

EMPLOYMENT INSURANCE @ 75:

A Roundtable on Canada's
Decent Work Program

FRIDAY, OCTOBER 20, 2017

Vivian and David Campbell Conference Facility
Munk School of Global Affairs
University of Toronto

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1. BACKGROUND

In October 2017, the Atkinson Foundation, Mowat Centre and Broadbent Institute convened a group of 28 people with a wide range of policy perspectives and from different sectors to discuss Canada's Employment Insurance Program. Their aim was to surface perspectives, interrogate ideas but not to drive to a consensus on action. Dr. Donna Wood's paper, ["The Seventy-Five Year Decline - How Government Expropriated Employment Insurance from Canadian Workers and Employers and Why This Matters"](#) anchored this discussion.

Dr. Wood's research came to Atkinson's attention when the Mowat Centre published it in June 2017. This paper spoke directly to the Foundation's current decent work agenda and historic commitment to a national unemployment insurance program governed by those who contribute to it. As its founder Joseph Atkinson was among the 20th century social reformers who fought for more than 30 years to establish the program, the Foundation was inspired to do a close reading of Dr. Wood's report. Its staff reached out to trusted colleagues at the Mowat Centre and the Broadbent Institute to start a conversation. They envisioned a roundtable as the best way to broaden this conversation.

What follows is a record of the discussion.

2. PARTICIPANTS

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Michael Mendelson, Caledon Institute of Social Policy

Mike Luff, Canadian Labour Congress

Neil Cohen, Community Unemployed Help Centre

Patricia Thompson, Atkinson Foundation

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Pierre Laliberté, Canada Employment Insurance Commission (via teleconference)

Rick Smith, Broadbent Institute

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3. CONVERSATION SUMMARY

What are the changing labour market realities that make EI less relevant to current needs?

Canada's employment support programs are predicated on the assumption of standard or conventional employment. New and different forms of work that make EI far more difficult to access. There is an overall shift of responsibility to the individual employee (e.g. many experience battles in attempting to get an accurate record of employment required to apply for EI). Increasingly, people are working multiple part-time jobs. When one disappears, they can't apply for EI if they're still employed in another job even if they can't afford to live on that income. The rise of the gig economy and platform economy are exacerbating instability and income insecurity for independent workers.

These changes are exacerbating current gaps in the EI system. This is a benefit that people pay into with the intended option of collecting at a later point. Those most economically marginalized, however, can't access the program.

EI has been gutted to the point of not providing the support that was once intended. Many Canadians feel that program is irrelevant (e.g. low benefit rates are too low) or not an option for them given the high barriers to access. They don't bother to apply for it if they lose their job. Canada's system is inadequate when compared to other countries and the way it used to be. This reality raises questions like why pay into a system if it's not possible to draw on it? If people don't believe they have a stake in a program, is it possible to fight for changes to it?

There was recognition that the federal government has put additional funds into EI, but systemic design-related issues persist that result enormous regional and worker disparities in program access.

Business generally supports the EI program, but takes issue with the training component (e.g. small businesses tend to do the training of employees themselves – but a large portion of EI money is going to training, and this does not seem helpful). The current 60/40 split for EI contributions strikes business [and workers] as unfair, as government used to make contributions but no longer pays into the program. Payroll taxes are the biggest impediment to growth for small companies and will deter them from hiring as many people as they would like. A question was raised about the extent to which the deterioration of EI has contributed to labour markets changes.

What steps should be taken to modernize EI governance and strengthen the role of social partners to make EI more relevant?

Dr. Wood provided an overview of the historical context related to EI governance, and the EI Commissioner for Employers and EI Commissioner for Workers reflected on her remarks.

Creating a space for discussion about EI governance renewal to strengthen the role of social partners could be an important opportunity to then expand into other issues related to the program's design and broader labour market challenges.

A proposal to turn governance of the system over to labour in order to enable workers to have a voice in the program's development (given they bear disproportionate costs for it through their contributions and the 'wage bill').

For both principled and pragmatic reasons, the tripartite agreement should be pursued once again for the sake of both better decisions and better relationships.

How can an EI conversation contribute to a vision for the renewal of Canada's social architecture? What's involved in building a national consensus around that vision?

EI is part of a larger conversation: how do we assure dignity and economic security in these increasingly precarious times? How do we pool risk? What is the role of government generally and the federal government in particular? Canadians' sense of economic insecurity is driving what sociologist Ron Inglehart has called an *existential insecurity*. People feel increasingly alone, angry, and distrustful of each other. Inequality grows with damaging consequences for society, the economy, democracy and for individual well being.

There is a need to figure out how to lever a discussion of EI (a new floor for workers) into a long overdue discussion of how to share risk in an increasingly risky world. It was noted that it is a noble Canadian value to pool risk (e.g. EI is part of what happens during a snowstorm – we help each other to dig out of the ditch).

When we think about social architecture, we should ask: in what kind of climate? The architecture needed for a high-growth environment of the 1940s was very different than the environment we see today -- e.g. stagnation of median earnings for 35 years, a decline in hourly wages, and increasing overall insecurity

How well EI works to achieve its goals depends on how well the rest of the so-called 'safety net' is working, including universal access to essentials such as healthcare and housing, and on how it fits with other forms of income supports. There are significant consequences stemming from the asymmetry of the EI program across jurisdictions. For example the denial of EI benefits results in heavy reliance on other programs like social assistance in places like Ontario, which are costly and ineffective.

There is an appetite and need for reform. Ideas for action were proposed for the next year including:

- Pushing the public conversation (e.g. Sara Mojtahedzadeh's coverage in the Toronto Star).
- Humanizing the issues and painting a picture of the people who are ineligible for EI and social assistance.
- Pulling off the bandaid on the issues of EI or CPP - at the root of the issue is that our assumptions are outdated given the current employment landscape, which has eroded the economic efficiency and reliability of this program.
- Learning from the \$15 minimum wage movement - which has been crucial in getting worker issues on the table – it has a political traction that EI does not have yet.
- Changing the way we measure labour force attachment.

RESOURCES



Mowat OPINION

Oct 10 2017

By [Mowat Centre](#)

Fixing Canada's EI system is critical for the future of work

Canada's employment insurance (EI) system is a major plank of the country's social architecture. However, the system, now 75 years old, is failing to meet its original intent. EI was established to protect workers against income loss while temporarily out of work and to provide access to job opportunities through training. In order to meet those objectives today, EI needs major reforms. Indeed, the shortfalls that exist in 2017 will only be amplified as the employment landscape continues to change significantly in the decades ahead.

Over the past few years, the Mowat Centre has conducted considerable work examining issues related to Canada's EI system. Most recently, a paper that Mowat released earlier this year by Donna Wood explores the history of EI in Canada and some of its major challenges. In particular, Wood's paper highlights that while EI is co-funded by workers and employers it is managed unilaterally by the federal government. This is not how the system was intended to work. Wood notes that the missing voices of workers and employers at the table are at the root of many of the problems with the program over the years.

Although Canada's EI system today also includes "special benefits" for those who are sick, pregnant and caring for family, the temporary income assistance and associated training account for the bulk of EI spending. However, in recent years, the system has not effectively achieved its two primary goals of i) providing income protection to those who are temporarily out of work, or ii) supporting skills training and labour market adjustment.

The percentage of unemployed Canadians who qualify for EI has dropped significantly in recent decades – from 85 per cent in 1989 to generally below the 40 per cent mark today. This figure can often be even lower depending on where the recipient lives. For instance, in 2016, this figure was only 28 per cent in Ontario. EI's skills training component provides insufficient assistance to the many unemployed Canadians who need training but do not qualify for EI income support benefits. Tax funded programs to make up the shortfall were cut back over 20 years ago and never fully

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Author

Mowat Centre

restored. Canada is one of the lowest spenders on labour market adjustment programs in the industrialized world.

Trends related to income inequality and the changing nature of work can further compound these issues amid the context of automation and artificial intelligence – which could potentially put millions of Canadians out of work in the next 10 to 20 years – as well as growing precarity in the workplace. In 2016, for instance, the number of part-time jobs added to the Canadian workforce was close to 2.5 times more than the number of full-time jobs added. This was a significant shift from previous years, which saw much larger increases in full-time employment. These trends directly impact Canadians' ability to access the EI system, as full-time workers are significantly more likely to receive regular benefits compared to part-time workers who become unemployed.

Changes are needed to address elements of the system that no longer reflect current realities, such as the outdated notion that most workers in Canada hold full-time and permanent positions. Reforms should also take into account that those who are ineligible for EI, including young people and newcomers to Canada, are also unable to take part in training programs due to rigidities and restrictions that leave them out. Such training programs have the potential to play a critical role in the new world of work, which will likely involve ongoing job churn. As advancements in technology replace or transform existing jobs, access to new training or opportunities for life-long learning will be critical to prepare workers for the future.

Unfortunately, the EI system has typically not been well-positioned to address unemployment associated with downturns in specific sectors. The concept of EI as a way to provide short-term relief to Canadians in between jobs may also become particularly outdated within a landscape where a high proportion of jobs will be automated and there may be no next job at all. These trends have prompted some to consider completely new tools to address these issues, such as a universal basic income or a system of portable benefits.

It is time to revamp the way we think about employment insurance in Canada and how we share the risk of unemployment. It has become clear that our EI system is already outdated and no longer serves its initial purpose well. More risks are increasingly borne by those workers least able to bear them. These discrepancies are only expected to grow in the future.

A key first step to address reform of the system lies with its governance. Putting the voices of workers and businesses back at the heart of the EI system is a simple way of ensuring that any reforms are made equitably.



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istry, economics, finance, engineering, etc. who are advancing Canadian life, it would appear that Mr. Hanson was not thinking carefully when he made his remarks. The fact is that in their daily tasks the employees in the civil service—who are chosen for ability and not politics—minister to the peace, order and welfare of the nation.

In the same year as the *Unemployment Insurance Act* was passed by the House of Commons, Joseph Atkinson turned 75.

The effects of the Great Depression had been so intense that in 1940 federal and provincial governments were finally willing to take bold measures to prevent its repeat and to mitigate the unpredictability of the economy. They were also ready to reform and expand programs initiated a decade or two earlier like old age pensions, veterans' benefits and labour standards.

This political victory was “thirty years a-coming,” wrote Mr. Atkinson in a Toronto Star editorial that summer. It represented “much hope and striving on the part of many individuals and groups,” he said. Many who started the fight didn’t live to see this day, but those who did had every reason to believe Canada’s social safety net would only get stronger with time.

When Mr. Atkinson established a foundation two years later, he wanted to be certain that his grandchildren would inherit a better society than he had. His aim was to find a way to keep citizens engaged and keep the pressure on legislators and their advisors when he no longer could. As it turned out, his caution was well placed. After an initial period of expansion, unemployment insurance and other national programs began to decline.

The erosion of Canada’s only decent work program is thoroughly documented by Dr. Donna Wood in a paper published in June 2017 by the Mowat Centre. It’s called [The Seventy-Five Year Decline: How Government Expropriated Employment Insurance from Canadian Workers and Employers and Why This Matters](#). In the paper, she explains the structural and financial changes that began to impair the program’s effectiveness as early as the 1960s when the federal government took over control of the Unemployment Insurance Commission.

Through the 1980s and 1990s, successive governments narrowed access, reduced premiums, and raided employment insurance funds to hit deficit reduction targets, pay for other programs, and make tax cuts. Today, the percentage of unemployed workers eligible for EI hovers around 40% – down from 81% in the early 1980s. In Toronto, the coverage rate is lower than 30%. Not only has EI not kept pace with changing labour market realities, its original intent – anticipating and sharing the risk of unemployment equitably among workers, employers and the federal government – has almost disappeared.

