A European Unemployment Benefits Scheme: Lessons from Canada

Donna E. Wood

No. 2017-02 / January 2017

Abstract

In many federal political systems, responsibility for unemployment has a multi-tiered architecture, with competence for key elements – including unemployment insurance, social assistance, and the public employment service – dispersed across different orders of government. This paper tells the story of the long transformation of unemployment insurance into a federal responsibility in Canada, and seeks to identify lessons from Canada's experience that might be useful as Europeans consider the potential of an EU-wide unemployment benefits scheme in response to the financial and euro crisis that started in 2008. Most European scholars look to the United States for transferable ideas. I argue that Canada is a more salient comparator, given that it has similar institutional features to the EU, and has successfully managed a pan-Canadian unemployment insurance benefits scheme for over 75 years. Lessons for the EU from Canada include the place of a centrally managed unemployment insurance programme in a monetary union, and insights with respect to stabilisation, labour mobility, redistribution, social solidarity, legitimacy, and institutional moral hazard.

ISBN 978-94-6138-573-4
Available for free downloading from the CEPS website (www.ceps.eu)

CONTENTS

A European Unemployment Benefits Scheme: Lessons from Canada

Donna E. Wood*

CEPS Working Document No. 2017-02 / January 2017

Introduction

Following the devastation of two world wars and the Great Depression, by the middle of the 20th century most Western countries had established a system of taxes, benefits, and public services to combat unemployment, redistribute income to citizens in need, and promote and protect employment. As a cornerstone of the welfare state, schemes that provide cash benefits vary considerably from one country to another, and often differentiate between entitlement-based contributory programmes (called unemployment insurance or UI) versus means-tested last resort safety nets (called social assistance). Regardless of form, these schemes are almost always deeply connected to a public employment service that promotes labour market attachment through active employment measures, conditions regarding the receipt of benefits, and match supply and demand through information, placement, and resources to support worker mobility.

In many countries income benefit schemes − and active measures – have a multi-tiered architecture, with responsibility dispersed across different *orders* of government. This is certainly the case in the Canadian federation, where in 2017 responsibility for unemployment insurance is federal, social assistance is provincial, and the public employment service is shared. This was not always so, however; it required a constitutional amendment in 1940 and considerable federal-provincial discord and negotiation for all governments to agree to assign responsibility for unemployment insurance benefits and the public employment service to the federal government. Administrative agreements starting in 1996 shifted most responsibilities for the public employment service back to the provinces.

Responsibility for employment matters in the European Union (EU) has also shifted over time. The 1957 Treaty of Rome moved a few employment competences from member states to the EU level, primarily in the area of equal pay for equal work (MacRae, 2010). Recognising employment as a matter of common concern, in 1997 the European Employment Strategy

* Donna E. Wood is an Adjunct Assistant Professor in the Department of Political Science at the University of Victoria, British Columbia, Canada. She has published on federalism and social policy in Canada, the United Kingdom, and the European Union. She would like to thank Frank Vandenbroucke and Chris Luigjes (University of Amsterdam) for drawing her into the analysis of a European Unemployment Benefits Scheme (EUBS). Funded by the European Commission, this work has been undertaken by a consortium led by CEPS with five other partners. CEPS' work on an EUBS can be accessed here www.ceps.eu/topics/unemployment-insurance. She would also like to thank Amy Verdun (University of Victoria) for drawing her into the Canada-Europe Transatlantic Dialogue work comparing Canadian and EU approaches to governance in their multilevel systems. Most of this research can be accessed here http://labs.carleton.ca/canadaeurope/.

officially gave the European Commission responsibility for EU-wide coordination of employment policy. In 2016 and 2017, work is underway to assess the pros and cons of a potential European Unemployment Benefits Scheme (EUBS) as a means to stabilise income and help the unemployed in weaker parts of the Union, especially after the financial and euro crisis that started in 2008. Some also envision such a scheme as a means of creating a sense of European citizenship.

The EUBS modelling undertaken to date has focused on two broad variations: *equivalent* schemes involving transfers to and from member states, or *genuine* schemes that would pay benefits to unemployed individuals directly.[1] Regardless of form, the very idea of an EUBS causes concern among many European citizens who resist initiatives that smack of 'more Europe' (MacRae and Wood, forthcoming). Others believe that a system of joint insurance against social risks is exactly what Europe needs to overcome the shortcomings of the single currency (Vandenbroucke, 2016).

