 . . .	37.43	26.83	0.23	27.06	13.95	1.94	2.68
1950-51 . . .	42.30	23.31	1.46	24.77	14.00	1.77	3.02
1951-52 . . .	48.77	22.88	1.23	24.11	15.35	1.57	3.18
1952-53 . . .	48.90	34.25	1.86	36.11	17.52	2.06	2.79
1953-54 . . .	48.26	44.53	3.12	47.65	18.20	2.62	2.65
1954-55 . . .	48.03	59.39	6.35	65.74	18.68	3.52	2.57
1955-56 . . .	48.68	43.35	8.47	51.82	18.36	2.83	2.65
1956-57 . . .	50.46	45.15	6.76	51.91	19.96	2.60	2.53
1957-58 . . .	50.88	72.44	12.63	85.07	21.21	4.01	2.40
1958-59 . . .	49.34	80.30	25.83	106.13	21.28	4.99	2.32
1959-60 . . .	—	—	—	—	21.43	—	—
1960-61 . . .	—	—	—	—	23.12	—	—
1961-62 . . .	—	—	—	—	24.02	—	—

¹ Normal contribution revenue excludes: (1) government contributions for military service; (2) arrears for certain government employees in 1944; (3) fines and penalties; (4) special contributions for certain categories of supplementary benefit.

TABLE VI. BALANCE IN UNEMPLOYMENT INSURANCE FUND AND AMOUNT OF FUND PER INSURED PERSON

End of fiscal year	Balance in fund	Balance in fund per insured person	Balance per person in terms of weeks of benefit at average rate
	(\$'000)	(\$)	(Wks.)
1941-42	43,964	19	—
1942-43	114,011	57	5.20
1943-44	190,328	86	7.60
1944-45	268,034	122	10.53
1945-46	317,241	149	11.19
1946-47	372,879	164	14.73
1947-48	447,735	195	16.82
1948-49	529,535	203	16.18
1949-50	582,647	222	15.95
1950-51	664,580	221	15.78
1951-52	778,199	250	16.35
1952-53	851,585	270	15.43
1953-54	881,274	273	14.99
1954-55	840,692	242	12.97
1955-56	854,199	232	12.66
1956-57	874,575	221	11.06
1957-58	744,200	177	8.34
1958-59	499,811	118	5.54
1959-60	365,892	85	3.96
1960-61	184,685	44	1.90
1961-62	66,598	16	0.67

Tables V and VI sum up the financial history of the scheme. The experience was good until 1954-55. Thereafter there was rising unemployment, as is shown in table I. The impact of the high unemployment was much increased by various amendments to the scheme. The Committee drew attention to the very large amounts of benefit paid out in years of virtually full employment, to a large extent as the result of seasonal unemployment and to a lesser degree owing to an extensive movement into and out of the insurable population as the result of frictional unemployment. The financial structure of the scheme was weakened, the Committee believed, by the existence of an earnings ceiling which permitted the withdrawal from coverage of persons who had relatively stable employment. There was unquestionably some abuse of the scheme on the part of beneficiaries who did not in fact desire employment. The abuses of all kinds were important, not only because they proved costly to the Fund, but also because their existence tended to bring the whole scheme into disrepute.

Abuses and Misuse of the Scheme

The Committee examined the validity of the widely held belief that there had been extensive improper inroads on the Fund. The breaches of the Act by employers included failure to register as an employer, to maintain and produce records, to make returns and to pay contributions. As regards abuses by the insured persons, for the year ended 1961 the Employment Insurance Commission reported demonstrable fraudulent claims for benefits amounting to over \$2.25 million; the claim payments for the same year were \$514 million. This took no account of undiscovered fraud or of payments that could not be considered fraudulent, but were contrary to the spirit of the Act. The most prevalent type of detected fraud by claimants was failure to disclose earnings. The claims procedure involves verification through the employer of the reason for separation from employment as stated by the claimant. Although the response of the employers was generally good, they sometimes failed to confirm the employees' statements within the eight days before the claims were processed. Evidence was found of collusion on the part of some employers in helping their employees to establish a claim when the separation from employment was, in fact, voluntary; so far the Unemployment Insurance Commission had not prosecuted in such circumstances. When job vacancies were few and the benefit claim load heavy there was a tendency for the interviewer to ask only perfunctory questions and it was impossible effectively to determine capability of and availability for work on the basis of the answers. Where there were no job opportunities it was difficult to test the genuineness of availability for and desire for employment.