Dr. Wood’s paper inspired us to reach out to colleagues at the [Mowat Centre](#) and [Broadbent Institute](#). This summer, we started a conversation about the program’s original intent and who decides what changes are needed to ensure its relevance well into the 21st century. On October 20th, 30 people with a wide range of policy perspectives and from different sectors will join our discussion on this question of

relevance. We'll also share our perspectives on EI as a plank in Canada's social architecture as well as its prospects for renewal during this roundtable.

The Atkinson Foundation has been preoccupied with the continuous renewal and continued relevance of this architecture for 75 years now. While debate about its size, scope and structure has been a constant in recent years, we have heard little discussion about the values at its base. Further, the circle has been much smaller than it must be for a true national consensus about its future to emerge.

Younger workers and newcomers are largely missing from the conversation. They've not found a sense of security in social programs designed for a very different economy. Nor do they know the old stories behind the choices and trade-offs that created the modern welfare state with universal benefits and a bias against means testing. Their experience doesn't include stable jobs supervised by a single employer or governed by predictable schedules and workplace conditions in return for a regular salary and benefits.

While many pay into programs like EI and the Canada Pension Plan, they don't expect to benefit from them during work slow downs or after they can no longer work. They simply do not identify with those who do. Many are discouraged while others become more complacent. The result is a country more deeply divided along race, class, gender, and generational lines; a country that could become more lonely, fearful and angry unless we turn toward each other.

The economic and political insecurity that produced strong feelings of social solidarity in the last century is stirring equally strong feelings of abandonment, resentment and cynicism in this new one. It's driving a wedge between unionized and non-unionized workers, owners of larger and smaller businesses, and governments at all levels. This wedge cannot be permitted to get any bigger.

It's time for everyone – no exceptions – to expect a much broader and more ambitious national conversation about how we look out for and take care of each other. It must be a dialogue among people who are ready to use their democratic power for the public good, not a survey of stakeholders who have a private interest in the outcome. Their capacity to listen with empathy and respect is even more valued than their ability to articulate a persuasive point of view.

This kind of dialogue is not a one-off, the kind we have in roundtables or consultations. It's not a workshop for fixing a broken system or tinkering with policy options. It requires the full participation of people who have no special resources or expertise other than a legitimate share of responsibility for decisions that affect them. Getting young people – and anyone who has been historically excluded – into the conversation has to be a priority. Progress depends on our collective commitment to stick with it for as long as it takes to sort out what we can expect from one another – the risks we can best shoulder together and the rewards we want to share.

The stakes are just as high if not higher than they've ever been. No one will be able to take comfort much longer from imagining how much worse things were in the Great Depression. A "[grim milestone](#)" is in sight, some economist say, and it sets a new low mark. Our best hope, however, is a turn in the direction of a more relevant, inclusive and renewed vision for EI and the rest of Canada's social safety net without any further delay.

Colette Murphy is the Executive Director of the Atkinson Foundation.



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The Broadbent Blog

The Case for Progressive Employment Insurance Reform

📅 on November 03, 2017

Posted by Andrew Jackson (/andrew_ajackson)

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Employment Insurance or EI flies beneath the political radar much of the time, but remains an important and relevant part of the Canadian social safety net. Changes are needed to respond to new labour market realities, but the program should not, as some argue, be folded into a universal basic income.

EI consists of regular unemployment benefits; special benefits such as maternity, parental and sick leave; and employment benefits such as job search assistance and training. In 2015-16, 1.9 million new claims were made, and total income benefits paid amounted to \$17.7 Billion.

Introduced over seventy-five years ago in the aftermath of the Great Depression, EI is a social insurance program primarily designed to provide income security during periods of temporary unemployment due to job loss, sickness or care for a new child. Benefits are mainly financed through employer and worker premiums.

While the program is re-distributive overall, coverage of employees is universal, and most workers benefit from it at some time in their working lives. The objective of income stabilization for individuals is at odds with most calls for a re-distributive basic income based on family income.

The Liberal federal government made deep cuts to EI regular unemployment benefits in the mid 1990s, raising entrance requirements in terms of the number of hours worked to qualify for benefits, cutting the duration of benefits, and freezing the maximum weekly benefit for over a decade. Some \$60 Billion of surplus premiums were used to reduce the federal deficit as the proportion of the unemployed eligible to collect benefits fell to less than four in ten.

It is often argued that EI does not adequately respond to today's reality of more precarious, insecure and low-paid work. This is true to a considerable degree given the decline of full-time, permanent, stable jobs, but also misleading.

Involuntary unemployment is a risk facing many of today's workers, and changing times underpin growing economic insecurity for the middle-class. Contrary to myth and misleading anecdotes about high unemployment regions in rural Canada, only 21.5% of new claims for regular EI benefits are filed by so-called frequent claimants who have collected benefits more than three times over the past five years. This is less than the 26.6% of claimants who are "long tenure" workers who have made very little if any use of the program in the past. The remaining 51.9% are occasional users.

The average claimant receives a weekly benefit of \$446 for twenty weeks, a little short of the maximum weekly benefit of \$543. This is a limited social safety net for a world of work in which job loss is likely to become an even more frequent occurrence, often leading to workers taking a new job at a much lower wage.

EI could and should be changed to provide greater income security to higher paid workers, for example by raising the level of maximum insurable earnings from the current level of \$51,300 and raising the replacement rate from today's 55% of insurable earnings up to the maximum.

For low paid and insecure workers, roughly the bottom one third of the work force, EI provides at best only limited support and assistance during periods of unemployment. Most fail to qualify at all due to insufficient hours of work and other reasons. This also excludes them from maternity leave, sick leave and EI funded training programs.

The current entry threshold in a region with a 6% unemployment rate is 700 hours in the past year, which shuts out many part-time and seasonal workers. Others rules exclude the many dependent contractors who are wrongly deemed to be self-employed, many workers who have quit a previous job with just cause; and those whose employers fail to provide a record of unemployment. Even if low income workers do qualify, a benefit of 55% of previous low earnings is not enough to live on.

The Trudeau government recently made it easier for many precariously employed young people, women and recent immigrants to access the EI system by eliminating the 900 hours threshold for new entrants and re-entrants. But there is a need for much closer consultation with labour, employers and community based organizations on the wider reforms needed to make the program more inclusive for those who need the most support.

The Mowat Institute, the Atkinson Foundation and the Broadbent Institute recently convened a roundtable discussion on EI engaging employers, labour, community organizations and activists and academic experts. While no consensus was reached, there was broad agreement that the federal government should much more closely involve stakeholders in discussions of EI reform.

As detailed in a paper for the Mowat Institute by Donna Wood, UI began as a program run by a tripartite employer, labour, federal government Commission. If EI is to be made more relevant to a changing job market, this tradition of close involvement of the social partners should be renewed.

Andrew Jackson is Adjunct Research Professor in the Institute of Political Economy at Carleton University, and senior policy adviser to the Broadbent Institute

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TWEETS

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.)

**Andrew Jackson
Senior Policy Advisor, Broadbent Institute**

**Prepared for the
Employment Insurance @ 75 Roundtable
October 2017**

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.

The International Experience with Social Partnerships¹
Background Paper for Atkinson *Employment Insurance@75* Project
Donna E. Wood, University of Victoria
December 5, 2017

Purpose

This paper examines the experience with social partnerships in Australia, the United States and the European Union. These places are often compared to Canada as they have a similar economic and social status. Like Canada, all three are federal political systems.

Social partnerships can be struck for a number of different purposes. The paper focuses on their operation in relation to social protection systems for the unemployed. Where appropriate, best practice lessons for improving social partnerships in Canada are identified.

The paper is a companion piece to *The Canadian Experience with Social Partnerships* (also written for the Atkinson project) and *The Seventy-Five Year Decline: How Government Expropriated Employment Insurance from Canadian Workers and Employment and Why this Matters* (published by the Mowat Centre, June 2017).

Canada's Social Partnerships

The 'social partners' are business and labour. 'Social dialogue' or 'tripartism' means the process by which business, labour and government — working together — develop and implement programs to protect citizens against the risk of unemployment.

Although other players are involved, business and labour play the most important role as the make-up of a country's unemployment protection system influences labour relations. For example, a generous unemployment insurance system can be used in exchange for workers ceding demands for job security, thereby giving employers more flexibility to hire and fire.

When Canada's unemployment insurance program (now Employment Insurance or EI) was implemented in 1940, 'tripartite' governance was embedded throughout its structure in the form of a UI Commission (responsible for program management); a UI Advisory Committee and a National Employment Committee (responsible for providing advice); and Boards of Referees (responsible for hearing appeals on UI benefit decisions). The three partners were equally represented in each of these bodies.

Much has changed over the past 75 years as these social partner institutions either disappeared or their role changed. In 2017, the only remnant of 'tripartism' in EI is the continued presence of

¹ Information in this paper was extracted from the following publications: Wood, Donna E., forthcoming May 2018, *Federalism in Action: The Devolution of Canada's Public Employment Service 1995-2015*, University of Toronto Press; Heyes, Jason and Ludek Rychly, 2013, *Labour Administration in Uncertain Times: Policy Practice and Institutions*, Edward Elgar Publishers, International Labour Office Geneva, and *Benchmarking Working Europe 2017*, European Trade Union Institute.

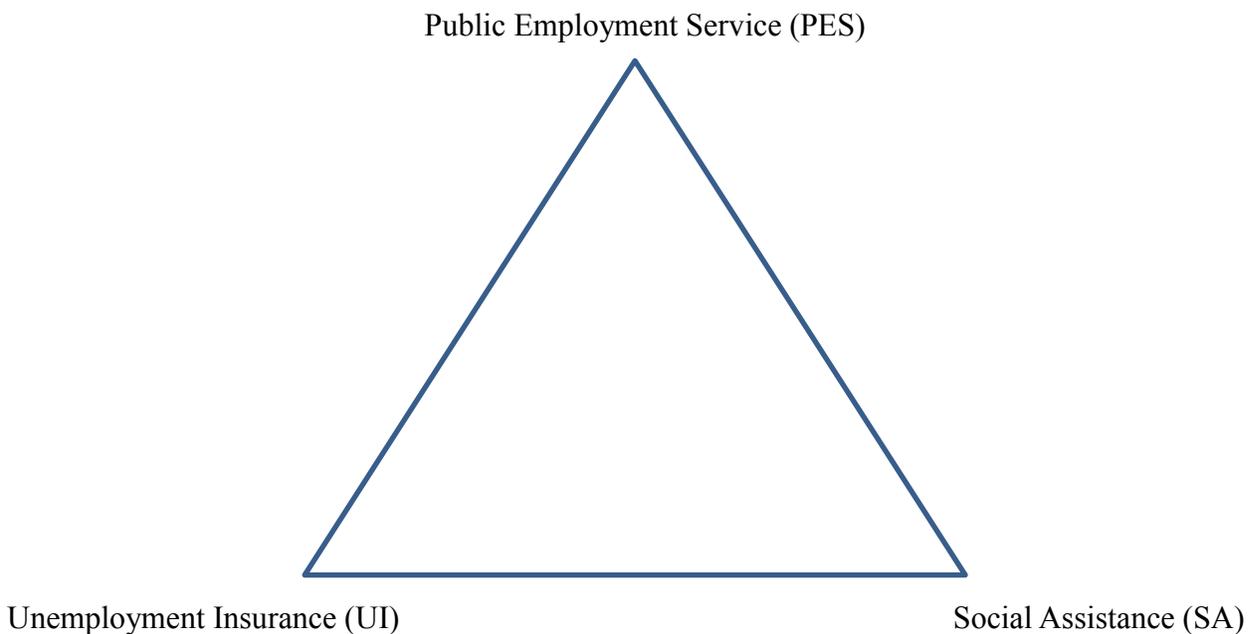
worker and employer representatives on the Canada Employment Insurance Commission. The CEIC carries a broad range of responsibilities for EI, as detailed in legislation. Worker and employer representatives constitute two of four members of the CEIC.