Canada has had a federal unemployment insurance benefits scheme since 1940. It bears strong resemblance to the *genuine* scheme being examined in the EU. Providing partial income replacement for workers who become involuntarily unemployed, the scheme is managed directly by the Government of Canada through Service Canada offices across the country. It also provides benefits to new parents, those with illness or injury, and caregivers with gravely ill family members. There are also work-sharing components. Renamed 'Employment Insurance' or EI in 1996, the programme is fully financed by employer (60%) and employee (40%) contributions, with the account expected to balance over a defined period. Even though federally regulated, designed, and delivered – with some input from the social partners – eligibility requirements and benefit duration vary with the unemployment rate in designated regions across the country. However, there are uniform contribution and benefit rates.[2]

If unemployed Canadians need funds when their UI benefits expire (or if they are not eligible in the first place) they must approach their respective provincial/local government to see if they qualify for social assistance benefits. Each province makes its own eligibility and benefit rules and shoulders most of the social assistance benefits costs; other than a federal requirement not to impose residency conditions, there are no national standards. Although public employment services are primarily designed and delivered by provinces, most of the money comes from the Government of Canada through conditional grants financed from the EI account. As a result of these arrangements, there is considerable interdependence among these different parts of Canada's social protection system. Ensuring that the alignment of responsibilities works optimally across governments so that citizens' needs are met and federal-provincial discord is kept in check is an ongoing challenge.

[1] See page 11 for further details.

[2] Québec offers a different parental benefits programme, coordinated with the national programme. The EI operating account is a consolidated special purpose account. While the EI programme revenues and expenditures pass through it, its transactions are part of the Public Accounts of Canada (Leonard, 2014).

The purpose of this paper is to identify potential lessons from the development and operation of Canada's unemployment insurance scheme that might be useful to Europeans as they consider the potential for an EUBS. Most EU scholars look to the United States (US) for transferable ideas, as it is the political system that most resembles the EU in terms of its size, and political and economic development (McKay, 2001, p. 4). There are a number of reasons that make Canada a much more salient comparator, however. Most importantly, Canada and the EU are multinational entities with deep diversity. Each has distinct nations. The constituent units in each – provinces (in Canada) and member states (in the EU) – are powerful, making Canada a much more decentralised federation than the US. This occurred primarily because in the US the courts have widened federal and narrowed state powers whereas the opposite is true in Canada (Parliament of Canada, 2016). Canada and the EU's similar need to work across orders of government to achieve optimal solutions has institutionalised "habits of accommodation" through intergovernmental relations in a way that does not occur in the strongly polarised two-party system of the US (Verdun, 2016).

The 2016 signing of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) has demonstrated that both Canada and the EU are committed to free trade and are not protectionist in orientation. Unlike the United States, which in 2016 fought an election focused on keeping immigrants out, 80% of Canadians think that they are good for the economy. While the social safety nets in both Canada and the EU have become more tattered over the past 20 years, they are resilient, with less income inequality than in the US. "Compared with the United States, Canada's losers are less wretched and its winners less obnoxious" (The Economist, 2016, p. 18).

I start by fleshing out the key similarities and differences between Canada and the European Union, especially in their respective governance structures. Next, I outline critical junctures in the development of Canada's employment programming architecture, including the factors that led to significant re-alignments of responsibilities between governments in 1940 and 1996. Then I look at the context for and the case that has been put forward for a European Unemployment Benefits scheme. I conclude by identifying lessons from Canada's unemployment insurance experience with respect to stabilisation, redistribution, mobility, social solidarity, legitimacy, and institutional moral hazard that might prove useful as the EU considers an EUBS.

Key Similarities and Differences between Canada and the EU

As the world's third oldest federation – now approaching its 150th anniversary – Canada was established in 1867 through the British North America (BNA) Act that unified the colonies of New Brunswick, Nova Scotia and what was then called 'United Canada', known today as Ontario and Québec. Between 1870 and 1949, six new provinces and three territories joined the federation.[3] In 2017, Canada has 13 constituent units with a total population of over 35 million covering the second largest land mass in the world. While the Canadian federation was sorely tested in 1980 and 1995 when the province of Québec held referendums on whether to become an independent country, with their failure the large majority of Québeckers now accept their place in one of the most united and prosperous countries in the world (Simpson, 2016).

