A Response to “The Seventy-Five Year Decline: How Government Expropriated Employment Insurance from Canadian Workers and Employers and Why This Matters” by Donna E. Wood (Mowat Centre, 2017.)

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OVERVIEW OF EMPLOYMENT INSURANCE

Employment Insurance or EI (formerly Unemployment Insurance) remains a very important federal program, delivering benefits and services to a high proportion of Canadian workers over their working lives. The program funds not just regular unemployment benefits (roughly two thirds of expenditure) but also special benefits (maternity, parental, adoption, sick and compassionate care leave) and Employment Benefits and Support Measures such as job counselling, training and other labour market adjustment programs. The latter are now delivered mainly through devolution agreements with the provinces and territories.

Regular income benefits under the EI program were significantly cut in the mid 1990s as the level of benefits was frozen for an extended period, qualification requirements in terms of hours worked were raised, and the duration of benefits was reduced. As a result, many insecurely and poorly paid workers are excluded both from benefits and from EI training programs. Less than 40% of unemployed workers now qualify for EI, mainly because they have worked insufficient hours as employees. It has been widely argued that today’s program parameters do not recognize the new realities of precarious and temporary work, and that the erosion of EI has been a major factor behind rising inequality and increasing incidence of poverty. Recent immigrants and women make up a large share of the working poor who are generally excluded by tough entrance rules.

It should be briefly noted that there are a range of views on the relevance of EI to a changing job market. One view is that the program would work far better if barriers to access to benefits were to be lowered, while others have argued that EI is fundamentally unsuited to the needs of precarious workers who would benefit more from income supplements like the Working Income Tax Benefit or a Basic Income.

COMMENTARY ON THE SEVENTY-FIVE YEAR DECLINE

Donna Wood's focus is on the changing governance of EI and the erosion of the once major role of the social partners as the federal government assumed more control. This issue gained some considerable prominence when the federal government accumulated and then removed from the EI Fund a very large accumulated surplus of more than $60 Billion. Effectively, EI premiums were used to reduce the federal deficit and debt, and this incurred very strong opposition from both employer and labour organizations. Labour strongly opposed an EI Account surplus being run after deep cuts to regular benefits in the mid 1990s, while employers opposed deficit and debt reduction through a payroll tax.

Wood argues that federal governments of all political stripes have ‘expropriated’ unemployment insurance from Canadian employers and workers by transforming and even eliminating the institutions set up to ensure business-labour-government partnerships. The result has been a closed, elite dominated policy process. This argument is well-founded based upon her close following of the historical record and will resonate with the experience both employer and labour organizations.
While there could be much increased opportunity for oversight and input to the process of administering EI finances and setting the premium rate, many would argue that the federal government should make the final policy decisions since they have to “backstop” the account and since we may want some ongoing direct federal government financial support for EI programs on top of premium revenues.

Wood further notes that the virtual exclusion of the social partners from labour market policy-making is unusual in a comparative context, and falls well short of proven best practices in other countries. Expert advice from bodies such as the ILO and the OECD support close involvement of the social partners in the development and delivery of unemployment insurance and labour market programs based upon their close knowledge of changes in the workplace and in the job market. Limited Canadian experience with now defunct bodies such as the Canadian Labour Force Development Board (CLFDB) suggests that these were at least a partial success in terms of promoting better labour adjustment programs and more focus on workplace training, but nonetheless were unable to secure stable government funding. (Note that social partnerships continue to be relatively strong in Quebec).

Wood’s paper offers an interesting base for discussion, but perhaps goes a step too far in suggesting that the decline of tripartism has limited more progressive reform of the EI program. For example, employers have generally opposed the use of EI premiums to fund maternity and parental leaves, and have favoured lower EI premiums over increased benefits for unemployed workers. In the absence of employer/labour consensus, the government of the day will continue to determine policy. That said, employer and labour organizations have indeed been prepared to constructively engage and work together in the area of active labour market policies and have had some impact on policy. Both have supported EI funded training leaves, for example.

Wood notes the somewhat fractured nature of employer and labour organizations in Canada, particularly the former, as well as shared responsibilities between the federal and provincial governments when it comes to labour market policy. At a minimum, this contrasts to the leading European social partnership models which are based on very high levels of unionization and collective bargaining compared to Canada (where only some 15% of private sector workers are unionized), and unitary as opposed to federal government. Any return to a social partnership model in the Canadian context would likely have to take place at both the federal and provincial levels, and should seek to involve non traditional labour organizations such as community unions and worker action centres who have first hand knowledge of the conditions facing precarious workers.

The wider issue is whether social partnership institutions can be made more inclusive in a more diverse society. Some formerly tripartite institutions in Europe (eg the Netherlands and Ireland) have been broadened to include equity-seeking groups, as did the CLFDB in Canada. Many non employer/labour organizations at the national and local level seek to influence labour market policy, eg anti poverty groups, immigrant organizations, and Aboriginal organizations. These legitimate demands for inclusion need to be addressed.
A key issue for discussion is how debate over the governance of Employment Insurance can connect and intersect with debate about how to address new labour market realities. Wood rightly argues that the current governance model is narrowly based and government dominated and that we need to look at new governance models which will in turn play a major role in the design and delivery of labour market policies. A new governance model as well as new policy priorities will both have to emerge from a sustained and inclusive discussion.