

Yet over the past seven years we have seen progressive movement away from a focus on regional discontent and toward one on populist reforms, fiscal restraint, and social conservatism. There is unquestionably a national constituency for all three, and it is that constituency that Reform hopes to nurture and tap.

However, any campaign to do so outside the west is handicapped by an understandable perception that Reform is at heart a regional party devoted to promoting the interests of western Canada. What better way, then, to signal the end of this western preoccupation than to expand into Quebec? Can Reform really be serious about regional angst if it is devoting its resources to building a bridgehead in Quebec? Thus, the target audience for the expansion is not Quebec itself, but the Ontario and Atlantic electorates.

The task will be to convince Canadians outside the west that this transformation has taken place when 51 of the 52 Reform MPs are from the west. The test for Manning's leadership will be to keep Reform MPs focused on national issues and to approach issues like parliamentary reform, the deficit, and social policy as would MPs from Mississauga or Halifax. This will not be easy, although to date both Manning and his party have had considerable success in shedding their regional costumes.

#### LESSONS TO BE DRAWN FROM ALBERTA?

Although the federal budget has yet to be tabled in the House, it appears that the Liberals will leave a considerable opening for Reform on issues of the debt and deficit. There is no sign that the Liberals are about to launch the draconian assault on the deficit envisioned by Reform during the 1993 election, and, thus for Canadians for whom are the defi-

cit is an acute concern, Reform may be the only serious player in the game.

At the same time, the Reform party and Preston Manning will have to keep a wary eye on the Alberta provincial scene to see how Premier Ralph Klein's determination to reduce the budget by 20 percent over the next three years plays with the provincial electorate. If Klein looks as though he will survive a growing storm of opposition, then Reform's resolve to stake out a similar position on the federal deficit will be strengthened. However, if the storm threatens to cripple Klein's prospects for re-election, then Reform might be well advised to soft-peddle their approach to the federal deficit.

Of course, neither Manning nor his party are likely candidates for policy moderation. But then, maybe their parliamentary experience will inject a note of caution, as many of the strongest Reform supporters fear.

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*Canada Watch* welcomes submissions on issues of current national interest. Submissions should be a maximum of 1,000 words. The deadline for consideration in our March issue is Monday, March 7. Write or fax us at:

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## ECONOMIC REPORT

### REFORMING UNEMPLOYMENT INSURANCE

by Fred Lazar

In 1940, the first *Unemployment Insurance Act* was passed by Parliament. The primary objective of this Act was to provide insurance against the risk of income loss due to unemployment. From a rather modest beginning, the unemployment insurance (UI) program has grown in scale and scope.

In 1992, \$19 billion was paid out under the UI program to about 3.7 million persons who experienced some interruption in their employment income during the year. These payments accounted for 36 percent of the \$52.8 billion in total federal government transfers to persons in 1992, and 21 percent of total government transfers to persons (\$89.7 billion). Aggregate UI payments are expected to exceed \$20.5 billion in 1993.

Changes to the Act during the 1950s and 1960s, and culminating in the 1971 revisions, marked a turning point for the UI program, as it moved further away from insurance principles toward horizontal equity and income support. The 1971 revisions increased benefits significantly and eased the eligibility rules to enable a larger proportion of the unemployed to qualify for benefits. As a result, unemployment insurance became the major component of the social welfare system in Canada in

*Continued, see "Reforming Unemployment" on page 78.*

***“Reforming Unemployment,”  
continued from page 77.***

the early 1970s. However, the 1971 revisions also represented the high point in the program’s movement in this direction.

Revisions during the 1980s, and thus far in the 1990s, have tried to integrate the UI program into more active labour market policies aimed at facilitating adjustments, promoting economic growth, and reducing the natural rate of unemployment. The 1990 revisions (Bill C-21, November 18, 1990) set the stage for the UI program to become an integral component of the labour force development strategy introduced in April 1989 by the federal government. The amendments permitted a redirection of UI premiums toward active adjustment assistance — for example, work sharing, job creation, training, and developmental assistance. The federal government has approved expenditures of \$2.21 billion of UI funds for active adjustment assistance programs in fiscal year 1993-94. This contrasts to the \$425 million spent on these programs in 1989-90.

The expenditures for 1993-94 on active adjustment assistance programs represent about 11 percent of total expected spending under the UI Act. Section 26.2 of the Act permits a ceiling of 15 percent of total UI funds to be allocated to the programs covered by sections 24, 25, and 26. Thus, even without additional revisions, there is scope to redirect further funds toward these programs.