The determination of the suitability of employment was difficult. The Act describes certain conditions which make employment not suitable, but does not, and probably cannot, define what employment is suitable. There was now considerable jurisprudence in this respect in the decisions of the umpires and the recent tendency appeared to be to uphold the claimant in cases of doubt.

The Committee recommended that failure to cross picket lines in connection with a labour dispute should be considered as evidence of taking part in the dispute, which entails loss of eligibility for benefit. It felt that this rule was sound even where force was alleged, pointing out that the use of force on picket lines was illegal and the remedy a proper enforcement of the law.

Recently the investigation staff of the Unemployment Insurance Commission was doubled, and attempts were being made to enforce the Act with vigour. The Committee drew special attention to the difficult and serious problem of enforcement within the spirit of the law—a problem which, it noted, was generally one of determining a state of mind.

Careful consideration was given to alleged abuse of the scheme by married women, in drawing benefit while not genuinely seeking work. While not suggesting that only married women abuse the scheme in this way, the Committee thought it reasonable to conclude that some married women were in a particularly favourable position to do so. Measures should, of course, be taken to control abuses by claimants not in the labour market, whether married women or members of any other class of claimants. The Committee recognised the misuse of the scheme by some women during the last weeks of pregnancy and the period immediately following confinement when they were not, in fact, available for work, and suggested corrective measures. It also expressed the belief that any married woman who has children below school age should be considered unavailable for employment unless she could make satisfactory arrangements for the care of the children. It stated that the regulations on these points that it recommended were not intended to discriminate against pregnant women and mothers of young children, but rather to preserve the insurance character of the unemployment insurance scheme. The scheme, as pointed out in various briefs, should not provide benefits within the sphere of some other social security programme. The provision of maternity benefits by a social security scheme should be considered on its merits.

It was apparent that a considerable number of pensioners who had in effect withdrawn from the labour market filed claims and succeeded in drawing unemployment insurance. Those with reasonably adequate pensions were not under economic pressure to obtain employment and the scheme was not intended for their protection when they failed to do so. Others, however, had very small pensions and must find work to sustain themselves; they were in real need of protection when no suitable employment was available. The Committee recommended that the pension received on retirement from an employee-employer pension scheme should be treated as earnings for the purpose of determining benefits under the unemployment insurance scheme so that, to the extent that it exceeded allowable earnings, a deduction would be made from the benefit otherwise payable. Having in mind the proposed level of benefits and allowable earnings, it felt that this would permit a person having a small pension and otherwise entitled to unemployment benefit (unless he was in the top class) to draw some benefit; the maximum would be the smaller of the full benefit for his class or the amount required to bring his total income from insurance benefit, earnings and pension to about 75 per cent. of his normal earnings (a somewhat higher percentage in the lower earnings classes). In this connection it was noted that measures would have to be taken to prevent employer-employee pension schemes being set up in such a way as to permit the deferment of the pension until the prospective pensioner had had an opportunity to exhaust the available unemployment insurance benefits.

Special Problems of Scope

The Committee did not find convincing the reasons generally advanced for excluding from coverage higher paid workers, namely that

such persons might have a substantial degree of control over their employment and might use it to work against the Fund, or that their risk of unemployment was extremely slight. In its philosophy all employees should be covered, but it would fix a maximum limit on the amount of the contribution required and of the benefit payable.

The Committee was of the opinion that persons under 18 years of age should be excepted from coverage, since for the most part they were still at school and their entry into the labour market was likely to be on a part-time basis. The payment of unemployment insurance benefit was not considered an appropriate solution of the problems of persons under 18 who were neither working nor attending school—problems which required measures in the fields of education, vocational guidance and training, etc.

For administrative reasons the Committee considered it necessary to maintain the existing exceptions from coverage under the scheme of employees in agriculture and in domestic service, but it recommended that both categories should be included if and when appropriate procedures could be devised.