Created in 1958 following the devastation of the two wars, the European Union started with six member states (Belgium, France, West Germany, Italy, Luxembourg and the Netherlands), and has grown over time to encompass 28 member states with more than 500 million inhabitants.[4] Described at various points in its development as an international organisation, a supranational regime, and a confederation, the European Union is today a type of federal system in its own right. As in Canada, powers are both divided and shared, and no one order of government is constitutionally and/or politically authorised to monopolise decision-making or otherwise impose its will unilaterally. Governance in both involves bargaining and negotiation among the system's multiple centres of power through intergovernmental relations (Kincaid, 2015).

Unlike other federations with a single language and culture such as the United States and Australia, Canada and the EU must manage across multiple official languages and cultures, more than two in Canada and 24 in the EU. This impedes the mobility of labour in the EU much more than in Canada, as unemployed people are more reluctant to move for work. In 2011, only 0.2% of Europeans migrated from one EU country to another, compared to 3% of Canadians who moved provinces (Grant, 2015, p. 18).

Canada's welfare state developed as the federation matured and is embedded within it. The federal government established a strong social role after World War II when provinces were financially and politically weak. The federal pieces – with similar programmes available to all citizens − are closely intertwined with Canadian identity. Even provincial programmes are largely alike due to conditional federal funding that was made available during their formative years. By contrast, a pan-European social dimension has been gradually added on top of pre-existing welfare states that vary widely between member states in terms of programme generosity and the weight given to specific components (for example, health care vs. income support vs. child care). Unlike citizens in Canada who identify with both Canada and their home province and pay taxes directly to each – legitimatising elections and the importance of duly elected governments at the two levels − most EU citizens identify more with their individual country than with Europe as a whole (Wood and Verdun, 2011). Without an EU-wide demos and a direct citizen-to-EU tax relationship, parliamentary elections in the European Union are often fought more on national than European issues.

[3] When 'province' is used in this paper it generally includes the territories. Territories have fewer constitutional and fiscal powers. The terms 'Government of Canada', 'Ottawa', and the 'federal government' mean the same thing. Ottawa is Canada's capital city and the seat of federal power.

[4] In June 2016 the United Kingdom served notice that it plans to withdraw from the EU. This would reduce the EU to 27 member states.

Canada's brand of federalism generally follows the classic dualist model whereby each order of government has exclusive responsibility over different policy sectors, covering both legislative and executive functions. Provinces control their natural resources and have a high level of taxation power, giving them considerable fiscal autonomy in comparison to other federations.[5] As the welfare state developed, the federal government came to play a large redistributive role (about 31% of all federal spending in 2015, or 4.1% of GDP) through programmes that touch citizens directly by way of money sent to support the unemployed, elderly, and children (Finance Canada, 2015). This provides a sense of pan-Canadian citizenship and reinforces the legitimacy of the federal government and its role in citizen well-being.

By contrast, in the EU powers are mostly shared, with the EU level assigned the capacity to adopt rules that are then carried out by the member states. The system is almost fully integrated, with the EU institutions relying heavily on member states to implement EU laws and programmes (Levrat, 2015). As a result, European citizens see the EU role as more technocratic, distant, and constraining on decision-making within their own country, as opposed to offering something positive and necessary to their well-being (Hurrelmann, 2016). This viewpoint was on full display in June 2016 when the British people voted in a referendum to exit the European Union. The technocratic rationality of the EU – and the complex intergovernmental logic that underpins its workings – does not appeal to parts of the electorate that are working class, less educated, older, live outside metropolitan areas, or perceive themselves to be losers of globalisation (Hurrelmann, 2016).

The European Commission has two very significant competences that the Government of Canada lacks. First, it holds the 'right of initiative' in matters contained in the treaties: the power to start a legislative process, formulate an initial plan, set the agenda, and determine the process to achieve its goals. Second, it must guarantee respect of the treaties, thereby defending the EU's general interest against member states' national interests (Levrat, 2015). These powers give the Commission a role in facilitating pan-European dialogue and coordination, including overseeing member state activity. The Government of Canada does not possess such powers; instead 'the federal spending power' enables Ottawa to tax Canadians and decide where to spend the money raised, even if the expenditure is in areas of provincial competence. Unlike the EU, where member states are intricately involved in making decisions that they will ultimately carry out, in Canada – given the constitutional separation of powers – provinces are not necessarily part of this federal decision-making process. Over time federal action in areas that it has deemed as needing a 'national' approach − and Québec's efforts to control it − almost broke the country apart in two referendums on whether Québec should become an independent country. The Government of Québec has yet to sign the 1981 Constitution repatriating amendment authority from Great Britain.

