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AN INCOME SUPPORT SYSTEM FOR ATLANTIC FISHERMEN

Task Force Consultation Paper

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Task Force on Incomes and Adjustment in the Atlantic Fishery

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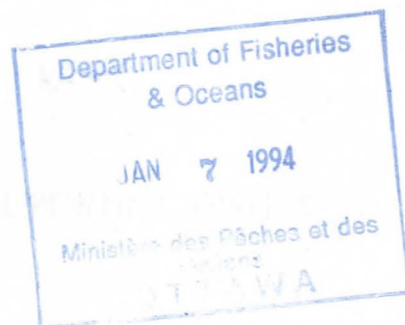


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Consultation Paper



TASK FORCE ON INCOMES AND ADJUSTMENT IN THE ATLANTIC FISHERY

MAY 10, 1993

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PREFACE

In March 1992 the Minister of Fisheries and Oceans and the Minister for Employment and Immigration established the Task Force on Incomes and Adjustment in the Atlantic Fishery. The mandate of the Task Force is to advise the Government on a long-term strategy on incomes and adjustment in the Atlantic fishery, with particular attention to the development of an effective system of income supplementation and stabilization for commercial fishermen.

The Task Force is composed of a six-member group from the private sector. The Chairman is Richard Cashin, President of the Fishermen, Food and Allied Workers Union, based in St. John's, Newfoundland. The other members are François Poulin, director general of the Professional Fishermen's Alliance in Quebec (l'Alliance des pêcheurs professionnels); Réal Chiasson, director general of l'Association cooperative des pêcheurs de l'île (Lemeque, N.B. Co-op); Donald Savoie, a professor at the Université de Moncton in New Brunswick and a specialist in regional development; Peter Darby, chairman of the Labour Relations Board in Nova Scotia and a professor at Dalhousie University in Halifax; and Bruce Chapman, President of the Fisheries Association of Newfoundland and Labrador.

The fundamental issues and questions being considered by the Task Force were laid out in a Discussion Paper which was distributed widely in the Atlantic fishery industry at the beginning of 1993. That paper raised for discussion three closely related issues: access to the resource, fishermen's professionalization, and income supplementation and stabilization.

Regarding access to the resource, the Task Force may propose changes in the registration and licensing of commercial fishermen which targets such access more directly on the genuine "professional fisherman". These changes are also closely linked to the professionalization of Atlantic fishermen, that is, the formal recognition and certification of those who are, or aspire to become, professional fishermen.

The Task Force plans to present its Final Report to Government in the coming months. However, before finalizing its recommendations the Task Force is seeking advice on preliminary proposals to provide more effective income supplementation and stabilization for Atlantic fishermen. These proposals are presented in this Consultation Paper for review and discussion.

INTRODUCTION

The Task Force on Incomes and Adjustment in the Atlantic Fishery was created in March 1992 to develop comprehensive, long-term strategies for the industry that would promote stable and adequate incomes for professional fishermen. One goal of the Task Force is to examine and make recommendations on the income support system for fishermen, based on the resources that are now spent on income support for the fishery.

Fishermen's income support is now delivered mainly through Fishermen's Unemployment Insurance. Other short-term programs have provided assistance during catch failure or poor ice conditions.

The Task Force recognizes the importance of Fishermen's UI in providing support, and proposes changes to income support within the existing system.

The Task Force has outlined a program to better meet the needs of the professional fishermen, and to better allocate the existing expenditures on income support. The program is intended to achieve four objectives:

- Fishermen's UI should be delivered to the people for whom it was designed.
- It should be based on an accurate and efficient reporting system.
- It should reflect the way fishermen work.
- And, Fishermen's UI, or a new system, should have features to stabilize fishermen's incomes.

These objectives, and factors to be considered in achieving them, are presented as four sections in this paper. The Task Force has decided to consult Atlantic fishermen's and industry organizations to determine which approaches would work best for the Atlantic fishermen.

1. Target professional fishermen.

The Task Force has looked at ways to use professional standards to link Fishermen's UI with "access to the resource". Targeting professional

fishermen would make it easier to identify the type of support that meets their needs, and to better focus program expenditures.

2. *Create an integrated registration and reporting system.*

An integrated registration and reporting system would provide an accurate record of fishing activity and flag emerging resource and income problems. An integrated system would make it easier for fishermen and buyers to record fishing activity, and simplify the administration of programs dealing with Unemployment Insurance, resource management and taxation. Reduced duplication and inconsistency in reporting systems would also improve their cost-effectiveness.

3. *Revise Fishermen's Unemployment Insurance.*

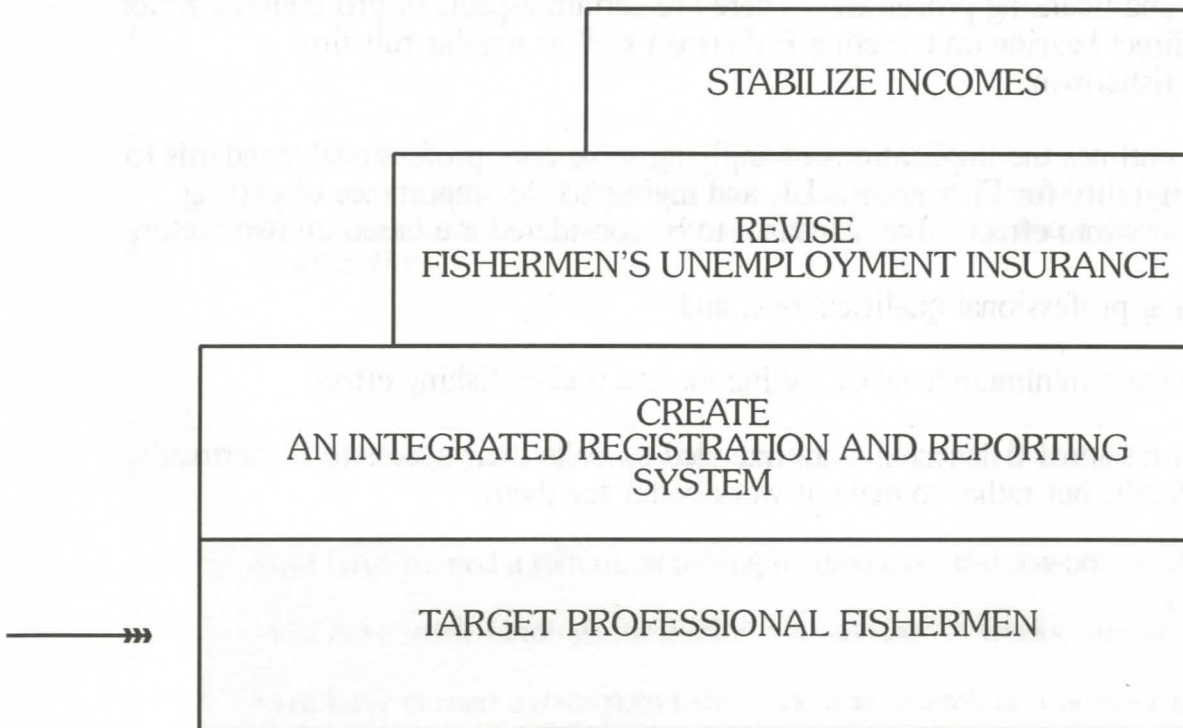
Fishermen work on trips of various lengths throughout the season. Their earnings may vary considerably from week to week, and tend to be lower in the shoulder seasons. The Task Force has looked at ways of replacing the concept of "minimum insurable weeks" with one based on the fishing season, so as to tailor the program to the way fishermen work.

4. *Stabilize incomes.*

Fishermen's incomes vary with the weather, ice conditions and the abundance of the resource. The Task Force has looked at ways to provide stabilization for fishermen in addition to Fishermen's UI. The success of a stabilization program will depend on having a targeted group of *professional* fishermen, and on building a reporting system that can track their income over the years and flag potential stability problems.