There are no longer any national EI advisory committees; the last iteration was the Canadian Labour Force Development Board which closed down in 1998.

In 2014 the approximately 80 tripartite Boards of Referees that heard EI appeals across the country were closed down and replaced by a centrally managed Social Security Tribunal or SST. SST members are hired based on their experience in case law and decision-writing, they do not represent workers and employers. In addition to EI, they also hear appeals for OAS and CPP.

Conceptualizing and Comparing Social Partnerships

All countries have somewhat similar programs for the unemployed: unemployment insurance or UI (that provides income benefits for unemployed people who contributed to a specific fund), social assistance or SA (that provides income benefits for unemployed people who did not contribute or whose benefits have run out) and the public employment service or PES (which helps any unemployed person find work or training and employers find workers).



Canada has all three pieces. UI benefits are managed directly by Ottawa and delivered through Service Canada offices across the country. Starting in 1996, responsibility for most aspects of the PES was devolved from the federal government to provinces and territories through Labour Market Development Agreements. UI and the PES are funded 100% by worker and employer contributions to the EI account. The federal government no longer contributes. Social assistance is exclusively managed and delivered by provincial and territorial governments. It is funded by provincial tax revenue, supplemented by federal tax-based contributions through the Canada Social Transfer.

How do Other Places Manage Partnerships in Social Protection Matters?

Australia

Institutional Set Up

Both Canada and Australia have similar Westminster parliamentary systems that allocate power in much the same way to the executive and legislative branches of government. However, how power is distributed between the centre and the constituent units is quite different. Despite both being federations, research has demonstrated that, over time, Canadian provinces have gained power while Australia has moved in the opposite direction, with a gradual transfer of powers from the states to the commonwealth government.

This is clearly evident in employment policy where all three elements are financed, controlled and delivered by the commonwealth government. There are no horizontal transfers from the centre to the state governments. Australia does not have a contributory UI program; the main income benefits (Newstart Allowance & Youth Allowance) are flat rate, means tested, and near universal in terms of eligibility (similar to social assistance in Canada). Financed by general revenue, the programs are delivered by an arm's length agency called CentreLink, accountable to the commonwealth government. This means that, in contrast to Canada, business and labour do not have a proprietary interest in the program as there are no defined payroll taxes.

The Commonwealth Employment Service has been fully outsourced since 1998. Now branded as *Jobactive*, in 2014 there were about 100 organizations delivering 650 contracts. Half were for profit and half were not for profit. Australia's fully outsourced PES model has been criticized by many, resulting in complaints of 'creaming' (skimming off clients closest to the labour market) and 'parking' (de-prioritizing the least employable). It is highly centralized and inflexible.

Jobactive contractors administer *Work for the Dole* where, under 'mutual obligation requirements' job seekers undertake work-like activities at a host organisation or as part of a community-based project. The work experience activities are sourced by *Work for the Dole* coordinators. The *Jobactive* contractors have developed two organizations to influence government: the National Employment Services Association (for all providers) and Jobs Australia (for NGOs). These organizations do not represent business and labour but the views of the employment services contractors.

Social Partnerships

Business and labour views in Australia are heard at a *national* level through the National Workplace Consultative Council. This provides an organized means by which representatives of the commonwealth government, employers and employees consult on workplace relations matters. The Council does not necessarily focus on programs for the unemployed. State governments are not involved.

In 2015 the Council of Australian Governments (COAG) Industry and Skills Council established a 12 member Australian Industry and Skills Committee (AISC) as an industry-led body to provide advice on the implementation of national vocational education and training policies. The Industry and Skills Council is an intergovernmental body like the Forum of Labour Market Ministers (FLMM) in Canada. AISC is led by the Business Council of Australia, the Australian Industry Group and the Australian Chamber of Commerce and Industry. There is no labour representation; it is a business and government body only.

Industry Reference Committees (IRCs) are leaders in their sectors from big business, to small enterprise, to peak bodies to unions. They resemble sector councils in Canada. IRCs advise AISC about the skills needs of their industry sector. Over 60 IRCs were detailed on the AISC website. Skills Service Organisations are professional service organisations that support the IRCs; they are funded by the Australian Government Department of Education and Training.

Ideas for Canada

Given that Australia has a very different institutional set up for employment policy than Canada, the lessons on social partnerships seem limited. The AISC might be looked at as a model as it involves all levels of government in Australia as well as industry. The fact that the commonwealth government in Australia has invested heavily in supporting sector councils is noteworthy. While Canada used this institutional model in the past, with the withdrawal of federal core funding in 2013 the number of sector councils in Canada has gone from over 30 to about 13 today. Those that survived are maintained by their membership, not government.

United States

Institutional Set Up

In general, Americans want government to play a smaller role compared to Canadians or Europeans. They believe that government should be the referee, not program provider. We see this playing out as President Trump tries to get rid of Obamacare. Democrats and Republicans have a very different view of the role of the state. The US presidential system with its checks and balances and separation of powers is very different than Canada's where the executive and legislature are fused. The United States is bordering on political gridlock on most matters of substance, including labour market policy. While legislators were willing to extend unemployment insurance during the economic crisis through the 2009 Recovery Act, there was no support for expansion of jobs skills training or direct job creation.

Unemployment insurance in the US has been around since 1935. UI is constitutionally a state responsibility; rather than change the constitution to make it a national system (as happened in Canada) the US relies on strong federal incentives: tax credits for employers and grants to states for program administration. Although states can opt out they do not. The federal government holds the upper hand in the relationship. The system is funded by payroll contributions from employers (not workers) based on experience rating. The fund pays for both benefits and employment services. There are regular, extended and emergency UI benefits, with different

financing arrangements in each. In some elements there is a federal contribution from general tax revenue.

The federal government is responsible for setting the administrative framework and financing for UI while states are responsible for program administration and delivery. While there are federal conformity requirements, there are a multitude of different UI benefit replacement rates and durations. Coverage has been shrinking in recent years, especially in Republican states. The weak finances of the US scheme have significantly weakened the program's effectiveness as a counter-cyclical stabilizer. In 2010, the average weekly UI benefit varied from a high of \$416 in Massachusetts to a low of \$189 in Mississippi. Benefit duration in some states has been reduced from the typical 26 weeks to 16.

Social assistance is now called Temporary Assistance for Needy Families (TANF). Federal block funding in 1996 replaced the more open-ended Aid to Families with Dependent Children under the Clinton reforms to "end welfare as we know it". TANF has become a shadow of its former self (from a coverage rate of 79% in mid 1990s to 32% in 2012), and the federally run Supplemental Nutrition Assistance Program or SNAP (formerly food stamps) and tax credits (to supplement the wages of low income earners) have become a much more dominant part of the US social safety net.

The public employment service has been around since 1933 and is run across the US by the states under a common brand now called *American Jobs Centres* authorized by federal legislation updated in 2014 through the Workforce Innovation and Opportunity Act (WIOA). It started like in Canada as labour exchange but also over time took on job training for the disadvantaged and labour market information. The federal government has become much more directive in terms of the strategy and targeting of services, even as it has reduced funding. Financial support has been declining for three decades.

There have traditionally been weak linkages between the benefits side (UI/TANF/SNAP) and the public employment service in the United States. The federal government required these linkages to be stepped up after the 2008 great recession. It started to set targets and become more prescriptive. Labour market policies became more coercive.

Social Partnerships

Business funds UI in the United States and is deeply involved in managing and directing the PES. In 1998 federal legislation required every state to set up state and local Workforce Investment Boards (WIBs), thereby implementing a standard delivery model across the US for the PES through One Stop Shops. Since the federal legislation gave state governors much more discretion over program design than previously, this was considered as devolution.

In 2015 there were approximately 550 WIBs with 12,000 business members operating across the US. Board responsibilities included allocating funding, setting strategic vision, connecting with local employers, monitoring performance and managing federal grants. The Boards are comprised of state legislators, business, labour, educators, and others. WIOA in 2014 brought in previously disconnected education and training pieces as well as adult education, literacy, and

services for disadvantaged groups. The WIBs must follow federal rules. Labour organizations are no longer required to be on the boards. Business must now make up two-thirds of the boards (up from 50% previously).

The National Association of Workforce Boards (NAWB) coordinates WIBs across the US and provides advocacy, communications and capacity building. NAWB is “the national voice for Workforce Development Boards, aligning federal, state, and local investments in preparing job seekers and connecting employers with a highly-skilled workforce.” Its board is dominated by business interests. There is also an intergovernmental forum of state workforce agencies called the National Association of State Workforce Agencies (NASWA) that coordinates UI, training programs, labour market information etc. An NGO, this is the closest that the US has to a national workforce development board.

Ideas for Canada

There is a much different kind of federal dominance of the workforce development system in the US vs. Canada. In UI/SA/PES the states are seen as the agents of the federal government, who set the rules. Under SNAP the federal government is in charge. While Ottawa is certainly fully in charge of EI in Canada, provinces are not considered as agents of the federal government in delivering the PES. Ottawa has almost no involvement with provincial social assistance. The conditional federal-provincial labour market transfer agreements bear some resemblance to federal funding to states under WIOA.

Canada has nothing that resembles the American WIBs. All of Canada’s previous boards were considered as advisory, consisting of civil servants, social partners and others: none contained politicians sitting on the boards or were business dominated. Given provincial primacy over workforce development, it would be impossible for the Government of Canada to prescribe that all provinces implement provincial and local WIBs as in the US. Ottawa tried to impose a model on provinces in the mid-1990s through the labour force development boards and it did not work. It would be impossible today given provincial PES responsibility.

The literature on the effectiveness of the US workforce development boards is not encouraging. US studies demonstrate that employers lack influence, despite their privileged place. The large size of the boards means that they are often dominated by particular interests. Focusing on job ready workers, they largely fail to adequately serve those with barriers to employment. Part of the problem is the limited funding available and its decline over time.

European Union

Institutional Set Up

Like Canada, the United States and Australia, the European Union is a federal political system. In federal systems there is shared rule for some things and regional self-rule for other things all within a single political system where no government is subordinate to the other. Every federal political system is different in terms of how powers are shared and distributed.

Canada started in 1867 by setting out a list of federal and provincial powers that has been negotiated and disputed over time. For example, it took a constitutional amendment in 1940 to move UI responsibility to Ottawa. The EU traces its origins from the 1951 Treaty of Paris when the six founding members agreed to regulate their industrial production through a central authority. Over time the list of things moved to the centre has continued to grow, a step at a time.

Many Canadians (and Europeans) find it difficult to think about the EU as a federal system. Comparisons are a way to improve understanding. The Government of Canada and federal public servants are equivalent to the European Council/Commission. We both have national parliaments and Supreme Courts. At the constituent unit level, Québec is like the UK, always with one foot out the door. What is happening with Brexit is what Canada would have had to live through if the 1995 Québec referendum had passed and Québec prepared to leave. Ontario is like Germany: both have been at the centre since the beginning of the union; they have the largest populations and economy. There are other examples: BC is like France; Alberta is like Poland, Prince Edward Island is like Malta etc.

The EU as a federal political system is still developing and remains fragile but resilient, especially with Brexit and the aftermath of the Euro and financial crises. However the benefits of integration are clear: rights ranging from the free movement of goods, services, capital, students, workers and pensioners, to higher product and environmental standards, to cheaper air travel, to a common currency, to lower roaming charges. There is constant internal reflection and reform.

