The International Experience with Social Partnerships
Background Paper for Atkinson Employment Insurance@75 Project
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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

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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 (IRC)s 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 ‘proprieters’ 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.