The Committee reported that the existing seasonal benefit was the subject of more criticism in the briefs it received than any other single feature of the existing scheme. It considered that the fundamental insurance principle to be kept in mind was that insurance was an indemnity for loss and that the concern of unemployment insurance was to indemnify the insured persons for loss of wages resulting from unemployment. Unemployment insurance should, therefore, confine itself to indemnity for wages lost by failure to obtain employment which, in the light of his previous employment record, the claimant could reasonably expect to have obtained. The benefits presently paid to seasonal workers were income supplements rather than insurance benefits and they should be financed as such.

It was noted that since self-employed fishermen, who had recently been brought within the scope of the scheme, did not have an employer-employee relationship, there was no sound criterion for determining the existence of involuntary unemployment. The Committee proposed that a separate scheme should be instituted for self-employed fishermen, designed to meet their special needs and circumstances, and that responsibility for its administration should rest with the Department of Fisheries.

BASIC PRINCIPLES OF THE RECOMMENDATIONS

The Committee found that the many changes effected in the unemployment insurance scheme in the course of the first 21 years of its existence had led to a gradual dissipation of the sound actuarial basis on which it had been founded. This fact, together with the change in the economic climate, from the high levels of employment and rapid economic growth that followed the end of the Second World War to the serious unemployment and slower rate of economic growth in the last few years, had resulted in the virtual bankruptcy of the Fund. The financial difficulties had been accentuated in some degree by an increasing number and variety of abuses and misuses of the scheme, some perhaps legal in a formal sense but morally questionable and socially undesirable. There was a growing tendency for the public to have distorted views

regarding the purpose of the scheme, and it was apparent that "many individuals had come to consider it a vested right to recover their contributions, in whole or in part, regardless of the true intent of the system". Education was necessary to create proper understanding and a proper image of unemployment insurance.

The Committee placed great emphasis on positive solutions to the problem of unemployment, noting that the development of adequate opportunities for employment and the fullest use of human resources were a prime concern of the community and that support for the unemployed when work was not available was a necessary and important social obligation, although never an end in itself.

The Committee believed that a programme of income support for the unemployed should consist of three parts.

It was satisfied that a plan of unemployment insurance should occupy the first and probably the principal place, and pointed out that the insurance approach, whereby the amount and duration of benefit were determined in accordance with prescribed rules rather than by administrative discretion, carried specific advantages in terms of personal dignity and freedom, and permitted financing free from the circumstances and pressures present in the determination of government budgetary programmes. It could deal best with a certain amount of frictional unemployment—which was caused by changes in ideas, products, methods and personal employment patterns and was to be expected in a free economic system, even under the best conditions. It appeared to the Committee appropriate that, irrespective of earnings, all persons 18 years or over who suffer from this type of unemployment should be compensated to a substantial extent for their lost wages, and that the cost should be borne by those who draw their livelihood from enterprises involving an employer-employee relationship, without any contribution from the general taxpayer, since it would seem inequitable to ask those members of the community not protected by the insurance scheme, notably the self-employed, to share in this cost.

Income security measures might also be required in cases of long-term unemployment, but they must be accompanied by monetary, fiscal, trade, manpower and other measures to rectify the conditions causing the prolonged loss of earnings. The Committee believed that the programme of support for the unemployed should include the provision of extended benefits for those who had exhausted their insurance benefits and, subject to certain conditions, for those whose unemployment followed a seasonal pattern. No benefits should be payable under this scheme to persons aged 70 or over who were in receipt of a pension under the Old Age Security Act, to persons under the age of 18 or to married women who were not the sole support of their household. The extended benefits should be tax-supported, because unemployment of this nature was usually due to problems affecting the whole national economy or the economy of a large region. The Committee was of the opinion that extended benefits should not be paid indefinitely to any individual and suggested that they should be related in broad terms to the claimant's employment record and normal earnings.

When regular and extended unemployment benefits had been exhausted, the case should be dealt with under an assistance scheme providing such benefits as were considered appropriate for the individual in the light of his actual needs and circumstances, and of local conditions. The Committee felt that this, the third part of a comprehensive scheme, should be administered by local and regional authorities.

