The Canadian Experience with Social Partnerships through Advisory Committees
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:

- National Employment Committee 1941-1965
- UI Advisory Committee 1941-1976
- Canada Employment & Immigration Advisory Committee 1977-1992

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 it’s 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 that …..the 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.


**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. It 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:

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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.