The EU is a better comparator to Canada than the US and Australia as the constituent units (13 provinces in Canada and 28 member states in the EU) are much more powerful than states in the US and Australia. In both Canada and the EU many important decisions are taken through negotiations between governments (that is through intergovernmental relations), not through legislative decision making. Most social policy matters are the responsibility of the constituent units. We are both at least rhetorically committed to the importance of our welfare states.

UI/PES/SA schemes developed differently in each European member state before there was an EU. Some are strong and some are weak. Some have powerful social partner involvement and some have none. In Denmark, Sweden, Belgium and Finland there is the Ghent system, where unions administer UI benefits. In Canada our welfare state developed as the federation matured and so we don't have the same kind of diversity in terms of UI/PES/SA as seen in the EU.

The 1957 Treaty of Rome moved a few employment competences to the EU level, primarily in the area of equal pay for equal work. In 1993 the European Jobs Network (EURES) was established to provide information, advice and job matching services and facilitate the free movement of labour, coordinated by the European Commission.

Recognizing employment as a matter of common concern, in 1997 the European Employment Strategy (EES) officially gave the European Commission responsibility for EU-wide coordination of employment policy. This is done through a technique called the Open Method of Coordination involving benchmarking and policy learning. These developments mainly impacted the working of the public employment service, not UI or SA.

The EES process is highly institutionalized, transparent and heavily scrutinized. It is managed by Employment Ministers from the 28 member states who comprise the Employment, Social Policy, Health and Consumer Protection Council (EPSCO), supported by the European Commission and senior officials from each member state (EMCO). EPSCO and EMCO are like the different layers of the Forum of Labour Market Ministers (FLMM) in Canada.

In 2014 a legal measure was implemented to strengthen cooperation by establishing a *European Network of Public Employment Services* as the informal network did not sufficiently engage member states in mutual learning and benchmarking. There is also *PES to PES Dialogue* for mutual learning, the *European Employment Policy Observatory* for research, and European Commission publications on *Social Europe* for information sharing. All of this activity is supported by funding from the European Commission, including covering the costs of travel to bring representatives from member states together as well as civil society and social partners.

In 2016 and 2017 work was undertaken to assess the pros and cons of a European-wide unemployment benefits scheme. Carried out by a consortium of institutes under the leadership of the Centre for European Policy Research (CEPS), the research included an examination of how eight federations (including Canada) managed employment policy across levels of government.

Social Partnerships

Involving social partners is embedded throughout Europe. Social dialogue can be organized at the level of a company, a sector/industry, a region, a country, or at the EU level. It can be scoped to cover an array of issues or just a few.

EU member states have different traditions and models of social dialogue for employment matters. Many of the older member states have tripartite institutions going back to before WWI. In 2013 20 out of 28 European countries social partners were strongly involved in policy making for UI and the PES through tripartite institutions; in 12 out of 28 countries social partners also played a role in implementation and management while in 14 they played a role in program monitoring. These arrangements are usually established in legislation of the particular member state. For the new member states that joined in the past 20 years, setting up these social partner institutions was a requirement of joining the EU.

Here are a few examples of social partnerships at the member state level. In Austria, a Board of Directors consisting of two persons is responsible for UI and PES operations at the national level. They report to the Federal Minister as well as a 9 person tripartite Administrative Board (3 union, 3 labour, 3 government). The social partners have the majority and are seen as equals to government. They are also involved in all permanent committees.

The German UI and PES system is managed at the national level by a quasi-independent body with a 3 person management board plus a 21 member Board of Governors (7 labour, 7 business and 7 public bodies, including government departments, the Senate and municipalities). The Board is responsible for strategic decisions, monitoring and advice.

In contrast, the UK's Trade Union Congress and the Confederation of British Industry have no privileged access to government decision-making. The tripartite Manpower Services Commission, established in 1973, was weakened in the 1980s and then abolished entirely by the Conservatives in 1987. Over time the contributory and non-contributory components of the UK benefit schemes became fused into a single system. Today's Universal Credit covers an array of benefits supported by both social insurance contributions as well as tax revenues. In addition to UI and SA benefits, housing and child benefits are included in Universal Credit.

At the company level over 1000 European Works Councils have been founded through a European directive from 20 years ago. When companies cross national borders these are a way to have a conversation between workers and management without triggering the complex process of creating a formal union. An average of 20-25 new bodies are created each year. They were created as a bottom-up initiative to protect worker's interests and rights in a globalized economy.

At the sector level about half of the member states have sector councils designed to anticipate the need for skills in specific sectors more effectively and achieve a better match between skills and labour market needs. There are also some European-wide sector councils.

The Mechanics of EU-level Social Partnerships: High Level

From the very start of the European integration process, it was considered important to involve economic and social stakeholders in drawing up EU legislation. Articles 152-155 of the Treaty on the Functioning of the European Union (TFEU) prescribe social partnerships. Ongoing consultation between the Council, the Commission and the social partners on economic, social and employment questions takes place involving heads of state (like our First Ministers) at least once a year. This has yielded an impressive array of legally binding and non-binding documents and activities.

The process involves governments negotiating with 4 'peak' EU-level social partner institutions:

- European Trade Union Confederation or ETUC
- Union of Industrial and Employer's Confederations of Europe or BUSINESSEUROPE
- European Association of Craft, Small & Medium Sized Enterprises or UEAPME
- European Centre of Enterprises with Public Participation or CEEP

In 2013 the EU-level social partners came together to issue a Social Partner Declaration that stated that their involvement in employment and labour market policy was 'essential'. In 2016 there was a joint statement of the Council, the Commission and the social partners on a 'new start for social dialogue' to ensure that social partners were involved in the 'European semester': a set of rules for the coordination of national fiscal policies in the EU. Europe's 'social dimension' is currently in the process of being re-affirmed through a 2017 reflection paper and a new European Pillar of Social Rights detailing a right to PES, UI and minimum income.

Despite this 'relaunch' of social dialogue in 2016, unions remain concerned over the commitment of the Commission as a proactive actor. Some member state governments are hostile. Employer groups are often reluctant to genuinely engage and commit themselves to binding outcomes.

The Mechanics of EU-Level Social Partnerships: Employment Policy

Detailed protocols have also been developed to engage social partners with *EPSCO* Ministers and *EMCO* officials. These protocols emerged out of the EU Treaty requirements in the 2000s/2010s. These bodies are like the FLMM and coordinate employment policy matters across the entire EU. Ministers from all 28 member states meet face-to-face 4 times a year. Each member state has two director-level officials on EMCO plus the European Commission. All their deliberations (including meetings with social partners) are detailed on a Commission website.

The main players are the European Commission, national governments, and social partners (at both the EU and member state level). The Commission funds travel costs for officials from member states to participate in meetings, as well as officials representing the social partners and others. There are also defined protocols to connect with the European Parliament. The work of the *PES to PES Dialogue* and the *European Employment Policy Observatory* are all connected to this process. The Commission runs the communication arm which publishes a regular newsletter on social developments in the EU.

The engagement of social partners on employment policy matters is just part of how deliberations are undertaken and decisions are made in Europe. The protocols noted detail when to meet, with whom, and on what, as well as information to be shared so that social partner input can be fed into the EU policy-making process. This includes, for example, work on the Joint Employment Report, its 'key messages', the scoreboard of employment and social indicators and country-specific recommendations for reform emerging from each country's National Reform Programme (NRPs). No new institutions were set up; processes for existing institutions to connect with each other were developed and agreed to.

Ideas for Canada

Europeans believe that having social partners (business and labour) directly involved in EU decision making on employment matters is essential. Canada could learn lots from the EU:

- Relationship building and developing trust ties takes time and energy. It also takes money so that people can meet in person. Europeans seem to accept this as the cost of better decision-making. If we want stronger partnerships, we need to be willing to put in extra time and money.
- There is much more transparency in the European Union with information on deliberations being undertaken by EPSCO available on a Commission website. In contrast, the FLMM and the Employment Insurance Commission is highly secretive. Many people are not even aware that the EI Commissioners for Workers and Employers are now connected to FLMM. A commitment to transparency is an essential part of improving social partnerships.
- The EU uses different institutional structures to ensure social partner input, ranging from tripartite Boards of Directors in Austria and Germany to defined protocols at the EU level. These are not ad hoc arrangements to be changed at will; all are detailed in treaties

and legislation. If we want enduring social partnerships we need to build the right structures that will last through changes in government and reorganizations.

- Social partnerships need to be embedded throughout the employment services system, not just at the national level. A requirement for social partner involvement was NOT identified in the federal-provincial Labour Market Development Agreements negotiated between 1996 and 2010. These are now being renewed. Including a clause on social partnerships presents a unique opportunity for them to grow across Canada.
- Many workers are not part of unions and their views need to be incorporated. There are also other players — service providers, Aboriginal labour market organizations, post-secondary institutions, think tanks etc. — whose views need to be taken into account. Any new institutional structures would need to accommodate all of these perspectives.

Conclusion

Canada's political and social culture is closer to Europe than the United States. European ties will only strengthen with the implementation of the Comprehensive Economic and Trade Agreement (CETA) and the Canada-EU Strategic Partnership Agreement.

The EU has lots of experience with social partnership, many lessons to offer, and many ideas to be shared. The key issue is to build consensus around why we should invest in more structured social partnerships in Canada and how this might be done. In my view, the 'why' is as follows:

- EI in Canada is still 'social insurance', paid for by mandatory contributions levied on employers and workers. Business and labour are not just stakeholders; they are 'proprietors' of the system. Their voice must be heard and their views integrated. This covers both the income support and employment services parts of the system.
- The availability of EI benefits alters the balance of power in the workplace and levels the playing field between capital and labour. We need to ensure the right balance between an employer's need for labour flexibility and a worker's need for income security. These views need to be expressed and accommodations made around the same table.
- The direct involvement of those impacted by changes is a way to forestall objections and vetoes in the implementation stages. We have first-hand experience of bad decisions made unilaterally by Ottawa (e.g. Canada Job Grant and the Social Security Tribunal).
- If all important players take ownership of goals there is a better chance for good results. Being part of monitoring and reviewing research results ensures that ongoing adjustments are made to improve the programming. Sharing resources among the different partners increases efficiency and effectiveness.
- We would be back in accordance with ILO Convention 88 which requires the establishment of social partner advisory committees for the PES.

The most important dimension is a true desire to strengthen social partnerships in Canada. We have let ours deteriorate very significantly in relation to employment programming. Strengthening social partnerships in Canada requires business and labour to better organize themselves for engagement. It also requires political will on the part of governments and building trust ties between the key players — the federal government, provinces/territories, and the social partners — to overcome obstacles experienced in the past.

The Canadian Experience with Social Partnerships through Advisory Committees¹
Background Paper for Atkinson *Employment Insurance@75* Project
Donna E. Wood, University of Victoria,
December 5, 2017

Purpose

This paper examines Canada's experience with social partnerships through formal advisory committees. The 'social partners' are business and labour. Social partnerships can be struck for a number of different purposes. This paper focuses on their operation at the national level in relation to Unemployment Insurance (UI), now called Employment Insurance (EI).

It is a companion piece to *The International Experience with Social Partnerships* (also written for the Atkinson project) and *The Seventy-Five Year Decline: How Government Expropriated Employment Insurance from Canadian Workers and Employers and Why this Matters* (released by the Mowat Centre in 2017).