Targeting the program to professional fishermen, streamlining the reporting system, and revising Fishermen's UI would lead to savings which could be directed toward the creation of a stabilization program for fishermen.

Objective 1



1. TARGET PROFESSIONAL FISHERMEN

The central feature of the income support systems proposed by the Task Force is that Fishermen's UI is targeted to the regular full-time professional fishermen.

The Task Force argues that only those who meet the requirements of professional status when they register at the beginning of the fishing season, or who register as replacement workers during the season, should have access to Fisherman's UI. With one standard to determine access to the resource and to Fishermen's UI, fisheries polices will work together better. And, the needs of the target group will be easier to determine.

Fisheries and Oceans and fishermen's organizations are now developing standards that will define "professional fishermen" in the future, and create the corresponding certification and licensing processes. There are certain aspects of professionalization that have a direct bearing on targeting Fishermen's UI to regular full-time professional fishermen.

This section outlines the implications of applying some core professional standards to determine eligibility for Fishermen's UI, and highlights the importance of putting meaningful ones into effect. The standards to be considered are based on two factors:

- meeting professional qualifications, and
- achieving a minimum level of fishing income and/or fishing effort.

Targeting professional fishermen is not intended to make their access to Fishermen's UI more difficult, but rather to make it work better for them.

**Factors relating to professionalization which would have a bearing
on eligibility for FishemEn' s UI**

PROFESSIONAL QUALIFICATIONS

Core professional qualifications directly related to access to Fishermen's UI

- **Must be registered at the beginning of the fishing season to fish on an active, licensed fishing enterprise as a skipper, crew member or employee, or register during the season as a replacement worker.**
- **If the skipper, must have an active species licence and vessel registration.**
- **If the skipper, must ensure that the number of crew registered does not exceed the number suitable to operate the vessel safely and efficiently, given its size, type of gear, and the fishery in which it is engaged.**

Long-term professional qualifications now being developed by Fisheries and Oceans and fishermen's organizations would reinforce these core qualifications.

MINIMUM FISHING INCOME AND/OR MINIMUM FISHING EFFORT

- **Must have earned a minimum fishing income over the season, and/or**
- **Must have made landings for a minimum number of weeks, and/or**
- **Must have earned a minimum fishing income in each of a number of weeks.**

□ **PROFESSIONAL QUALIFICATIONS**

Professional accreditation and registration at the beginning of the season would be required for access to Fishermen's UI and other income support systems. The core qualifications would be essential at the outset to target professional fishermen; other long-term qualifications would become necessary in the future. Core qualifications would include: the pre-season registration of skipper, crew and employees on a licensed enterprise; the registration during the season of replacement workers; the possession of active licences and vessel registration by the skipper of that enterprise; and, the proper ratio of fishermen-to-vessel for each enterprise.

The long-term qualifications being developed in the professionalization programs, would reinforce the core qualifications.

□ **MINIMUM FISHING INCOME AND/OR MINIMUM FISHING EFFORT**

A minimum income requirement and/or a minimum number of weeks fished would be an important determinant of whether a fisherman was eligible for Fishermen's UI.

□ **Primary source of earned income from fishing: a proposal rejected by the Task Force**

Another professional standard considered by the Task Force was the contribution of fishing to total earned income, based on a declaration provided by Revenue Canada. The Task Force rejected this standard.

- Fishermen's right to privacy might be compromised if they were required to provide information on sources of income.
- Fishermen would be discouraged from seeking employment in other industries during the off-season, and from reporting other employment income if they earned it. Fishermen with off-season employment opportunities would be more restricted by this requirement.
- Fishermen could slip below the "primary source" requirement because the price of fish had declined, or because the volume of the catch for the year had fallen.

□ Professional qualifications

The core professional qualifications would be the basic requirements for access to the resource and to Fishermen's UI.

The core qualifications would target professional fishermen with a legitimate attachment to a fishing enterprise. At pre-season registration, skippers, crew members and employees could register with one enterprise, if it had the appropriate species licences, vessel registrations and number of people. During the season, skippers could register replacement workers, if necessary.

The Task Force believes that the core qualifications must be put into effect at the outset, in a way that allows professional fishermen to qualify without having to clear unnecessary administrative hurdles.

If a single definition of the professional fisherman were used to determine access to the resource and access to Fishermen's UI, a single registration system could be used as well. The basic elements of the reporting system would be:

Fisherman's Log Book,	proof of a fisherman's professional status, licensing and vessel registration,
Fishermen's Registration Bureau,	certifies professional fishermen at the beginning of the season, and
Fish Landings Registry,	the central clearing house for transactions between professional fishermen and buyers.

PROGRAM DESIGN

There would be three categories of personal registration, based on the fishermen's responsibilities and whether they work under a sharing arrangement or are paid a wage.

- *Skipper*
 - a species licence holder with a certified vessel
 - responsible for the registration of the right number of crew, and of

- replacements during the season
- a professional fisherman eligible for Fishermen's UI.

- ***Crew member***

- a partner or shareman working with the skipper as a self-employed fisherman
- a professional fisherman or replacement worker eligible for Fishermen's UI.

- ***Employee***

- a wage earner working for the skipper (task must be specified)
- would receive regular UI

1. Skippers, crew members and employees would register at the beginning of the fishing season with the Fishermen's Registration Bureau, in order to work in the fishery and access Fishermen's UI. They would receive a Fishermen's Log Book to confirm their professional status. Any additions or subtractions to the crew during the fishing season would be reported to the Registration Bureau by the skipper.
2. The Fishermen's Registration Bureau would provide the Fish Landings Registry with the names of professional fishermen. Only those recorded in the landings registry would be eligible for Fishermen's UI.
3. At the time of a sale, the Fish Landings Registry would record incomes, source deductions and trips for all professional fishermen, based on sharing arrangements.
4. At the end of the season the Fish Landings Registry would provide a summary of fishing income and activity, as proof of eligibility for fishing benefits.

□ **Require a minimum fishing income and/or minimum fishing effort**

A minimum income/effort requirement is essential to determine eligibility for Fishermen's UI. In future, the same requirement could be used to help determine the professional status of fishermen.

To qualify for seasonal fishing benefits, fishermen now need 10 to 14 weeks of insurable employment, depending on the unemployment rate in the region, and at least six weeks of fishing employment. Crew members count a week in which the catch was delivered as insurable, based on their statement that they were "employed" for 15 hours or more. There is no effective minimum income requirement for eligibility for Fishermen's UI.

The Task Force believes that a minimum fishing income and/or minimum fishing effort could be developed to replace the current requirement of minimum insurable weeks, as a better measure of work effort over the fishing season.

The Task Force has focussed on the minimum income/fishing effort as a way to direct Fishermen's UI to those who had fished a significant part of the season, and yet recognizes that these requirements would have to be waived if the season were shortened or if catch failure occurred.

PROGRAM DESIGN

Three measures were considered, along with advantages and disadvantages:

• *A minimum fishing income*

A minimum seasonal fishing income would approximate the minimum fishing effort in that season, and would be easy to monitor. However, some enterprises might achieve the minimum with very little effort, while others might not -- even after fishing the full season.

The effect of setting a minimum-income requirement would depend on the definition of income. Initially, this concept could be the same as that now used for Fishermen's UI: gross income less 25% for deductions, less the boat share for skippers, or their share of the catch for crew.

• ***Landings in a minimum number of weeks***

The number of weeks in which landings were made is the most direct measurement of fishing effort. However, a landing would not represent the same fishing effort for all fishermen, because some enterprises make landings more frequently than others.