Detailed Recommendations

As regards the unemployment insurance scheme, which is intended to take the first impact of unemployment, the Committee recommended a general pooling of the risk, without merit or experience rating on an employer or industry basis, and the continuation of the existing equal rates of contribution by employees and employers, subject to the adoption of appropriate rates for the new top class, without a government contribution, until a suitable reserve has been established and experience shows that a reduction in the employee-employer rate is feasible. It recommended that the contribution rate should be based upon wage classes in terms of a weekly earnings rate for full-time employment, the contribution for a broken week being an appropriate proportion of that for a full week, and that the benefit should be based upon the weekly earnings for full-time employment over the most recent 20 weeks of such employment. It suggested fixing the qualifying period for benefit at 30 full weeks of insurable employment in the two years preceding the claim, with 20 weeks in the year preceding the claim, and the maximum benefit period at one full week for each two full weeks of contribution in the year preceding the claim and since the last benefit period, partial weeks being converted into full weeks at the rate of five days to one week. The rates of benefit should, the Committee proposed, be raised from the present approximate figures of 50 per cent. and 40 per cent. of earnings for claimants with and without a dependant, respectively, in the upper wage classes, to approximately 60 per cent. and 45 per cent.; the proportion should be somewhat higher in the lower earnings classes. The allowable earnings should be reduced to approximately one-quarter of the weekly benefit rate.

A number of supplemental unemployment benefit schemes have been established in Canada in recent years, usually as the result of collective bargaining; the benefits are paid out of a fund established by the employer. The Committee examined the possible effects of these schemes upon the functioning of the national unemployment insurance scheme. It was particularly concerned with the fact that the two benefits together might produce an income for the claimant in excess of his normal earnings. It believed that the increase in benefit rates under the national scheme which it was recommending and the addition of an earnings class at the top would, to a large extent, remove the need for supplemental payments. It therefore suggested that the supplemental benefits should be treated as earnings for the purposes of computing benefit under the national scheme, except in the top earnings class, where the claimant should be able to obtain combined benefits equal, where he had a dependant, to 75 per cent. of his average earnings, and otherwise to 56.25 per cent.

The Committee recommended that "seasonal benefit" in its present form be withdrawn, and that seasonal regulations be enacted whereby insurance benefit would not be paid during any period of unemployment that, on the basis of the claimant's personal employment record, is shown to be of a "repetitive seasonal character".

The Committee suggested that the extended benefits should be payable at the same rate to which the claimant was entitled in his last preceding benefit period, for a maximum of one-and-a-half times the period of insurance benefit to which he was entitled in his last benefit period, and that the eligibility should expire "at the end of a further period of time equal to the maximum period of entitlement

to extended benefit". A claimant for extended benefit should, the Committee felt, be required to accept employment of which he was reasonably capable, whether or not it is the same as his customary employment, or he should be disqualified for benefit.

At present under the authority of the Unemployment Assistance Act, 1956¹, the Federal Government shares the cost of the unemployment assistance schemes in effect in all the provinces. The Committee considered that these schemes could probably fill the place it contemplated for assistance to the unemployed when other benefits had been exhausted, and recommended that efforts should be continued to improve and develop the federal-provincial schemes to enable them effectively to deal with residual unemployment.

The Committee made several recommendations with a view to strengthening and improving the national employment service, notably its transfer to the Department of Labour, as a necessary move to co-ordinate efforts relating to manpower policy and employment programmes, and suggested that this service, through its legal offices, should perform an administrative function for the Unemployment Insurance Commission on an agency basis. A number of measures, some intended to prevent the type of abuses referred to above, and others generally to improve the administrative and financial techniques, were also suggested.

The Committee stressed the closely interwoven character of its recommendations and the desirability that they should be considered as a whole, pointing out that the selection of some and not others might have the effect of destroying the comprehensive programme that it had attempted to elaborate and might make matters worse rather than better.

CONCLUSION

Despite its concern with the difficulties, problems and abuses that had beset the unemployment insurance scheme, the Committee was convinced that the existence of an organised plan for support of the unemployed had been of enormous value to Canadians and to the Canadian economy, and that the scheme had contributed immeasurably to the welfare, and moral and financial support of persons who had suffered unemployment and were genuinely seeking work. It was aware that some of its recommendations would be unpopular with some people, but it believed that the increase in benefit rates recommended, the extension of coverage and the restoration of sound guiding principles would be welcomed by those concerned with the welfare of the community as a whole.

¹ Statutes of Canada, 1956, Chapter 26.