

A 57 Billion Dollar Surplus for Canada's Budget: The Government's Massive Grab of Workers' Money

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Canada's Finance Minister Joe Oliver delivered his budget in Ottawa on Tuesday April 21, and, as all budgets are political, this one not only sketched out the "major planks of the Tories' fall campaign," but its political nature is also characterized by what Prime Minister Harper has removed from it; a 57 billion dollar employment insurance surplus fund—as a result of a July 2014 Supreme Court of Canada ruling—thus allowing his government to circumvent the parliamentary system of budget scrutiny for such a large amount of money.

The July 2014 Supreme Court of Canada's [ruling](#) between the Harper government and Quebec's union Confédération des syndicats nationaux (CSN) was the result of the Harper government transferring \$ 57 billion from the old Employment Insurance Account to the Prime Minister Office's general revenues in 2010. Likewise, the CSN took up the battle on behalf of Canadians to prove that the Harper transfer was unconstitutional; however, the Supreme Court sided with the Harper administration, allowing Harper no less to decide what to do with the money at his own discretion, since the PMO's budget is under no parliamentary scrutiny as is the annual budget of the government.

This circumventing of the parliamentary system of budget scrutiny by Harper has its roots in the late 1990s when Prime Minister Jean Chrétien increased premiums paid into the account while at the same time decreasing the amount paid out to workers. Chrétien's decision led to a bloating surplus beyond what the Act called for, and this massive swelling alerted the then Auditor General Denis Desautels to go public. In a [letter](#) to Pierre Pettigrew, then Minister of Human Resources, dated July 23, 1999, Desautels stated, "I wish to draw to your attention that the surplus of the Employment Insurance Account has increased during the current year by \$7.3 billion, to \$21 billion." However, nothing could stop the appetite of this government, and fortunately, Desautels did not give in. He eventually appealed to the Employment Insurance Commission for help.

After completing his ten years at the post (1991–2001), Desautels revealed more details about his request to the Commission in his "[Summary](#) of Audit Observations" March 31 2000. "In view of the size and the continued rate of growth of the accumulated surplus [by then 30 billion] in the Employment Insurance Account, it is important that the Commission clarify and disclose the way it interprets the *Employment Insurance Act* in setting premiums. Such clarification and disclosure are necessary to ensure that the intent of the *Act* has been observed." Moreover, Desautels claimed the PMO had been notified earlier of this problem in his ([Chapter 33](#)) November 1999 Auditor General Report, but even with the help of the Commission, the Chrétien government refused to readdress the issue.

When Desautels was replaced by Sheila Fraser (2001-2011) Fraser took issue with the real

“intent of the legislation.” In Fraser’s analysis, we find a more detailed history of when and why the amount began to escalate. In [Chapter 11](#) of Fraser’s December 2002 Report, Fraser stated that the accumulated surplus, under Chrétien’s government, had grown “from \$666 million in March 1996 to \$40 Billion in March 2002.” In addition, we are informed that the Canada Employment Insurance Commission did attempt to hold Chrétien accountable by demanding a reduced rate of premium according to the spirit of the Act, especially Section 66, as Fraser notes. However, in May 2001, the law was amended by Chrétien’s government “to suspend section 66.” This suspension of section 66 later became an issue in a 2008 Supreme Court ruling.

Therefore, Chrétien not only ignored the spirit of the Act by giving birth to the monstrous amount in the Account, but when the Commission (and Fraser later) attempted to hold Chrétien accountable, according to Section 66, Chrétien just amended that too. This disregard is summarized succinctly in Fraser’s words, “Since 1996, the Employment Insurance Account has collected more revenues than the expenditures it had to pay [...] In our (Fraser and her assistant, Barrados) view, it was Parliament’s intent that the Employment Insurance Program be run on a break-even basis over the course of a business cycle, while providing for relatively stable premium rates [...] Therefore, we are unable to conclude that the intent of the *Employment Insurance Act* has been observed [by the Chrétien’s government] in setting the premium rates for 2001 and 2002.”

It wasn’t until 2008 that the governments of Chrétien and Paul Martin were implicated in this massive grab of the worker’s money. The Supreme Court of Canada, according to the Canadian Press ([May 02, 2013](#)), ruled that the former Chrétien government “broke the law in revamping the employment insurance system [specifically with his amendment to section 66], transforming the EI premiums paid by workers and employers into a back-door, unconstitutional tax.”

However, there was no transfer of the \$40 Billion to the PMO under the governments of either Chrétien or Martin. This transfer happened under the Harper administration in 2010, which sparked the legal battle between Harper and the CSN with the amount at \$57 Billion dollars.

By excluding the \$ 57 Billion in the current budget, for the first time in Canadian history a prime minister has been able to circumvent the parliamentary system of budget scrutiny for such a large amount of money.

What is Mr. Harper going to do with it? Will the PMO “Account” become his very own hedge fund? Or might Canadians pressure his government to finance an economic strategy to fight underemployment? The answers to these questions remain unclear at the moment, but one thing is very clear to me of what should be done; the money collected beyond what the law permitted should be returned to where it came from in the first place.

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