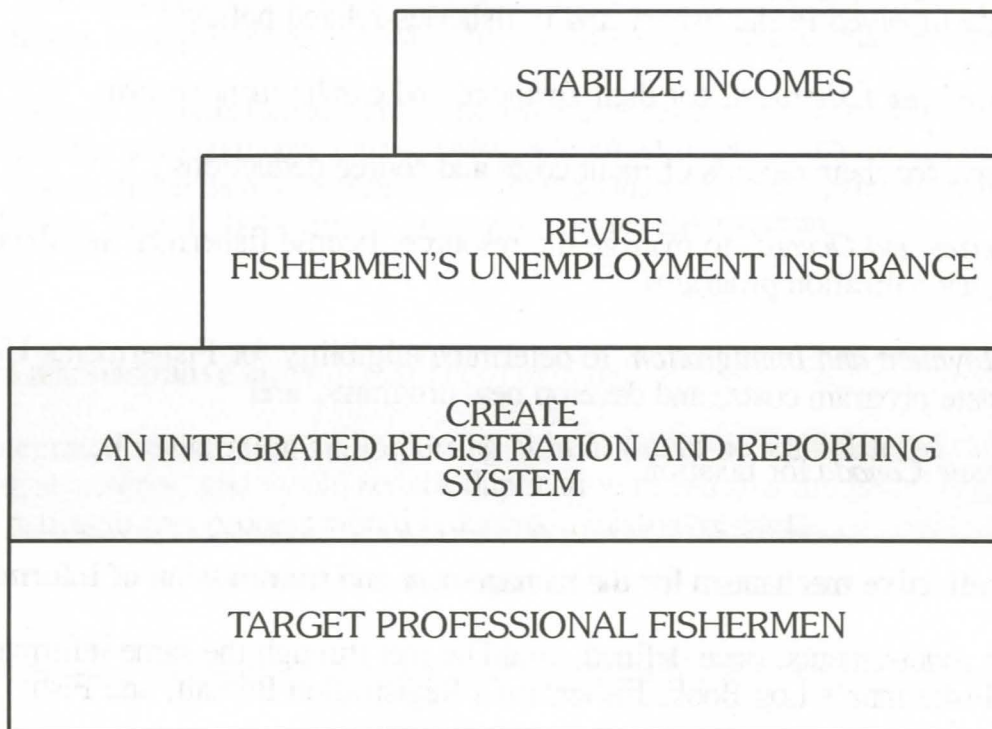
One way to measure fishing effort would be to combine the requirement of a minimum fishing income with the requirement of a minimum number of weeks in which landings were made. The combined requirements, if properly set, might better reflect reasonable fishing effort over the season.

• ***A minimum fishing income in each of a number of weeks.***

Weekly fishing effort, measured in terms of a minimum fishing income in each week, would be easy to monitor. However, fishermen's incomes fluctuate and it might be difficult for fishermen to meet the minimum in all weeks they had fished, even though they may have met it on average.

Fishermen who did not meet the minimum-income requirement for valid reasons (illness, accident, boat damage) would have the opportunity to appeal. If catch failure were deemed to have occurred, an announcement would be made indicating that the minimum-income requirement had been waived.

Objective 2



2. CREATE AN INTEGRATED REGISTRATION AND REPORTING SYSTEM

The foundation of a targeted income support system for fishermen is an accurate, timely, efficient and consistent system for reporting activity in the fishery. The Task Force has developed an outline of an integrated registration and reporting system for fishing activity. The basic thrust is to define and streamline information requirements, to provide an effective channel for the management and transmission of this information, and to create a system that, through increased efficiency and streamlining, reduces administrative costs.

Define and streamline the information requirements

An integrated reporting system should streamline the information requirements of those directly involved in the fishery and in fisheries-related policy:

- *Professional fishermen*, for their financial and employment records
- *Buyers*, for their records of input costs and source deductions
- *Fisheries and Oceans*, to manage the resource, license fishermen and develop professionalization programs
- *Employment and Immigration*, to determine eligibility for Fishermen's UI, estimate program costs, and develop new programs, and
- *Revenue Canada* for taxation.

Provide an effective mechanism for the management and transmission of information

Information requirements, once defined, could be met through the same information channels: Fisherman's Log Book, Fishermen's Registration Bureau, and Fish Landings Registry.

- *The Fisherman's Log Book*

would be proof of professional status. It might contain a certification of professional status, vessel registrations, limited entry licences, and, for those eligible to sell fish, a registration card that recorded the enterprise's sharing arrangements and crew. The registration card could be used to update sales transactions and trip records at the time a sale was made.

The Fishermen's Registration Bureau

would apply the professional standards to applicants at the beginning of each fishing season and issue log books as proof of professional status. The Bureau would provide to the Fish Landings Registry the names of the professional fishermen eligible for Fishermen's UI, and the names of the fishermen eligible to sell fish for the enterprise. (Currently there are no restrictions on who can sell fish to local buyers.)

The Bureau could be located in DFO's area offices. Fishermen's organizations would have a direct say in establishing and applying the standards.

The Fish Landings Registry

would be the central clearing house and reporting system for all transactions between fishermen and buyers -- landings, fish prices, income and employment. The registry could also be located in DFO area offices. In certain fisheries it might be appropriate to locate the registry in designated landing sites.

When a transaction occurred, the skipper's registration card would show the sharing arrangements for the crew, and an automatic entry would be made to update fishermen's income and source deductions, their participation in the catch, as well as landings, price and species information.

Reduce administrative costs

The integrated registration and reporting system would be administered through existing structures, and would reduce duplication in information gathering. Industry participation in this process would reduce administrative costs.

There are three elements of an integrated registration and reporting system.

- REGISTER PROFESSIONAL FISHERMEN**
- CREATE A SINGLE REPORTING SYSTEM FOR FISHING ACTIVITY**
- INTEGRATE THE REGISTRATION AND REPORTING SYSTEMS**

□ Register professional fishermen

Fishermen would register at the beginning of the season with their local Fishermen's Registration Bureau.

The Bureau would provide to the Fish Landings Registry a list of all who had achieved professional status, and so would be eligible for Fishermen's UI. During the season, the Bureau would provide names of registered replacement workers.

The Bureau would also provide to the Fish Landings Registry a list of those fishermen (one per enterprise) who were eligible to sell fish.

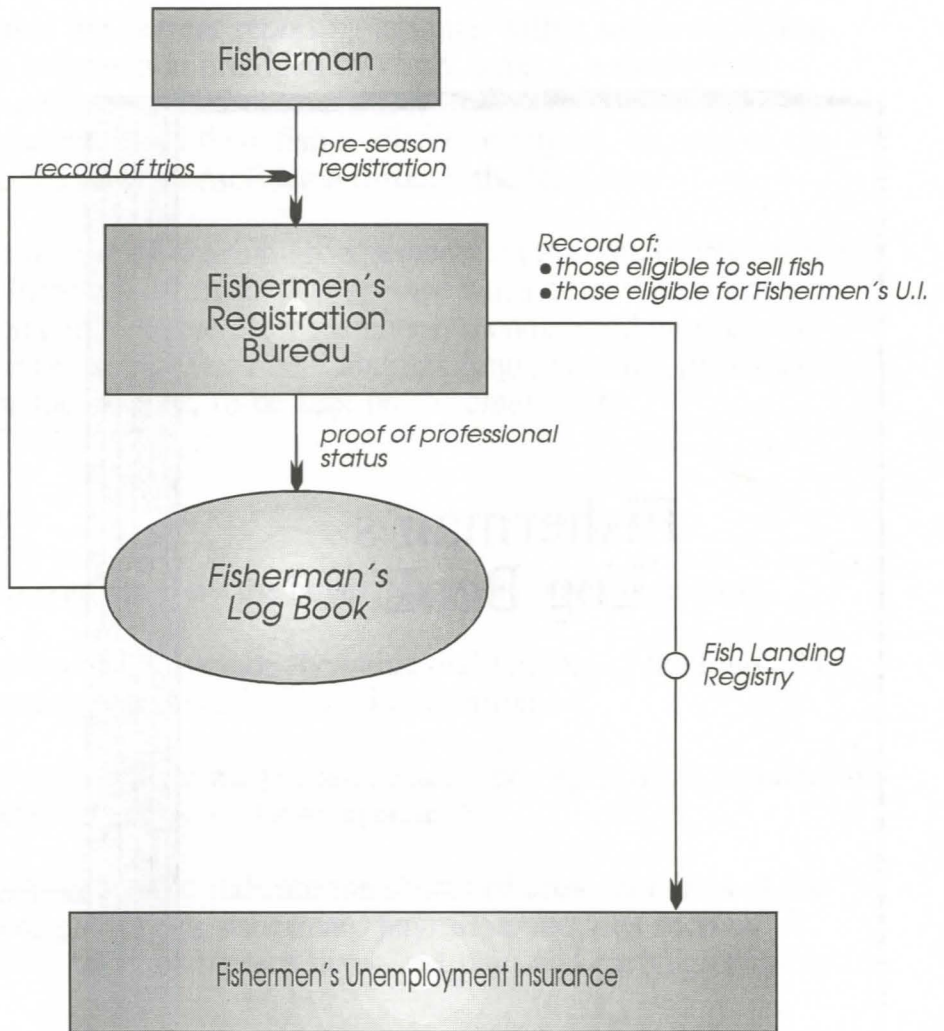
This is a major change from the current system, in which anyone can sell to a local buyer. Having one registered seller per enterprise would provide consistent records of fishermen's incomes, buyers' input costs and fish landings.