To ensure business and labour input into employment programming, many formal advisory institutions were developed over the past 75 years. These were the main ones:²

- National Employment Committee 1941-1965
- UI Advisory Committee 1941-1976
- Canada Employment & Immigration Advisory Committee 1977-1992
- Canadian Labour Force Development Board 1991-1998

There are various reasons why these institutions lived and then died. For almost twenty years we have had no formal national advisory committees to facilitate business and labour input into employment policy in Canada. Instead, when input is needed the Government of Canada has set up ad hoc consultations or has referred the issue to the Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities (HUMA).

Context

When a national Unemployment Insurance program was established in Canada in 1940, it was set up as a tripartite partnership, to be managed and paid for by employers, workers and government. Participation (and contributions) for both workers and employers was compulsory. The federal government also contributed. The program was placed under the responsibility of an arm's length Unemployment Insurance Commission (UIC), consisting of a chairman appointed by government and two other appointees selected in consultation with employers and employees.

¹ Most of the information in this paper comes from annual reports issued by the different advisory committees, as well as the Unemployment Insurance Commission. *Social Partnerships for Training: Canada's Experiment with Labour Force Development Boards* 1997, edited by Andrew Sharpe and Rodney Haddow was very helpful, as was *State, Class and Bureaucracy: Canadian Unemployment Insurance and Public Policy* by Leslie Pal, 1988. Many historical references are detailed in *Federalism in Action: the Devolution of Canada's Public Employment Service 1995-2015* by Donna E. Wood, forthcoming from the University of Toronto Press in May 2018.

² The Canadian Employment Insurance Financing Board that existed from 2008 to 2013 is not included as there is no evidence that its seven-person Board of Directors represented the social partners.

UI in Canada has always had two parts: income benefits and employment services. In fact, before there was a national UI program the Employment Service of Canada was managed by provinces using federal funding. When the federal UI Act was passed in 1940 (after agreement of all nine provinces to a constitutional amendment transferring responsibility for UI to the federal government) the provincial employment offices were closed and staff transferred to the UIC.

Federal contributions to UI ended in 1990. In 1995 Unemployment Insurance was relabelled as Employment Insurance or EI. The next year responsibility for employment services started to be devolved from the federal government to provinces and territories through administrative arrangements called Labour Market Development Agreements. There was no constitutional re-alignment. Today these programs are managed by entities such as *WorkBC*, *Employment Ontario*, and *Emploi-Québec* (among other names). EI benefits are still managed and delivered by federal Service Canada offices across the country.

The National Employment Committee 1941-1965

Life and Operation

When the Unemployment Insurance Commission (UIC) assumed responsibility for employment services from the provinces in 1941, it set up a National Employment Committee to “advise and assist the Commission in carrying out the purposes of the employment service”. The committee took over from the previous National Employment Service Council that had supported the provincially-run Employment Service of Canada between 1918 and 1940.

The National Employment Committee was not established in legislation. It was an eight member committee with three representatives from labour, three from business, plus veteran’s and women’s groups. The national committee also helped set up regional and local committees.

In its 26th annual report in 1965, the UIC reported for the last time on the operation of the National Employment Committee, noting that in addition to the national committee there were four regional and 64 local employment committees operating. This was the last year of reporting on the National Employment Committee as responsibility for the national employment service was transferred from the UIC to the federal Department of Labour and then to the Department of Manpower and Immigration.

The recommendation to divorce the employment service from the UIC and transfer responsibility and resources to an operating department of government was made in the 1962 *Gill Report on Unemployment Insurance*. The main rationale was that employment services staff had been diverted to process UI claims. With this change the UIC lost about one third of its staff.

Why it Died

The National Employment Committee died in 1965 due to organizational change initiated by the federal government. It was easy to disband as it was not established in legislation. UIC employment officers became manpower counsellors in newly established Canada Manpower

Centres. There is no evidence that advisory committees were set up by the new Department of Manpower and Immigration to replace the National Employment Committee.

The UI Advisory Committee 1941-1976

Life and Operation

In accordance with section 82 of the 1940 UI Act, the UI Advisory Committee was established to “review the operation of the Act, the state of the UI account, the premium rates, adequacy of coverage, benefit structure, and any other issues related to the provision of unemployment insurance in Canada”. It consisted of a chairman and 6-8 members, with an equal number of employer and worker representatives, as appointed by the Governor in Council.

Although independent of the UIC, the advisory committee was expected to provide advice and assistance on questions referred to it by the Commission and by the federal Minister in order to improve UI program administration. It was mandated to prepare an annual report to the Governor in Council.

References to the activities of the UI Advisory Committee were contained in the 1942-45 UIC annual reports. Three UI Advisory Committee annual reports from the early to mid-1970s were also located. The issues considered by the committee were wide-ranging and included employer premium reductions, benefit control, appeals, severance payments, experience rating, self-employed fishermen, the state of the UI account, and medical permits. All issues focused quite specifically on the operation of the benefits side of UI.

The Advisory Committee was empowered to access information from the UIC as required and to make recommendations to them. It could independently mount inquiries or hold hearings, as well as receive submissions from external groups like the Canadian Labour Congress. For example, in 1975 all of their activities focused on a review of the appeal system, involving setting up research groups and meetings with Boards of Referees from across Canada.

Why it Died

The UI Advisory Committee died primarily because of another government organizational change. In 1976 the federal government passed legislation to establish a new department of Employment and Immigration. As part of that process it moved the previously arm’s length Unemployment Insurance Commission into the department of Employment and Immigration, giving the federal Minister more power over the UI program. The three-person Unemployment Insurance Commission became a four person body as government took over two slots and the representatives for workers and employers lost power. At the same time the UI Advisory Committee was replaced by a Canada Employment & Immigration Advisory Council.

The Committee also died as the federal government did not like the messages being provided. In their 1974 report the UI Advisory Committee re-iterated that the placement function should be with the UIC, not the Department of Manpower. While in their final report in 1976 they endorsed the reuniting of the Unemployment Insurance Commission with the employment service run by

the federal government, they did not like the changes the legislation had introduced under what was called the 'Developmental Uses of UI' or UIDU. This allowed UI funds to be used for training, work sharing and job creation activities.

Regardless, Chairman Saul Laskin noted that he hoped that the UI Advisory Committee "had served as an essential mechanism in UI policies and thatthe new [Canada Employment & Immigration Advisory] Council would serve the best interests of the Canadian public as I know that the Advisory Committee has".

The Canada Employment & Immigration Advisory Council (CEIAC) 1977-1992

Life and Operation

The CEIAC was established through the department of Employment and Immigration Act "to provide direct advice to the Minister on all his powers and duties". Broadly scoped, it replaced the more narrowly focused activities carried out previously by the separate UI Advisory Committee and the Canada Manpower and Immigration Council.

The Council was meant to be a strategy committee — independent from the bureaucratic structure — to play the role of confidential advisor to the Minister, complementing the insider advice received from bureaucrats and the UIC. This meant that it did not have a direct link to the UI Commissioners for Workers and Employers. It was also meant to have no public role beyond its annual report.

After an extensive consultation on its goals and operations as well as its membership, the Council met for the first time in 1980. Unlike the UI Advisory Committee that it replaced, it did not have independent power to mount inquiries nor a list of specific responsibilities with respect to UI. It was also much larger than the UI Advisory Committee consisting of 15-21 people, with one third representing employers, one third workers, and the final third representing constituencies such as persons with disabilities, women etc.

Over time the Council acquired an executive director and about 12 staff. It examined many issues and released reports on a wide variety of topics including family class immigration, part-time employment, affirmative action, the availability of skilled labour, foreign workers, UI fisherman, labour market resources, single industry communities, workers with family responsibilities, older workers, language training, tax policy for employment, enterprise development, and immigration levels.

Of 25 studies done between 1982 and 1991, only one was on Unemployment Insurance per se. Requested by the Minister, this was an important report that fed into the considerations of the *Forget Commission on Unemployment Insurance*. The Council's main 1986 recommendation was to change the existing four-person UI Commission into a new UI Board of between 13-21 members where the three partners (government, employers and employees) would have equal responsibility and authority for the policy, regulations and management of the UI Act.

While this suggestion was reflected in the Forget Commission final report — which went so far as to suggest details on a Crown corporation for UI — this idea and most other recommendations were never implemented by the federal government. The Forget report was brought down by disagreement between labour and business over the report’s final recommendations.

Why it Died

The CEIAC was discontinued in 1995. In the late 1980s and early 1990s it had watched with interest and supported the consultations being undertaken by the business and labour driven Canadian Labour Market Productivity Centre (CLMPC) on how to implement the newly launched federal *Labour Force Development Strategy*. Seven task forces reported on a variety of issues and ultimately recommended the creation of a Canadian Labour Force Development Board to the Mulroney Conservative government.

I assume another reason it died was due to another government reorganization. In 1993 the Department of Employment and Immigration was disbanded, replaced by Human Resources Development Canada that brought together the welfare elements of the former Department of Health and Welfare with the employment part of the former Department of Employment and Immigration. The immigration piece was hived off into its own department, taking settlement and employment services for immigrants along with it.

The Canadian Labour Force Development Board (CLFDB) 1991-1998

Life and Operation

Advanced by the business and labour run Canadian Labour Market Productivity Centre, the CLFDB was announced in January 1991 by the Mulroney Conservative government as a “historic partnership among business, labour, equity groups and the education/training sector” to advise government on training and human resource issues and foster a training culture in Canada. This included advising the federal government on the use of UI funds for training, work sharing and job creation activities (known as UIDU).

Initially given a five year mandate, the CLFDB was not established in legislation. Its mandate included advocacy, promotion and advice on a limited number of issues. The Board did not have responsibility for UI benefits. By giving greater power to the private sector, the federal government thought that an advisory board would help it overcome federal-provincial disputes that had been exacerbated by its *Labour Force Development Strategy*.

Co-chaired by business and labour, the voting members of the CLFDB consisted of eight business, eight labour, two education and one from each equity group (Aboriginal, persons with disabilities, visible minorities and women). While business and labour did not want to include equity groups, they were overruled by the federal government. Non-voting members included the UI Commissioners for Workers and Employers and senior officials (at the Deputy Minister and Assistant Deputy Minister levels) from federal and provincial governments. The co-chairs were full time paid staff. The secretariat consisted of about 20 people.

Each constituency set up its own reference group to bring in the views of its members. In its early years a key priority of the CLFDB was encouraging the development of provincial and local labour market boards across the country, as well as advocating for the establishment of sector councils. It also focused on developing national occupational training standards and undertook studies on issues like training on the job, apprenticeship, and training effectiveness. For five years the Board hosted an Annual Labour Market Partners' forum.

The Board expressed concern over the federal government giving up its powers over labour market training, as being advanced in the 1992 Charlottetown constitutional accord. It also did not like how the federal government continued to shift training costs from tax revenues to the UI fund. In its 1995 report the CLFDB made recommendations on government spending on training and labour market adjustment under both UIDU as well as tax revenue. In the Board's view the UI fund should only pay for UI benefits, not training.

While the Chrétien Liberals agreed to a second five-year mandate in 1995/96, it reduced the CLFDB budget by about half, forcing it to lay off staff, including the two co-chairs who stepped down. Its mandate was refocused to go along with its reduced funding. Its role also started to shift as provinces began to take on responsibility for employment services through the Labour Market Development Agreements. Its demise was finalized in 1998 when representatives of the Business Council on National Issues and the Canadian Federation of Independent Business announced that they were pulling out.

Why it Died

This time it was not a government re-organization that caused the demise of an UI/EI advisory board. At the CLFDB table it was difficult for business and labour to cooperate with each other, let alone with the equity groups that also had a seat at the table. In 1994 the voting procedure changed from business and labour having a majority vote to giving all members an equal vote. This irritated the business and labour representatives. Of more significance was the reluctance of the federal government to genuinely cede authority and decision-making to an arm's length body. This was evidenced in 1994 when the Board's advice on UIDU was overturned.