In a time of fiscal constraint, UI premiums provide the government with a revenue source for expanding training and other active labour market programs. Therefore, it is not surprising that UI funds are looked upon as an attractive source of financing for any new training initiatives or for an expansion of existing

programs. But should UI funds be used for this purpose? What should be the objective of the UI program?

Should it be restructured to become an insurance program as was the intent of the original UI Act? Instead, should its focus be directed toward equity, income support, and social assistance? Or should the income support and insurance roles be downplayed, and the active labour market role be augmented?

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I favour the direction in which the UI program was evolving up to and including the 1971 revisions. The UI program should be the cornerstone of the social welfare system in Canada. Its goal of providing income support during periods of unemployment can be compatible with generating a more “equitable” distribution of income. Furthermore, the UI program should be revamped to make it an automatic fiscal stabilizer once again. Currently, the UI program operates more as a fiscal destabilizer, since premiums tend to be increased during periods of high unemployment. Premium rates were increased in the midst of the last recession in 1990 and 1991. They were increased further in 1992 and most recently by the new Liberal government, even though the economic recovery is sputtering along

and unemployment rates continue in the 11 percent range.

There are at least three fundamental problems with the UI program as it has evolved and as critics of the program would like to see it further develop. First the mandate to make the UI program self-financing, regardless of the unemployment rate, considerably weakens, and as suggested, even destroys its stabilization role. Second, permitting the use of UI funds for programs other than unconditional income support confuses its role in the eyes of the public and so makes the program susceptible to poor decisions.

Third, the payoffs to government support of training may be overestimated. It has been over 30 years since the passage of the *Technical and Vocational Training Assistance Act* by the federal government, and since that time tens of billions of dollars have been spent by the federal and provincial governments on various types of training programs. Yet one would have good reason to question the efficacy of these programs and the apparent change in the training “mission” in each decade.

During the past 40 years, the national unemployment rate has tended steadily upward at the peak of each successive cycle. Unemployment continues to be disproportionately experienced by those between the ages of 15 and 24, Canadians in Quebec and the Atlantic provinces, and workers without a high school diploma. The sharply higher unemployment rates today primarily reflect substantially longer spells of unemployment, thus suggesting that despite the massive expenditures on training, the labour market adjusts more slowly.

Let me emphasize that it is desirable to have one or, at most, two permanent objectives for a government program and periodically

finetune the program in order to better attain the objective(s). Establishing or adding new objectives risks confusing the public and producing an inferior outcome to one involving setting up entirely new programs. Each program should be judged on its own merits and if its objective(s) no longer ranks (rank) high among government priorities, then the program should be either scaled back or terminated.

With unemployment rates in double digits and with the national unemployment rate exceeding 7 percent for almost 20 consecutive years and expected to remain above this level for the rest of this century, a sharply focused UI program not only is warranted, but also can play a key role in the inevitable reform of the social welfare system in Canada and in the reform of the current system of fiscal federalism.

Moreover, the UI system tends to transfer income from workers who are less prone to becoming and remaining unemployed to those who are more likely to become unemployed and remain unemployed for longer periods of time.

If every participant in the labour market faced the same probability of becoming unemployed, and when unemployed experienced the same duration of unemployment, there would be no need for UI as either an income redistribution or an insurance program. Individuals would adjust their savings behaviour accordingly and real wages would adjust in the labour market to reflect the same, anticipated unemployment experience.

But the burden of unemployment is not distributed equally among all participants on the labour market. Certain groups of individuals are more likely to become unemployed than others, and within these groups certain individuals are more likely to experience longer or more fre-

quent spells of unemployment. Many within these groups are low-wage earners. Therefore, UI can spread the burden of unemployment by redistributing income and the redistribution of income is likely to be in the direction of low-income individuals and households.

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## LEGAL REPORT

### FREEDOM TO DISCRIMINATE? THE MALCOLM ROSS CASE

by Bruce Ryder

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#### DISCRIMINATION VERSUS EXPRESSION

Discrimination and expression are concepts that have demonstrated imperial tendencies in the Charter era. Discrimination now encompasses all rules or practices that have the effect of promoting group-based disadvantage, intentionally or unintentionally, discretely or systemically. Expression now encompasses all human activity that conveys a

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*"A teacher in the public school system, like other professionals or holders of the public trust, can quite properly be expected to uphold the ideals of a secular, multicultural society, including a commitment to equality."*

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meaning short of violence. Discriminatory words and non-violent actions convey a meaning, and thus count as expression. If they have the effect of creating barriers to equality, they also count as discrimination. The area of overlap between discriminatory and expressive acts is thus large and growing, and subject to the contradictory constitu-

*Continued, see "Freedom to Discriminate" on page 80.*