All fishermen who had achieved professional status would receive from the Bureau a Fisherman's Log Book, as proof of their right to fish that season. A description of the log book is provided in the diagram below.

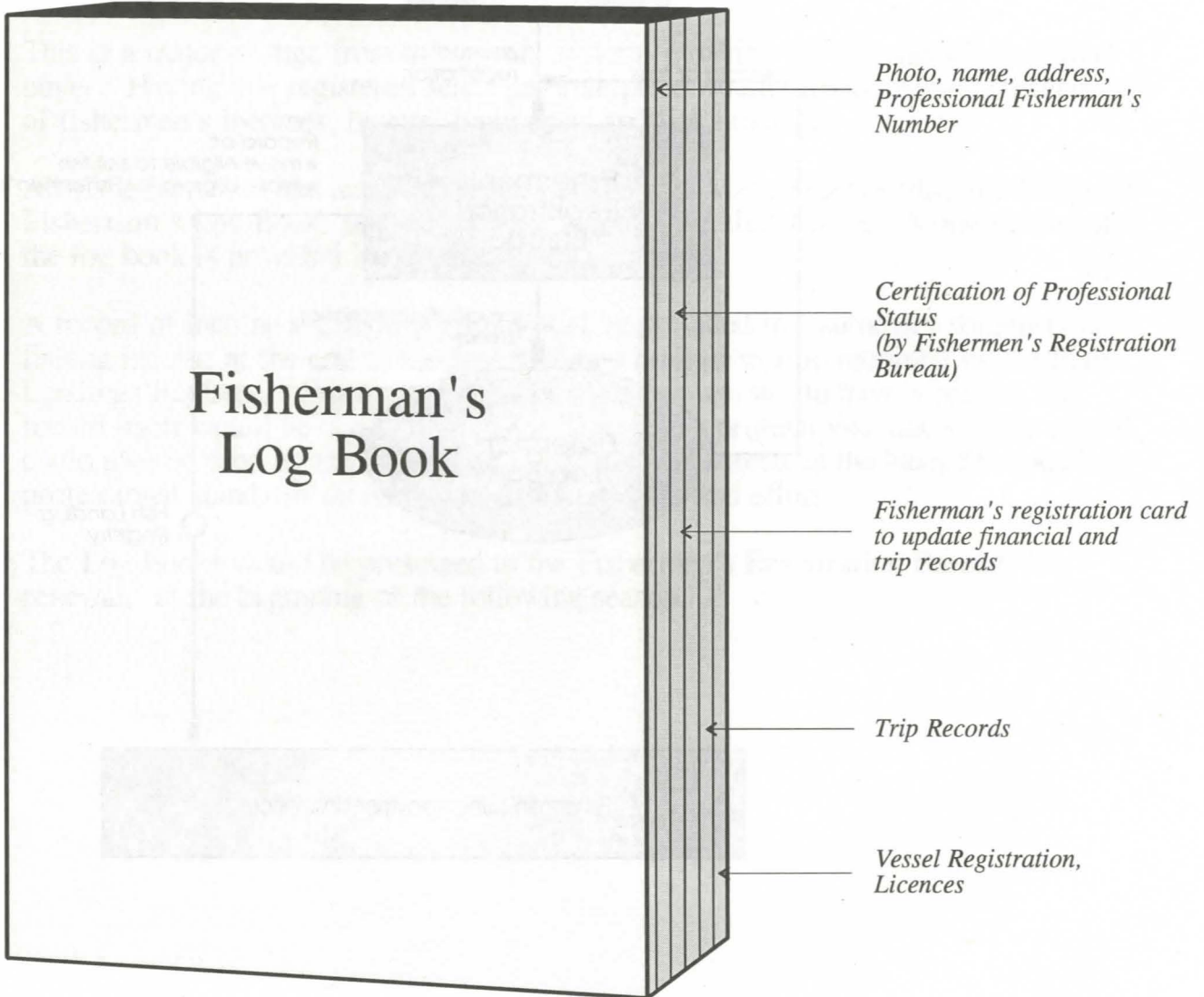
A record of income and fishing trips would be provided in a summary statement of fishing income at the end of the season, based on information recorded by the Fish Landings Registry. Since only professional fishermen would have a record, the record itself would be confirmation of a fisherman's professional status. The record could also be used by the Fishermen's Registration Bureau as the basis for updating professional standards on minimum fishing income and effort.

The Log Books would be presented to the Fishermen's Registration Bureau, for renewal, at the beginning of the following season.

Register Professional Fishermen



Entries Into A Fisherman's Log Book



□ Create a single reporting system for fishing activity

A single reporting system for landings, income and employment would transfer the record-keeping responsibilities from the many buyers to one Fish Landings Registry. The Registry would become the clearing house for transactions between the fisherman and the buyer. As the recorder of the timing and value of each fisherman's catch, the Registry would take over the function of designated employer. The buyer would continue to have the legal responsibility of paying source deductions.

The diagram below compares the current reporting systems with a single reporting system. Instead of having information provided by many buyers, a single Fish Landings Registry, with locations in DFO area offices, could create a database of fishing activity. When fishermen sold their fish to different buyers, records of the transactions in each locale would be consolidated through the Registry.

Professional fishermen would record sharing arrangements on their enterprise at the beginning of the season. Information on sharing arrangements could be encoded on the fishermen's registration card, so that crew members' incomes and trip records could be updated at the time of sale. The Fish Landings Registry could provide a Record of Transactions for the skipper, to be kept on the enterprise.

The Record of Transactions

would be signed and confirmed by the buyer. It would have three parts.