Many provinces were resistant to the provincial and local boards that the CLFDB (viewed as an arm of the federal government) tried to establish, believing that this enhanced federal dominance over labour market policy in their province. Eventually all of the provincial and local labour market boards nurtured by the CLFDB closed down, with the exception of Ontario's local labour market boards which continue today. Post-devolution Québec and Manitoba have recreated provincial labour market boards under their authority; in the other provinces mechanisms to secure social partner input into employment programming are more ad hoc.

There was also bureaucratic and political resistance to the CLFDB. When Deputy Minister Arthur Kroeger moved on, the board lost its main champion. The withdrawal of federal funding from the CLFDB (as part of the overall federal cutbacks underway in the mid-1990s) was another factor that led to its demise, as was the fact that it was easy to close down as the Board was not established in legislation. The Conservatives were defeated and the Liberals took over in

1993. They had different priorities for UI, as identified in consultations initiated on the broader Social Security Review. Many of the issues up for discussion seemed to by-pass the CLFDB.

Some of the CLFDB functions were taken over by the Canadian Labour Market Productivity Centre, transformed in 1995 into the Canadian Labour and Business Centre. This aligned with the thinking of federal bureaucrats which had previously wanted the CLFDB and CLMPC to merge. However, by 2006 the Canadian Labour and Business Centre had also closed down due to the end of federal endowment funding.

Conclusion

This review of formal advisory boards that provided a way for business and labour to influence UI/EI policy in Canada over the past 75 years is not very encouraging. It seems that the most influential factor to cause the demise of advisory bodies was the propensity of the Government of Canada to re-organize and re-align government responsibilities, abandoning or changing advisory committees in the process.

As UI and its various component pieces got moved around organizationally by the federal government, advisory committees were recast and weakened. Certainly this was the case in the change-over from the UI Advisory Committee to the Canada Employment and Immigration Advisory Council. One way for government to deal with unwelcome advice is to eliminate the organization providing it and reduce the power of its replacement.

This does not however explain the demise of the Canadian Labour Force Development Board. While the government may not have welcomed some of the messaging and also reduced its financial support, it was business that ultimately pulled the plug. This suggests that part of the problem may have been in how the Board was structured and the power it possessed.

All governments need a high-quality knowledge infrastructure to support evidence-based policy design and implementation. This includes advisory bodies — permanent and ad hoc — that provide governments with information, facts, and evidence-based analysis and advice along all phases of the policy cycle.

Permanent advisory bodies tend to have broad and long-term expertise, while ad hoc bodies often serve as a ‘fast-track’ option for governments seeking more specialized advice on short notice. A recent report from the Organisation for Economic Cooperation and Development (OECD) provided excellent advice on key success factors for the establishment of policy advisory systems. They recommended a mix of permanent and ad hoc bodies.³

If Canada was to consider re-establishing a permanent advisory board(s) for Employment Insurance, lessons from the past as well as the OECD suggest attention be paid to the following key issues:

³ See OECD 2017, *Policy Advisory Systems: Supporting Good Governance and Sound Public Decision Making*, OECD Public Governance Reviews, OECD Publishing, Paris, available at <http://www.oecd.org/publications/policy-advisory-systems-9789264283664-en.htm>.

1. *Its independence and transparency.* Advisory committees need to be autonomous in order to maintain trust in the outcome of the process. Autonomy is particularly needed during the research and analysis phase. A commitment to transparency is needed to ensure that governments are not cherry-picking the advice they use to inform decision-making.
2. *Its remit or scope.* It cannot be too broad (like CEIAC) as then it becomes ineffective. Is it possible to have one national committee to provide advice on both the income support and employment services pieces of EI or should these be separate functions?
3. *Its size and membership.* Perhaps CEIAC and the CLFDB (with over 20 members) were too large. Reflecting EI's historic tripartite approach, should there be equal representation from employer, employees and the state? Who represents the state now that provincial governments are so involved with the public employment service? What about the inclusion of equity groups and expertise?
4. *Its decision-making power.* The CLFDB was meant to have decision-making power over the developmental uses of UI; however, its recommendations were overturned by government. This may be why business withdrew. Should the function be only advisory?
5. *Its resources.* Sufficient funding is key to enabling quality advice, for example to ensure the hiring of qualified staff in the right numbers. It is also needed to maintain autonomy and help identify the boundaries under which the advisory committee operates.
6. *Its formal status.* Non-legislated organizations are easy for governments to eliminate, especially when different parties with different agendas take power. If we want enduring social partner involvement in EI through an advisory committee, it needs to be set up in legislation. This also ensures access to information and government data.

WOOD SPEAKING NOTES EI@75 ROUNDTABLE TORONTO OCTOBER 20, 2017

I wrote the *Seventy-Five Year Decline* based on historical research on UI/EI as well as interviews on the public employment service after this was devolved from Ottawa to provinces, territories and Aboriginal organizations starting in the mid-1990s. My book will be published next year by the U of T Press.

My comments are going to be narrowly focused on the governance of UI/EI. This program costs over \$20 billion today. I won't be talking about the broader social architecture and changing labour markets. But what I have to say about UI/EI will feed into the larger discussion.

I'll provide a brief primer on how UI/EI was governed at its inception in 1940 (specifically the involvement of business and labour) and how this has changed over the past 75 years. I'll finish by commenting on why I think the role of business and labour should be strengthened in EI and how we might do that.

UI Governance at its Inception in 1940

Canada's UI program has always had two parts: income benefits and employment services. Starting in 1918 provinces were delivering employment services with federal funding. It took a constitutional amendment in 1940 and the agreement of all 9 provinces to move responsibility for UI to the federal level.

With the passage of the UI Act in 1940 responsibility for employment services became a national responsibility and all the provincial offices (except for Québec) closed. Ottawa also started to deliver income benefits.

When implemented in 1940, UI was designed as a "cooperative enterprise between workers and employers under government supervision and direction". The tripartite nature of the program was embedded throughout its structure which included 1) an arms-length UI Commission to manage the program 2) a UI Advisory Committee and a National Employment Committee to provide advice and 3) local Boards of Referees to hear appeals across Canada.

The three partners — business, labour and government — were equally represented in all of these bodies. The tripartite nature of UI was also reflected in how it was financed: as a social insurance program paid for through a compulsory payroll tax imposed on employers and employees. Government also contributed.

Changes over Time

The Unemployment Insurance Commission was initially set up as ‘arms-length’ body, separate from government, under the control and management of three Commissioners: a chair appointed by government and two Commissioners appointed in consultation with business and labour to represent their interests.

The first loss of the Commission’s power was in the mid-1960s when the employment service was taken away and transferred to a federal operating department. Then in the late 1970s the UI Commission was amalgamated with the federal Department of Employment & Immigration and the UI Commissioners for Workers and Employers role was diminished to 2 seats of 4 on the Commission vs. 2 out of 3 previously.

The Commission is important as it is still today the key decision-making body for EI, both income benefits and employment services. I am very pleased that Judith Andrew, the current EI Commissioner for Workers, is here today to listen to our conversation on EI governance. Although the Forget Commission on UI in 1986 tried to restore the UI Commission to a Crown Corporation, no changes were ever made. That was the last comprehensive dedicated look at UI, over 30 years ago.

At its inception in 1940, two advisory bodies were established: the UI Advisory Committee (on income benefits) and the National Employment Committee (on employment services). These changed and morphed into other bodies over time, including the Canada Employment & Immigration Advisory Committee and the Canadian Labour Force Development Board.

There are many reasons why these bodies lived and then died; the most important reason was federal government re-organization. The last national advisory body on UI matters was the Canadian Labour Force Development Board which folded in 1998 when government reduced its funding and business withdrew its support. That was almost twenty years ago. Since then we have also lost most of the sector councils that looked at labour market issues within their particular sector.

Even though there are no formal advisory committees, the EI Commissioners for Workers and Employers have each established reference groups to provide a way for the views of their constituents to be heard by the federal government. For the first time ever they held a joint session in September 2017. I attended it. It focused on information sharing.

The final blow to social partner involvement in EI came in 2013 when more than 80 EI Boards of Referees were closed down and replaced with a Social Security Tribunal (SST) that consolidated EI appeals with CPP and OAS.

The Boards of Referees had one member representing government, one representing employers and one representing labour. The EI Commissioners for Workers and Employers were involved in nominating people to the local boards and provided training support. They were not consulted on setting up the SST.

There have been many complaints since the Liberals assumed power in 2015 over the changes to the appeal process done by the Harper Conservatives. A review by KPMG was undertaken last summer. It should be released shortly.

UI/EI Today

In 1990 the federal government decided that it would no longer contribute to the UI account. All program costs today are born by business and labour. The main institutional way to hear their views is through the EI Commissioner for Workers and Commissioner for Employers on the EI Commission and the discussions they organize with their constituents. The Commissioners are viewed as ‘insiders’ to government. They are even located within the federal ESDC bureaucracy.

Starting in 1996 the federal government agreed to devolve responsibility for employment services to provinces, territories and Aboriginal organizations. Most of the funding for this programming comes from the EI account. This formally brought provincial and territorial governments to the EI table.

Why Should Business and Labour be More Involved?

EI in Canada is still ‘social insurance’, paid for by mandatory contributions levied on employers and workers. Business and unions are not just stakeholders; they are ‘proprietors’ of the system. Their voice must be heard and their views integrated. This covers both the income support and employment services parts of the system.

The availability of EI benefits alters the balance of power in the workplace. There needs to be the right balance between an employer’s need for labour flexibility and a worker’s need for income security. Worker and employers views on EI need to be expressed and accommodations made around the same table.

The direct involvement of those impacted by changes is a way to forestall objections and vetoes in the implementation stages. We have first-hand experience of bad decisions made unilaterally by Ottawa (e.g. Canada Job Grant and the Social Security Tribunal).

If all important players take ownership of goals there is a better chance for good results. Being part of monitoring and reviewing research results ensures that ongoing adjustments are made to improve the programming. Sharing resources among the different partners increases efficiency and effectiveness.

Research undertaken by international organizations like the OECD, the ILO and the World Bank demonstrates that when business and labour are involved in developing employment policy better decisions are made. International conventions that we have signed onto also prescribe social partner involvement. For example, ILO Convention 88 on the public employment service commits us to social partner advisory committees.

Business and labour organizations are involved in all elements of employment policy in the European Union. In the United States, business is privileged.

What Might We Do to Get Business and Labour More Involved?

1. We could restore the independence of the EI Commission and remove it from the authority of the federal government. In 1986 the Canada Employment and Immigration Advisory Committee recommended that the four person UI Commission be transformed into a new UI Board of between 13-21 members where the three partners (government, employers and workers) would have equal authority and responsibility for the policy, regulations and management of the UI Act. The idea was further explored in detail in the 1986 Forget Commission Report on UI.

This idea would require a lot of debate and consideration. I have not heard anyone advancing this idea in recent times.

There may be other ways to give the EI Commissioners for Workers and Employers more autonomy. Perhaps they could be moved out of ESDC offices. They could be assigned research/organizing money to be used as they deemed suitable.

2. We could set up a national advisory committee and also require provinces to set up processes for social partner involvement through new provisions in the Labour Market Development Agreements which are currently being re-negotiated.

Given that the LMDAs are funded by the EI account, I think it would be a very reasonable idea to require provinces to engage their social partners through some form of advisory committees. Ottawa could not be overly prescriptive on how this should be done, but certainly Québec's CPMT provides one model.

The Canadian Labour Congress has consistently advocated for a national Labour Market Partner's Council. Many in this room could speak to this idea. Much work would be required to implement a direction such as this. For example, what would the scope of the national committee be (income benefits or employment services or both)? What would its size and membership be? What about its decision making power? What about the involvement of organized interests beyond the social partners?