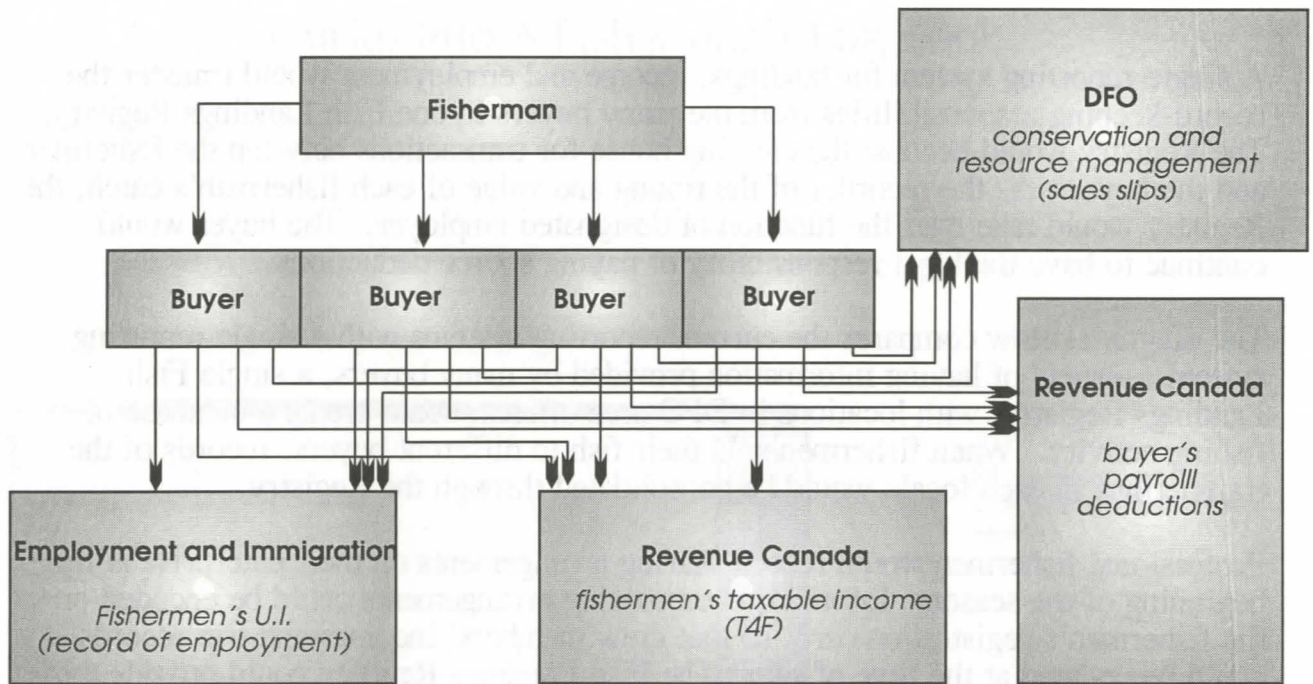
Enterprise information would include the value and volume of landings, the type of enterprise and registration/licensing information.

Crew information would include names, addresses, and registration numbers of the entire crew, and their status on the enterprise.

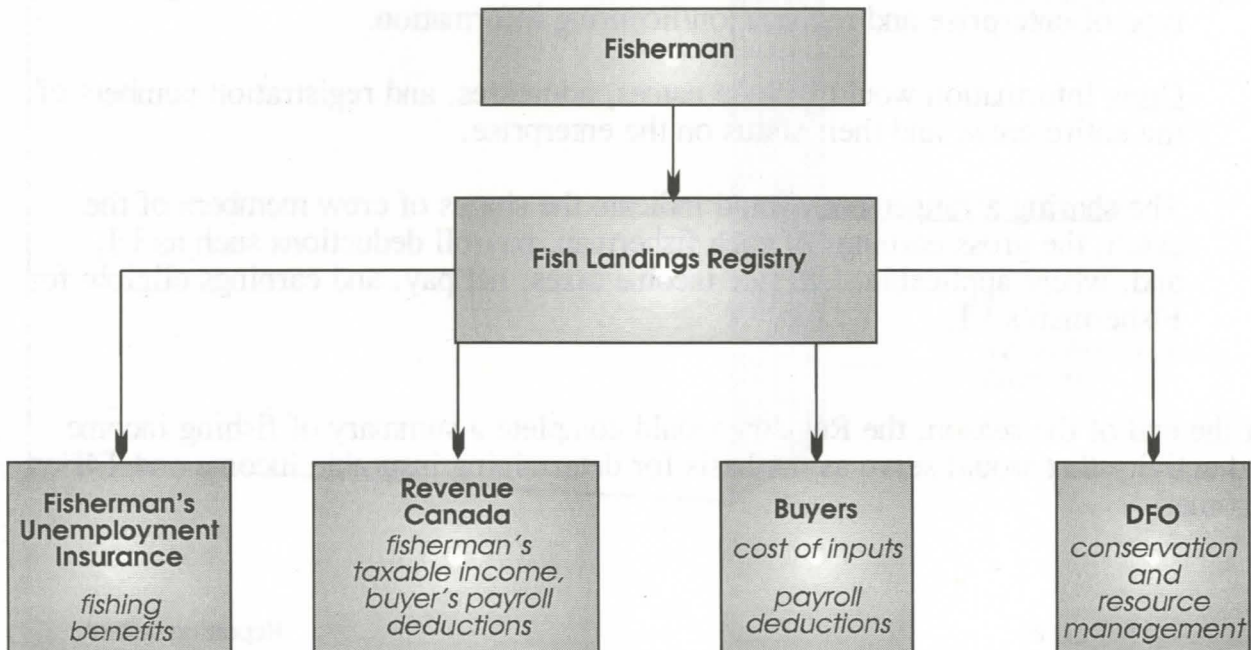
The sharing arrangement would indicate the shares of crew members of the catch, the gross earnings of each fisherman, payroll deductions such as UI, and, where applicable, CPP, or income taxes, net pay, and earnings eligible for Fishermen's UI.

At the end of the season, the Registry would complete a summary of fishing income and activity that would serve as the basis for determining insurable income and T4F income.

The Current Reporting Systems



A Single Reporting System for Landings, Income and Employment



□ Integrate the registration and reporting systems

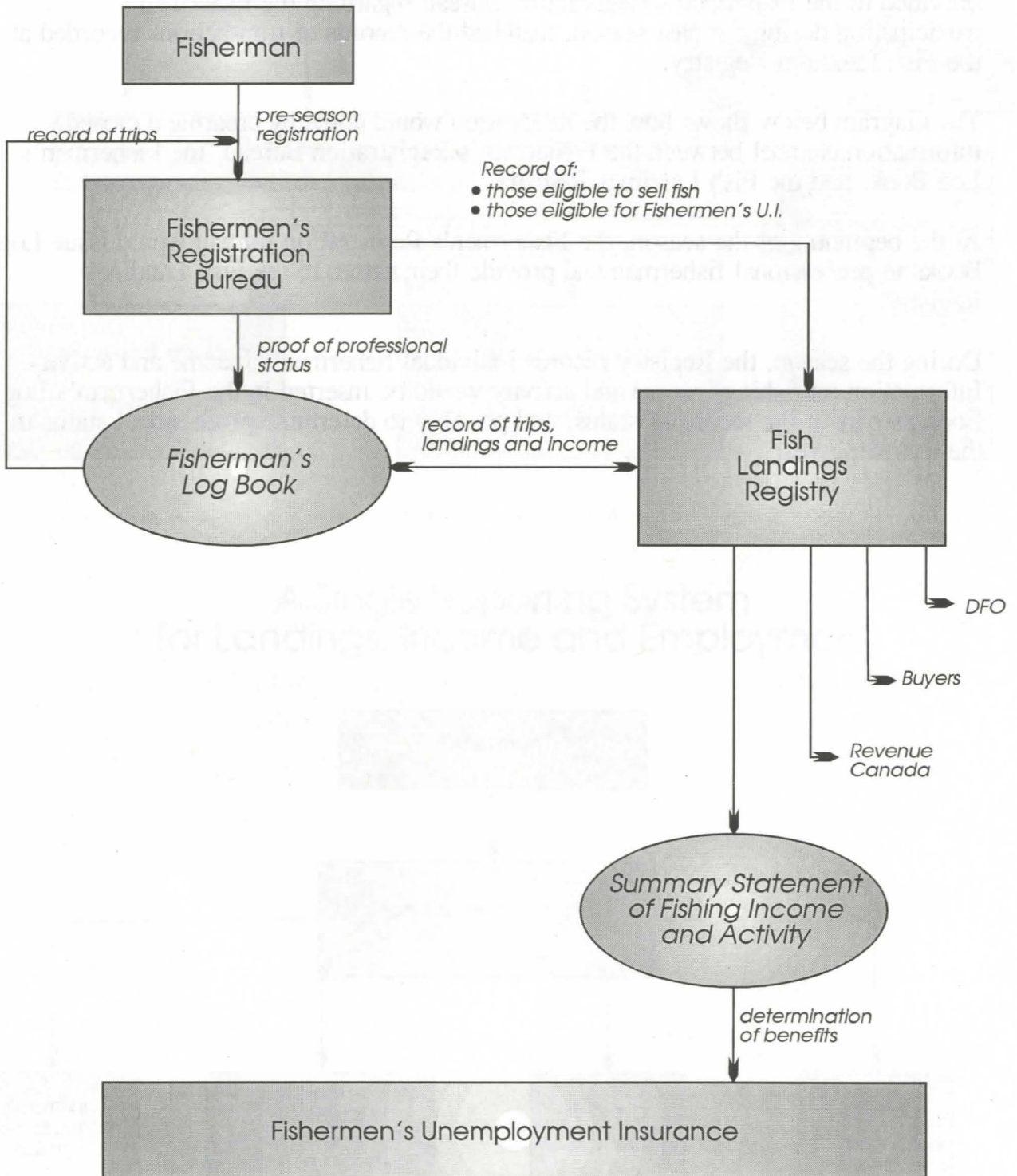
The registration and reporting systems would be integrated, so that information provided to the Fishermen's Registration Bureau regarding the fisherman's participation during the past season, matched the records of transactions recorded at the Fish Landings Registry.

The diagram below shows how the integration would come by creating a closed information channel between the Fishermen's Registration Bureau, the Fisherman's Log Book, and the Fish Landings Registry.

At the beginning of the season, the Fishermen's Registration Bureau would issue Log Books to professional fishermen and provide their names to the Fish Landings Registry.

During the season, the Registry records individual fishermen's income and activity. Information on fishing income and activity would be inserted in the Fisherman's Log Book as part of the record of status, and possibly to determine professional status in the following year.

Integrate the Registration and Reporting Systems



Objective 3

STABILIZE INCOMES

REVISE
FISHERMEN'S UNEMPLOYMENT INSURANCE

CREATE
AN INTEGRATED REGISTRATION AND REPORTING
SYSTEM

TARGET PROFESSIONAL FISHERMEN

3. REVISE FISHERMEN'S UNEMPLOYMENT INSURANCE

In the current system of Fishermen's UI, fishermen's effort is measured in terms of the "insurable week", and the insurable earnings in that week. Weekly insurable earnings cannot exceed a maximum (\$745 in 1993). Benefits are based on the average insurable earnings or "best ten weeks" of insurable earnings.

Fishermen make fishing trips of different lengths throughout the season. Their earnings from each trip vary, depending on the weather and the availability of the fish; earnings also tend to peak in mid-season.

This section presents some ways to revise Fishermen's UI so that benefits are based on seasonal, rather than weekly, insurable earnings. Low earnings during part of the season could be offset by high earnings in another part, or by additional earnings from fishing more than ten weeks. Fishermen could also begin to collect their benefits earlier if the season in their area closed early.

An increasing rate of supplement: a proposal rejected by the Task Force

The Task Force rejected the idea of changing the rate of supplementation so that benefit payments increased more gradually, and maximum benefits were achieved at much higher earnings than in the current Fishermen's UI. The Task Force considered this option because it had been recommended by the Kirby Task Force (1982), Douglas House of the Newfoundland Royal Commission on Employment and Unemployment, and Employment and Immigration. The rationale for gradually increasing the rate of supplement is to encourage work effort by low income earners, the assumption being that the work (or the catch) is there for the taking.

The Task Force rejected this idea on several grounds. Smaller enterprises might be pressed to make unnecessary capital investments or to pressure government for boat and gear subsidies so they would have a better chance to receive maximum benefits. Program funds would likely increase as more fishermen added to their gear.

An increasing supplement might conflict with stabilization schemes for fishermen.

Some regions would benefit, and some would lose, depending on their type of fishery.

Fishermen's UI should be designed to provide the type of assistance most needed for professional fishermen, with as few distortions as possible. Policies such as professionalization and resource access should be the main determinants in shaping the fishery.

□ Match earnings and benefits to the fishing season

Many of the elements of the current Fishermen's UI are copied from the regular Unemployment Insurance program, but do not reflect the way fishermen work. Concepts such as the "insurable week" can create pressures on fishermen to change the way they fish, or the way they report their income, in order to qualify for benefits. In effect, they may be fishing for "stamps" rather than for the season.

One way to better reflect the way fishermen work would be to measure work effort over the entire fishing season instead of the "insurable week". Fishermen would not worry about jeopardizing their insurable earnings when they fished the shoulders of the season, if their earnings were calculated over the whole season. Nor would the weekly volatility in their earnings lower their benefits.

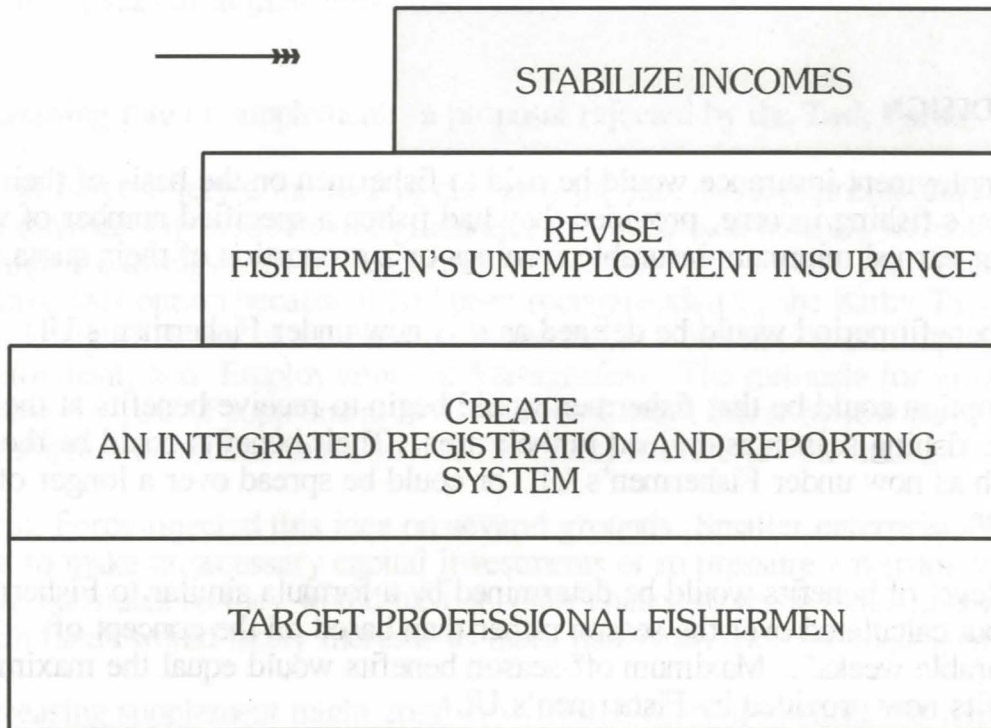
PROGRAM DESIGN

1. Unemployment insurance would be paid to fishermen on the basis of their season's fishing income, provided they had fished a specified number of weeks and/or earned minimum insurable earnings or a proportion of their quota.
2. The benefit period would be defined as it is now under Fishermen's UI.

One option could be that fishermen would begin to receive benefits at the end of the fishing season as defined in their area. Their benefits could be the same length as now under Fishermen's UI, or could be spread over a longer off-season.

3. The level of benefits would be determined by a formula similar to Fishermen's UI, but calculated over the season rather than based on the concept of "insurable weeks". Maximum off-season benefits would equal the maximum benefits now provided by Fishermen's UI.
4. Once fishermen had established their eligibility for the season, they would be allowed to continue to fish, or to engage in fishing-related activities such as boat and gear repairs. Benefits would stop if they worked outside the harvesting sector.

Objective 4



4. STABILIZE INCOMES

The final Task Force objective is to stabilize the fluctuation in fishing incomes that occur because of unpredictable weather, ice conditions, and stock migrations. Fishermen need stabilization during catch failure that will:

- allow them to qualify for Fishermen's UI if they have qualified in the past,
- extend fishing benefits if the season has been shortened, and
- allow them to meet financial obligations associated with their enterprise.