We have models we could look at, including experiences from the European Union which is a federal political system with similarities to ours.

3. We could fully restore the EI Boards of Referees with their tripartite representation. I provided this recommendation as part of the KPMG consultation process last summer. I am confident many others made the same recommendation.

It will be very interesting to see what this report says.

Conclusion

I am delighted that my paper *The Seventy-five Decline* triggered the Atkinson Foundation to join forces with Mowat and Broadbent to organize this roundtable on modernizing the governance of unemployment insurance, our foundational social protection program. I look forward to hearing the views from your small groups.

**NOTES FOR ALEX HIMELFARB
EMPLOYMENT INSURANCE @ 75 ROUNDTABLE
OCTOBER 2017**

I see this conversation about EI as part of a larger conversation we haven't been having but desperately need to have on:

- how we assure dignity and economic security in these increasingly precarious times
- how we pool risk
- what the role of government is generally and the federal government in particular.

How well EI works to achieve its goals depends profoundly on how well the rest of the so-called safety net is working, including universal access to essentials such as health care, housing, child care, education, as well as how it fits with other forms of income support especially welfare.

For about four decades, progressives have had to fight a largely rear guard battle against policies of austerity. Rather than collectively determining how to transform our social safety net for a changing world, the war was between more or less of the same with less generally winning.

With the important exception of the Canadian child benefit no new programs have been built and old programs have been squeezed. While other countries especially in Northern Europe have been redesigning the welfare state and tax and transfer system we have been busily transferring risk from the central government to provinces and municipalities and from government to individuals.

Out of pocket expenses for essential health care are higher than they have been since Medicare has been established. Thousands of Canadians are homeless on any given day and many more thousands live with constant food and shelter insecurity. Young families find it increasingly difficult to find quality, affordable child care; defined benefits pensions have all but disappeared; and welfare is clearly inadequate.

All this when precarity has become the norm in the labour market:

- when what used to be called nonstandard work is becoming the standard
- when too many are unemployed and underemployed
- when extended health benefits, pensions or job security (let alone prospects) are no longer automatically part of the job contract
- when the growing population of self employed and underemployed are understandably angry at a benefits system that doesn't benefit them and are less willing than ever to pay taxes for a system in which they cannot find themselves.

The result is what Ron Inglehart, a U of Michigan political scientist, has called an existential insecurity:

- where people feel increasingly alone and angry
- where trust in one another declines dangerously
- where inequality grows with damaging consequences for society, for the economy, for democracy, and for individual health and well being.

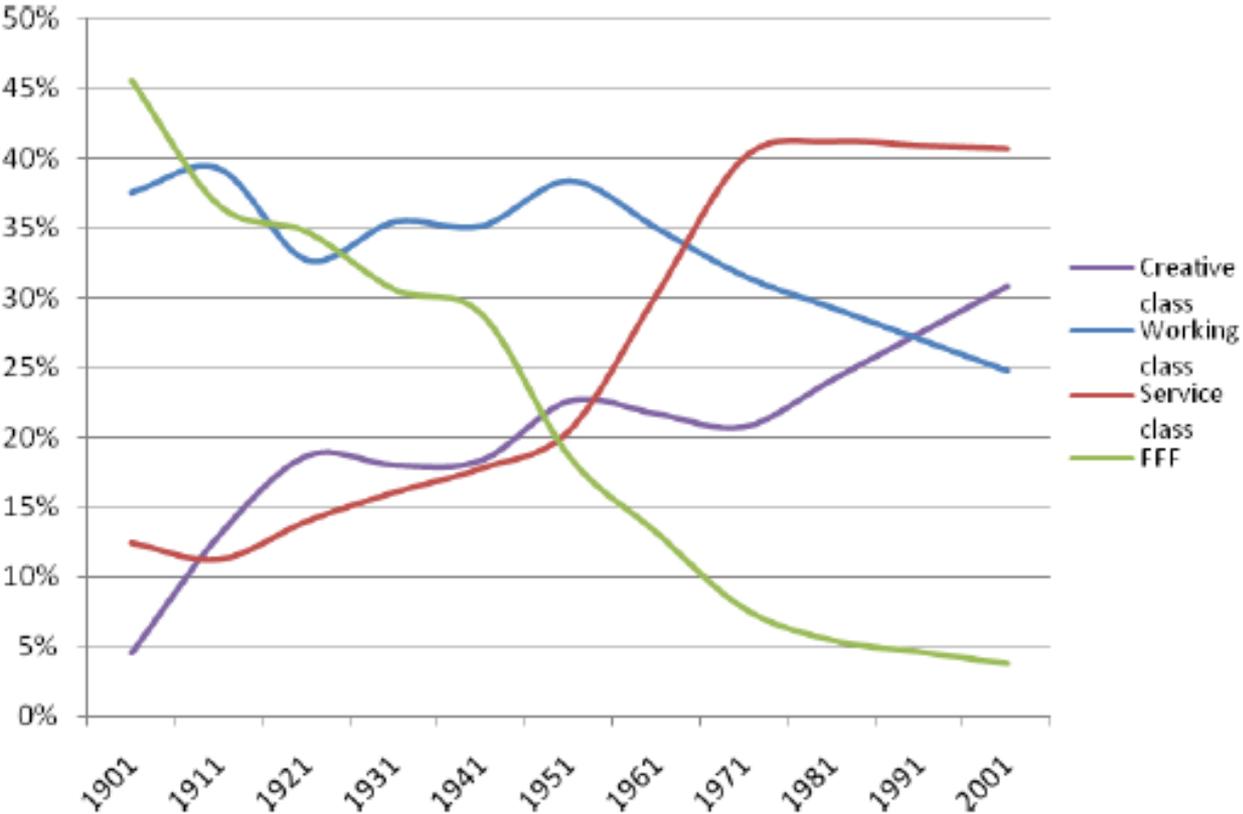
So, how do we lever this discussion of unemployment to this long overdue discussion of how to share risk in an increasingly risky world?”

Employment Insurance (EI) in the context of the labour market & income security system in Canada for working age adults

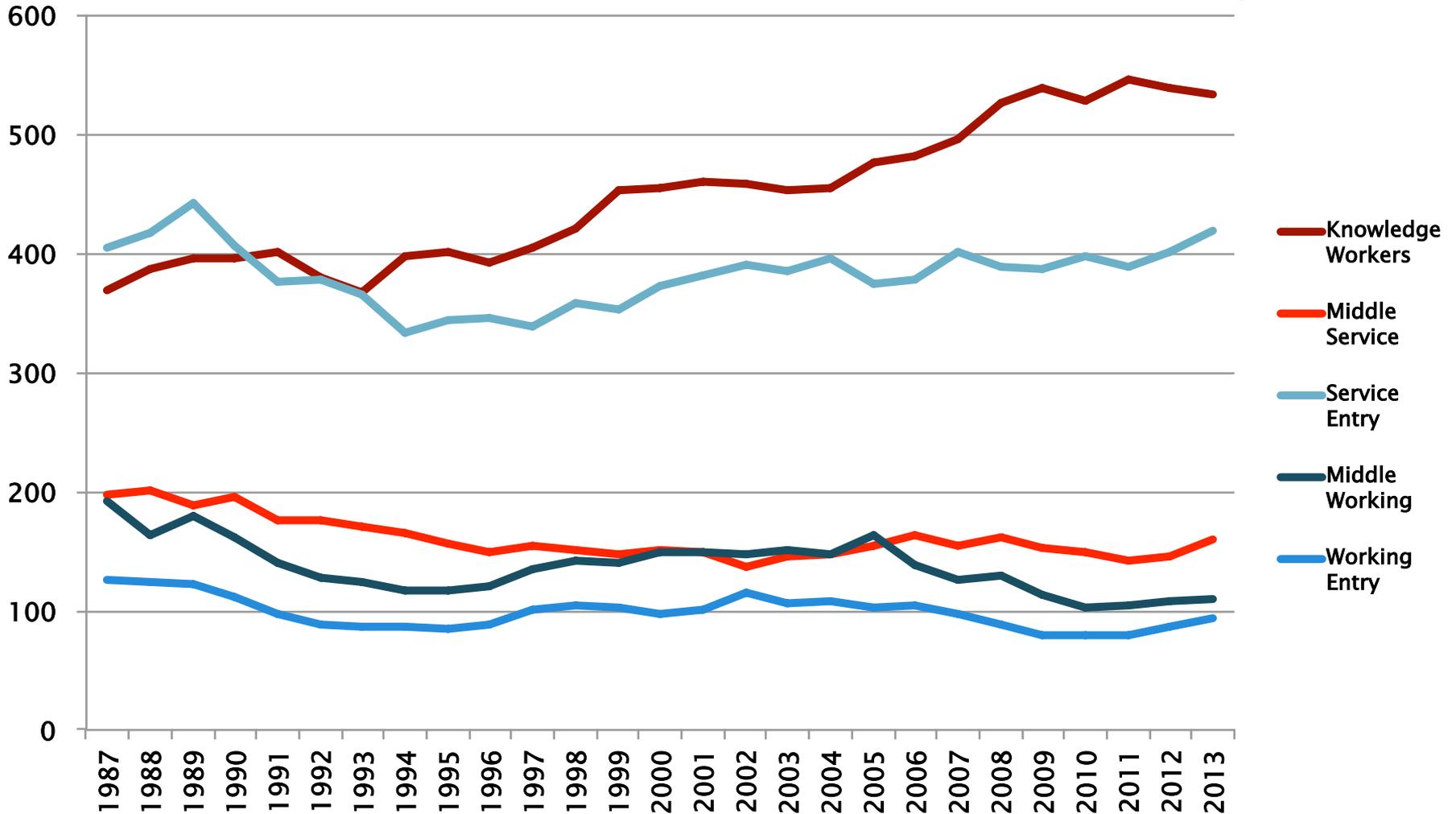
John Stapleton
Metcalf Foundation
October 20, 2017
Munk Centre

Change in Share of Employment, Canada

(Richard Florida)