The Task Force has looked at ways to provide, in addition to Fishermen's UI, stabilization that is targeted in a systematic and cost-effective way. Stabilization programs could be funded from existing programs and from contributions by fishermen who could afford them. To work well, stabilization programs would require:

- the continuous participation of a defined professional group. Targeting the professional fisherman would be a requisite for stabilization programs.
- an integrated reporting system. Historical information would be needed to determine long-run incomes, income variability and program costs. Current information would be needed to identify when stabilization was to be delivered.
- the provision of stabilization for all income levels, recognizing that some fishermen are less able to save or contribute premiums, even in good years.

The stabilization programs discussed here are not designed to protect fishermen from long-term declines in income, or from a collapse in the resource. In severe cases of catch failure, fishermen would require special assistance.

This section explores four ways to stabilize incomes for Atlantic fishermen. The first three are designed to provide a stabilizing element to Fishermen's UI. The fourth is similar to the farmers' Gross Revenue Insurance Program, and would operate at the enterprise level, independently of Fishermen's UI.

- "BANK" CREDITS TO AUGMENT INCOME SUPPORT WHEN THE CATCH IS POOR**
- CREATE A SAVINGS FUND FOR FISHERMEN'S ENTERPRISES**
- PHASE IN STABILIZATION**
- PROVIDE CATCH INSURANCE SIMILAR TO FARMERS' GRIP**

□ Use "banked" credits to augment income support when the catch is poor

The Task Force has looked at ways to move from *ad hoc* special assistance programs, now administered during catch failure, toward a credit system that would provide assistance on the basis of previous years' fishing effort. A system of "banking" is intended to provide fishermen with extra credits toward their insurable earnings when catch failure occurs. In a banking system, catch failure programs would be directed to professional fishermen, and would be more systematic.

The idea of "banking" insurable weeks has been suggested before. The Power Committee Report (1991) proposed that fishermen count their best ten weeks' earnings toward UI, and credit the rest toward insurable earnings during catch failure.

This banking concept could also be applied to seasonal insurable earnings, as described in the previous section. Fishermen could bank credits during good years and add these credits to their insurable earnings during years when catch failure occurred. The credits could also be used to determine benefit payments when the season was cut short by bad ice conditions. Credits could accumulate, so that several good years of fishing would buffer a year or two of catch failure.

Banking credits would provide an incentive for skippers and their crew to continue to fish productively through the season, beyond what was necessary to be eligible for maximum benefits. Skippers would not find it in their interest to take new crew members to "spread around" UI, because they might need the credits in the future.

Participation in a system of banking credits would be extended to all professional fishermen, and would not be limited to those who could afford to pay premiums. Because fishermen would not pay additional premiums, payments would be financed from the savings that would come from better targeting Fishermen's UI, and from emergency assistance payments that would have been made anyway.

PROGRAM DESIGN

1. All professional fishermen qualifying for fishing benefits could bank credits. Their accumulated credits would be based on the season's fishing earnings.
2. The banked credits could be carried over to the next year to be counted towards a portion of insurable earnings in the event of catch failure.
3. Those on an enterprise identified to have experienced catch failure (by the appropriate authorities) could draw their banked credits.

□ Create a savings fund for fishermen's enterprises

A savings fund similar to the farmers' Net Income Stabilization Account could be created for fishermen's enterprises. Enterprise owners would have a fund where their Fishermen's UI was deposited, and in which they could make contributions. The fund could be drawn on when the enterprise's incomes fell below a long term average.

A savings fund of this kind would be like an RRSP, with the added feature that it would be designed for the enterprise, and that it could be drawn on without penalty when enterprise incomes fell temporarily. It would differ from "banking" credits in that it would stabilize enterprise incomes (as opposed to stabilizing Fishermen's UI) and that it would require contributions by participants.

Enterprise owners could contribute to the program in the years they could afford to. Their withdrawals would be based on the shortfall in their own long-term enterprise incomes, so payments would be suited to the size of their enterprises. And, knowing that the future balance was theirs, they would likely draw only if they really needed to.

PROGRAM DESIGN

1. Enterprise owners would have a personal fund in which their weekly fishing benefits were deposited. They could draw their weekly benefits in whole or in part from this fund. The remainder would be theirs to withdraw when their enterprise incomes fell below a certain level, or during retirement. No tax would be paid on the fund's balance and other incentives such as interest premiums or government contributions could be provided.
2. Enterprise owners could contribute to the fund up to a maximum each year, and up to a maximum total amount. The maximum total amount in the fund would be about enough to stabilize incomes for about two consecutive years of catch failure.
3. When the enterprise's income fell below its long run average, the owner could draw from the fund, as much as the difference between current and long-run average income.
4. Those who decided to withdraw from the program would not be able to withdraw any government contributions from their fund, and would pay deferred taxes on the portion they had contributed.

□ Phase in stabilization

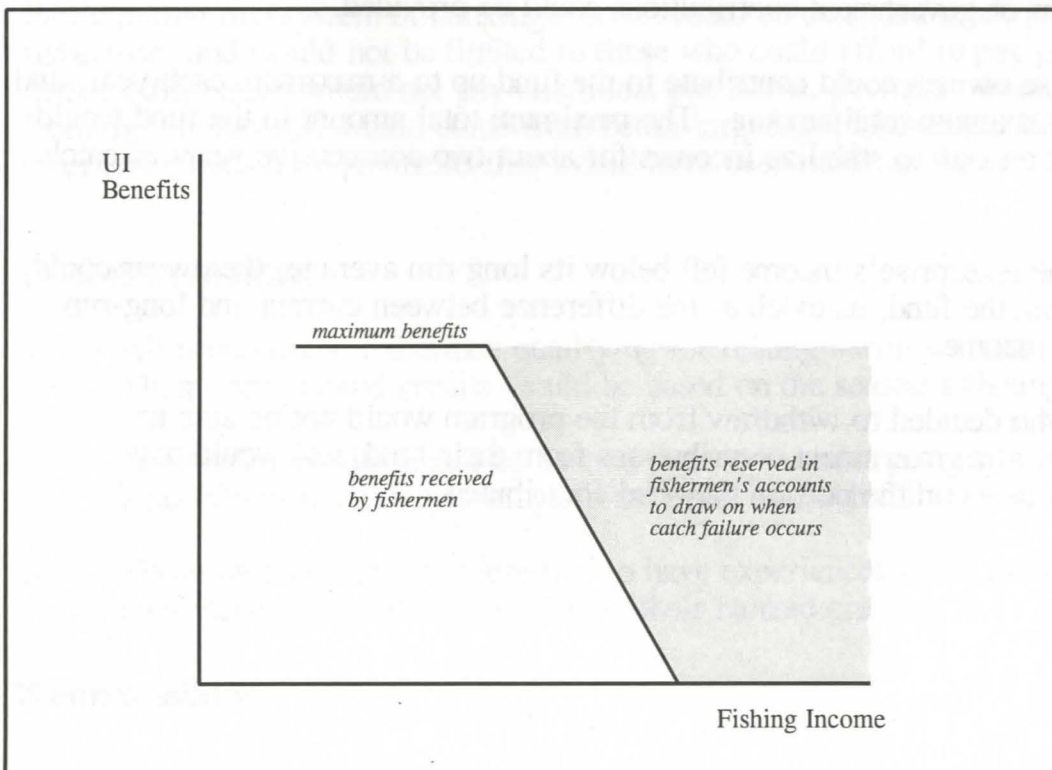
This approach would be similar to the savings fund described above, but with the added stipulation that fishermen with higher incomes would not be able to withdraw benefits from their fund until their net income fell below its long term average level.

This approach would be based on the principle that higher income fishermen do not need to draw benefits during good years, but would benefit from a fund to stabilize their net income when catch failure occurred.

This would also create a phasing-in of stabilization for fishermen. As their incomes increased, they would receive a greater portion of their support from stabilization, and a smaller portion from supplementation.

PROGRAM DESIGN

The allocation of fishermen's benefits is described in the figure below. Those with low-to-middle fishing incomes would be able to draw all of their benefits from their account if they wished to. Those with middle-to-high fishing incomes would be able to draw only a portion, and the rest would remain in the fund until their incomes fell below a long-run average. Those whose incomes exceeded a certain level would have their entire benefits frozen in their account, until their net income declined below its long-run average.



□ Stabilize enterprise revenues with catch insurance (GRIP)

It has often been suggested that insurance programs similar to the ones provided to farmers, could also be provided to fishermen. Both farmers and fishermen are primary producers, and both face fluctuations in prices and output that are the result of changes in climate and other natural forces.

The farm safety net programs, *Gross Revenue Insurance Program (GRIP)* and the *Net Income Stabilization Account (NISA)*, deliver assistance to farmers during years of crop failure and poor agricultural prices, based on the needs of individual farmer's enterprise. A savings fund similar to the NISA account was discussed earlier.

GRIP provides farmers a guaranteed minimum revenue based on their long-run gross revenues for each crop they plant. Farmers insure their seeded acreage after planting. Coverage is based on the long-run yield for each crop, and the long-run price of each crop. After the crop is sold, any shortfall in income, either because the crop's yield has fallen, or because the price is below its long-run average, is made up to farmers through GRIP payments.

GRIP is a supplement as well as a stabilizer for farmers, because governments provide such a large portion of the contributions to the accounts. Federal and provincial governments together contribute two-thirds of premiums of a farmer's GRIP account. In addition, governments contribute one-half to the NISA account and, during severe crop failure, provide emergency and temporary assistance to farmers.

A GRIP program for fishermen would be based at the enterprise level, and would be administered separately from a supplementation program. However, to the extent that government contributed to premium payments, the program would provide a supplement as well as a stabilizer to fishermen.

Enterprises, rather than individual fishermen, would be covered. Insurance would vary for each type of species, depending on the long-term average landings and the historic moving average price for that species. Skippers would pay premiums for the landings they wished to insure. Coverage would vary depending on the historical variation in the landings.

A GRIP program would need to be phased in over a long period in order to provide information on the long-term average landings for enterprises. Once a single reporting system were in place, information on landings by enterprise could be collected on a systematic basis. Even so, the administration of a GRIP program would be much more complex than creating a savings fund or banking credits, because there would be so much more information required to determine an enterprise's long-

run average landings, total premium payments, and coverage ratios. In fact, farmers often have to wait several months to receive their GRIP payments.

The success of the program would depend on the long-term participation of professional skippers, and on how many of these could afford to pay the premiums.

PROGRAM DESIGN

1. For each enterprise, a record would be kept of the value of landings by species. From this record, the long-term average value of landings, by species for each enterprise would be calculated, based on the last 10-15 years of the enterprise's history.
2. At the beginning of the season, a fisherman would insure his catch. Premium payments would be determined by the average value of past landings. Premium payments would be shared by the skipper and the government. Insurance coverage would be lower, the more variable were past landings.
3. The fisherman's target revenue for each species would be the long-term average landings, times the coverage ratio.

Target revenue (species 1) = Long-term average value of landings (species 1) x Coverage ratio (species 1),

Target revenue (species 2) = Long-term average value of landings (species 2) x Coverage ratio (species 2), and

Total target revenue = Target revenue (species 1) + Target revenue (species 2).

4. At the end of the season, the skipper would record the value of the landings for each species.
5. If the total value of landings for the enterprise fell below the total target revenue, skippers would receive a payment equal to the difference between the total target revenue and the total value of the landings for that year.

GRIP payment = Total target revenue - Total value of landings.

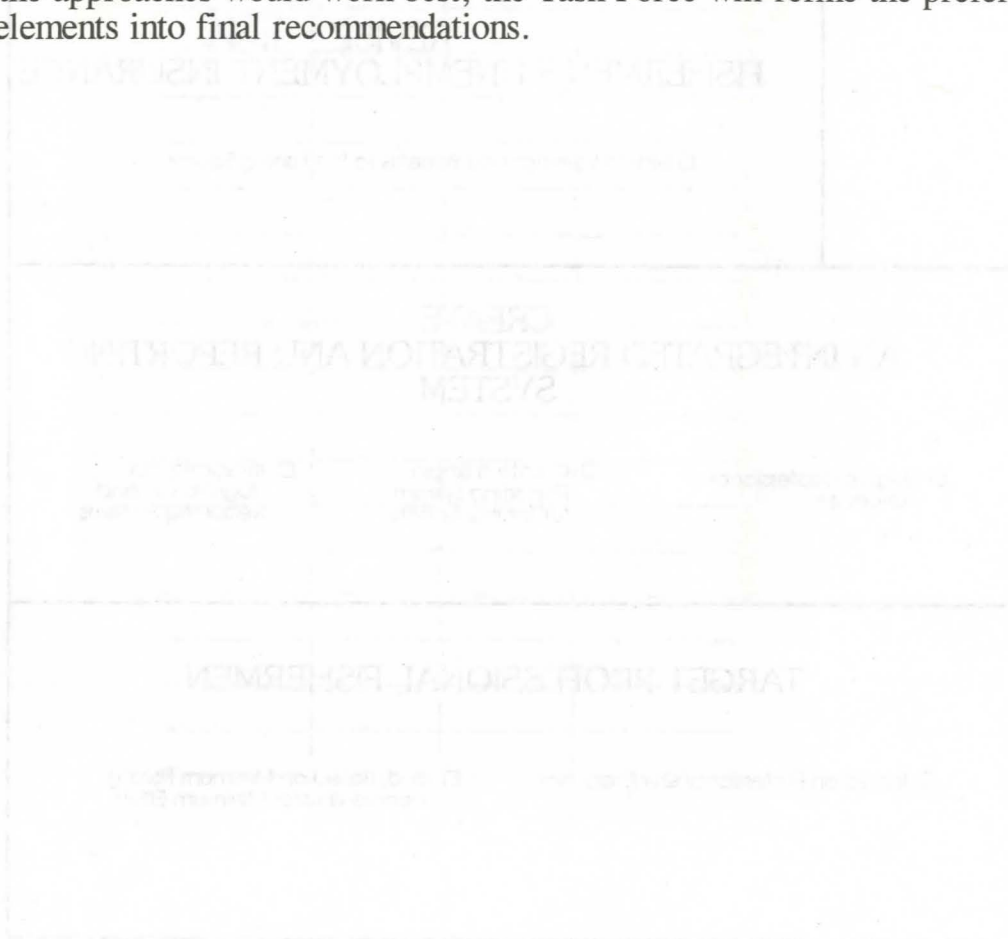
6. Fishermen could opt out of the program on three years' notice, and could opt in on two years' notice. During the waiting period, premiums would be paid.

CONCLUSION

The Task Force on Incomes and Adjustment in the Atlantic Fishery has laid out four objectives for an income-support system. The two basic objectives of an income support system -- to target the professional fishermen, and to create an integrated registration and reporting system -- are vital to creating the conditions for an improved Fishermen's UI and for the creation of stabilization programs for fishermen.

The other two objectives -- to revise Fishermen's UI and to stabilize incomes -- are aimed at providing the types of support that best suit the professional fishermen.

The four objectives, and factors to be considered in achieving them, are summarized below. After Atlantic fishermen's and industry organizations have been consulted on which of the approaches would work best, the Task Force will refine the preferred program elements into final recommendations.



An Income Support System For Atlantic Fishermen

STABILIZE INCOMES

COMPLEMENTARY TO UI or SEPARATE FROM UI

- Bank Credits Savings Fund Phase In for Higher Incomes Provide Catch Insurance

REVISE FISHERMEN'S UNEMPLOYMENT INSURANCE

- Match Earnings and Benefits to the Fishing Season

CREATE AN INTEGRATED REGISTRATION AND REPORTING SYSTEM

- Register Professional Fishermen Create a Single Reporting System for Fishing Activity Integrate the Registration and Reporting Systems

TARGET PROFESSIONAL FISHERMEN

- Based on Professional Qualifications and, Based on Minimum Fishing Income and/or Minimum Effort

Canada