Labour Market in Toronto over past 25 years

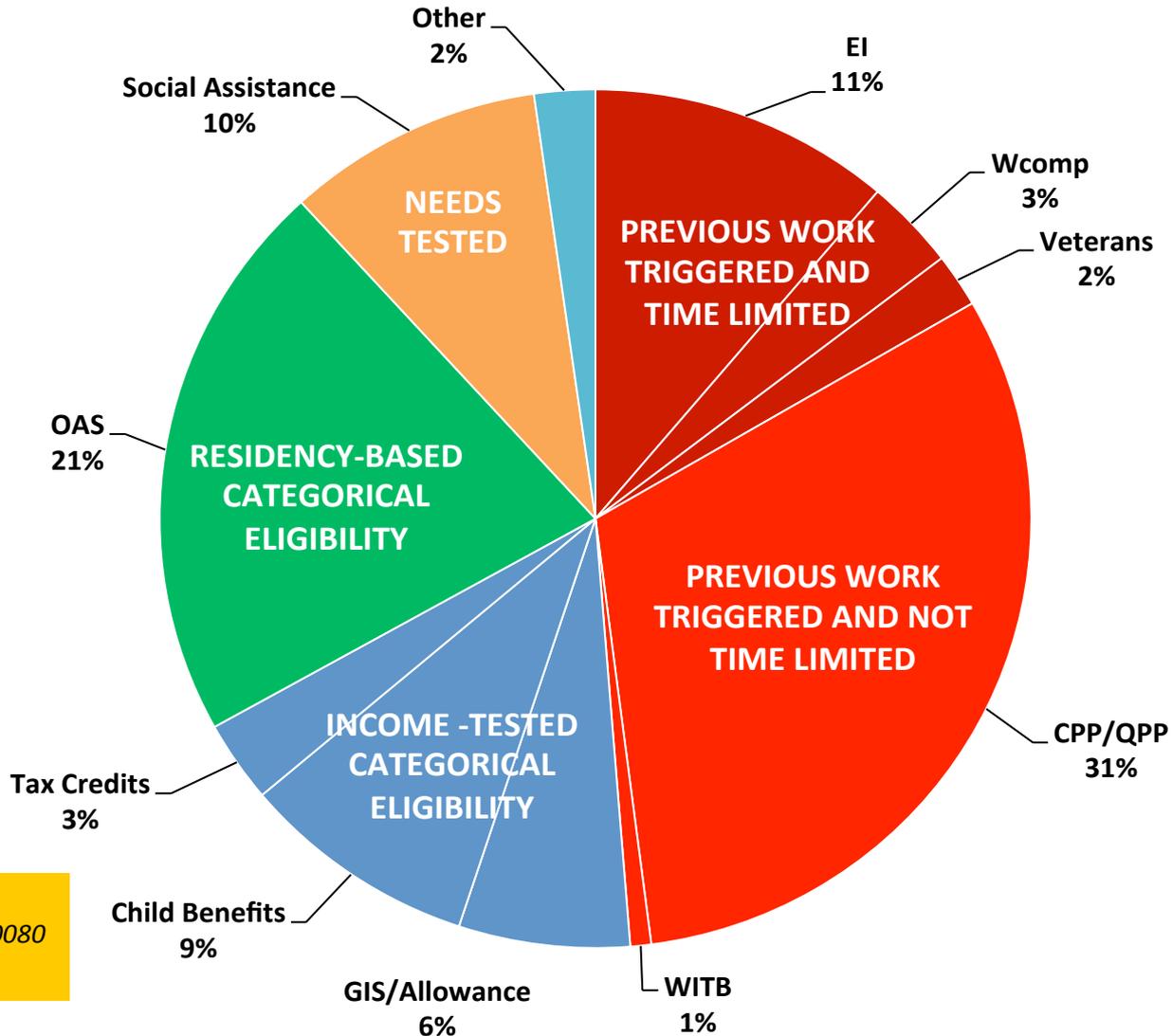


Canada's Income Security System

Canada's Income Security System - Proportionality

Target Group	Percent of Population	Share of Income Security System	Difference
Aged	16.5%	52%	+35.5%
Children	19.3%	9%	-10.3%
Working age adults	64.2%	38%	-26.2%

CANADIAN INCOME SECURITY EXPENDITURES BY ELIGIBILITY CRITERIA 2016-17 (\$170 B)



Sources:
CANSIM table 380-0080
Open Policy

Work Triggered income security vs. In Work programs

- Programs that provide benefits based on previous work, mostly temporary in nature and inadequate for the poor:
- **EI, Workplace benefits, Workers' comp., Veterans' benefits, and CPP**
- Programs that provide in-work benefits:
- **Social Assistance, EI (working on claim) and the WITB**

Why Canada needs progressive reforms in employment insurance



ANDREW JACKSON >
SPECIAL TO THE GLOBE AND MAIL
OCTOBER 26, 2017

Andrew Jackson is adjunct research professor in the Institute of Political Economy at Carleton University, and senior policy adviser to the Broadbent Institute.

Employment Insurance flies beneath the political radar much of the time, but remains an important and relevant part of the Canadian social safety net. Changes are needed to respond to new labour market realities, but the program should not, as some argue, be folded into a universal basic income.

EI consists of regular unemployment benefits; special benefits such as maternity, parental and sick leave; and employment benefits such as job-search assistance and training. In 2015-16, 1.9 million new claims were made, and total income benefits paid amounted to \$17.7-billion.

STORY CONTINUES BELOW ADVERTISEMENT

Introduced more than 75 years ago in the aftermath of the Great Depression, EI is a social insurance program primarily designed to provide income security during periods of temporary unemployment owing to job loss, sickness or care of a new child. Benefits are mainly financed through employer and worker premiums. While the program is redistributive over all, coverage of employees is universal, and most workers benefit from it at some time in their working lives. The objective of income stabilization for individuals is at odds with most calls for a redistributive basic income based on family income.

The Liberal federal government made deep cuts to regular unemployment benefits in the mid-1990s, raising entrance requirements in terms of the number of hours worked to qualify, cutting the duration of benefits and freezing the maximum weekly benefit for more than a decade. Some \$60-billion of surplus premiums were used to reduce the federal deficit as the proportion of the unemployed eligible to collect benefits fell to less than four in 10.

It is often argued that EI does not adequately respond to today's reality of more precarious, insecure and low-paid work. This is true to a considerable degree, given the decline of full-time, permanent, stable jobs, but also misleading.

Involuntary unemployment is a risk facing many of today's workers, and changing times underpin increasing economic insecurity for the middle class. Contrary to myth and misleading anecdotes about high unemployment regions in rural Canada, only 21.5 per cent of new claims for regular EI benefits are filed by so-called frequent claimants who have collected benefits more than three times over the previous five years. This is less than the 26.6 per cent of claimants who are "long tenure" workers who have made very little, if any, use of the program in the past. The remaining 51.9 per cent are occasional users.

The average claimant receives a weekly benefit of \$446 for twenty weeks, a little short of the maximum weekly benefit of \$543. This is a limited social safety net for a world of work in which job loss is likely to become an even more frequent occurrence, often leading to workers taking new jobs at much lower wages.

EI could and should be changed to provide greater income security to higher paid workers; for example, by raising the level of maximum insurable earnings from the current level of \$51,300 and raising the replacement rate from today's 55 per cent of insurable earnings up to the maximum.

For low paid and insecure workers, roughly the bottom one-third of the work force, EI provides at best only limited support and assistance during periods of unemployment. Most fail to qualify at all due to insufficient hours of work and other reasons. This also excludes them from maternity leave, sick leave and EI-funded training programs.

STORY CONTINUES BELOW ADVERTISEMENT

quit previous jobs with just cause and those whose employers fail to provide records of unemployment. Even if low-income workers do qualify, a benefit of 55 per cent of previous low earnings is not enough to live on.

The Trudeau government recently made it easier for many precariously employed young people, women and recent immigrants to access the EI system by eliminating the 900-hours threshold for new entrants and re-entrants. But there is a need for much closer consultation with labour, employers and community-based organizations on wider reforms needed to make the program more inclusive for those who need the most support.

The Mowat Centre, the Atkinson Foundation and the Broadbent Institute recently convened a roundtable discussion on EI, engaging employers, labour, community organizations, activists and academic experts. While no consensus was reached, there was broad agreement that the federal government should much more closely involve stakeholders in discussions of EI reform.

As detailed in a paper for the Mowat Institute by Donna Wood, EI began as a program run by a tripartite employer, labour and federal government commission. If EI is to be made more relevant to a changing job market, this tradition of close involvement of social partners should be renewed.

PLAY VIDEO
1:36

Carrick Talks Money: The sad but true reality of future investment returns
(THE GLOBE AND MAIL)

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ANDREW JACKSON >
SPECIAL TO THE GLOBE AND MAIL
PUBLISHED NOVEMBER 28, 2017

Andrew Jackson is adjunct research professor in the Institute of Political Economy at Carleton University, and senior policy adviser to the Broadbent Institute.

In last month's fall economic statement, the federal government promised to enhance the Working Income Tax Benefit (WITB) through additional annual funding of \$500-million starting in 2019. Canadians were invited to provide input on how the additional funding should be used, with the details to be announced in the 2018 federal budget.

The WITB is a refundable tax credit paid to single people and families with low earnings and is intended to raise the incomes of the working poor and to provide an incentive to move from welfare to work.

STORY CONTINUES BELOW ADVERTISEMENT

But, while the new funding is welcome, the WITB is relatively ineffective in raising the incomes of the working poor, and does not greatly help social-assistance recipients transition to employment.

It should be reformed so as to provide a supplement to wages in real time, should provide a higher maximum benefit and should be phased out much more slowly as employment income rises so as to reduce high marginal tax rates for the working poor.

In conjunction with higher minimum wages, an enhanced WITB could serve as a meaningful response to the rise of precarious and low-paid jobs. Currently, some 70 per cent of working-age Canadians living in poverty have some (albeit often very little) employment income, and about one in five working Canadians are employed in insecure and/or low-paid jobs that fail to provide an adequate income for those who do not live with higher earners.

In 2016, the WITB paid out \$1.1-billion in refundable tax credits to 1.4 million Canadians, making the average benefit less than \$1,000 a year. Thus, the WITB is a small source of income for low-income, working-age households, amounting to only about 2 per cent of total income supports for this part of the population.

Following a recently announced increase of \$250-million a year from 2019 to cushion the impact of increased Canada Pension Plan (CPP) premiums, the WITB will provide a maximum annual benefit to singles of \$1,192. Benefits are phased in above earnings of \$3,000, and are phased out at a rate of 14 per cent on incomes of more than \$12,000. No benefit is paid once net income rises above about \$21,000.

For families (mainly single parents with children), the maximum benefit is \$2,165, phased out at the same rate of 14 per cent as incomes rise above \$17,000. (Note that program parameters differ somewhat between the provinces.)

For both singles and families, benefits are phased out at levels of income that fall well below the poverty line. A single person is, using Statistics Canada's Low Income After Tax measure for 2015, considered to be living in low income if she has an after-tax income of less than \$22,352 (\$31,611 for a two-person household).

STORY CONTINUES BELOW ADVERTISEMENT

The WITB provides almost no benefit at all to low-income, full-time, full-year workers, even those earning the minimum wage, and is most likely to be received by social assistance and Employment Insurance (EI) recipients who earn modest amounts in part-time and/or temporary jobs. Remarkably little data are available, but take-up seems to be mainly among younger singles and single parents.

employment income.

Consider a so-called "employable" single person in Ontario receiving a meagre social-assistance benefit of about \$700 a month. If that person finds a low-wage, temporary job, earnings above \$200 in the month up to about \$1,500 a month are effectively taxed back at a rate of 50 per cent through a lower benefit. And this does not take into account deductions from a paycheque such as EI and CPP premiums and income tax, as well as the possible loss of income-tested health, housing and child-care benefits.

Social policy experts such as John Stapleton and Richard Shillington have shown that social-assistance recipients can face marginal tax-back rates of more than 100 per cent even at earnings levels that fall far short of the poverty line. Note that the 50-per-cent clawback on social assistance plus the 14-per-cent phase-out of the WITB result in at least a 64-per-cent reduction of net earnings for persons on low wages trying to leave social assistance.

It is perverse that we allow the very rich to pay low effective tax rates by using various shelters and loopholes, while we impose extremely high marginal tax rates on the working poor.

It follows that the WITB benefit has to be much higher, and to phase-out much more slowly, if it is to alleviate poverty and meaningfully promote transitions from welfare to work.

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Another key problem with the WITB is that benefits are largely paid out after the fact, based upon the prior year's taxable income. A person has to claim benefits on her or his tax form, and can only then receive a maximum of 50 per cent of the WITB benefit over the following year as quarterly payments. Few people are even aware of this provision.

Take-up is much lower than for programs such as the Guaranteed Income Supplement for seniors in which there is automatic enrolment and monthly payment of benefits.

As with persons who work while on an active EI claim, there should be a monthly WITB benefit linked to real-time earnings. This could be delivered in the form of an increased social-assistance payment for those with a current claim.

The WITB could, and should, be an important part of Canada's social policy tool kit, working with higher minimum wages to help the working poor. But much more needs to be done.