As a result of the federal spending power, over time a variety of grants and transfers to provinces and territories have been implemented in Canada, constituting in 2015 almost 25% of

[5] Federal transfers in Canada are only 19% of total provincial revenue compared to 65% in Belgium and 25% in Switzerland (Beland and Lecours, 2016, p. 3).

all federal spending or 3.3% of GDP (Finance Canada, 2015). Included in this federal redistributive spending is a constitutionally protected equalisation programme, intended to ensure that all provinces have the resources needed to provide 'reasonably comparable' programmes to its citizens. There are also dedicated federal health and social transfers that cover part of the cost of provincial health care, post-secondary education, social assistance, social services, early childhood development, and child care programmes.[6]

By contrast, the EU budget represents less than 1% of overall EU GDP. Since the total amount of the EU budget is determined by member states that must individually contribute to it, they have retained firm control over spending at the EU level and are determined to keep it to a minimal level through the principle of 'subsidiarity' in order to prevent encroachments on their competence. Compared to the Government of Canada, EU spending occurs on the margins of the much larger spending by member states. All EU money that is redistributed goes to member states or their regions, not to individuals. Most funding on social policy matters is allocated to the European Social Fund, the Youth Employment Initiative, and European Aid to the Most Deprived.

Canadian Developments in Employment and Unemployment

Deciding responsibility 1918-1940

While municipal governments (as well as religious institutions and charities) had long provided last-resort relief to widows and the indigent, provincial and federal governments did not become seriously involved in employment matters until 1918 when the federal government enacted – with provincial approval – the Employment Offices Coordination Act. Constitutionally, provinces were responsible for regulating private employment agencies, workplace health and safety, and employment standards. However, federal involvement was felt to be necessary to guard against social unrest following demobilisation after the First World War. The solution was to establish the Employment Service of Canada (ESC) as a national network of provincially operated labour exchanges, funded in part by the federal government through conditional grants. This early shared-cost approach for the ESC reinforced the province's jurisdictional claim over the labour field (Pal, 1988).

Alongside implementation of the ESC, increased attention was also being given to the need for an unemployment insurance benefits scheme. Starting in the autumn of 1930, the Canadian economy began a steep slide into depression; at its depth in 1933, 30% of the Canadian population was unemployed and one-fifth was dependent on municipal relief. While

[6] Equalisation and social transfers are funded 100% from federal revenues. Equalisation payments are made to 'have-not' provinces based on a formula that calculates the difference between the per capita revenue yield that a particular province would obtain using average tax rates and the national average per capita revenue yield at average tax rates. They are unconditional. In 2016 six provinces received these payments. Beland and Lecours (2016) noted that provinces receiving equalisation payments consider them as an expression of national unity. Social transfers are paid on a per capita basis to all provinces and are not based on need. Some conditions apply.

municipalities saw themselves as having a duty to their residents, they resisted supporting non-residents from the municipal tax base (Banting, 2005). The impact of the Great Depression was especially hard on the western provinces; even with federal loans many were effectively bankrupt.

Gradually Canadians came to accept that all citizens were at risk of unemployment, not just those with personal shortcomings. Consensus also began to grow that the federal government needed to take on more responsibility for the unemployed. A number of arguments were made. As the causes of unemployment were national and international in scope, the remedy could not be left to municipalities and provinces. If Ottawa was constitutionally responsible for economic policy and immigration, this made it responsible for the country's labour supply. If people were prepared to move to find work, uniform administration was necessary to ensure the same level of benefits, otherwise some places would become 'welfare magnets' for the indigent. Likewise, if employers were to contribute, approaches needed to be similar across the country to ensure no competitive disadvantage (Struthers, 1983; Pal, 1988).

Looking to the American experience with unemployment insurance, Canadian officials saw the complexity of the different state schemes and concluded that it was more efficient for Canada to organise the service nationally (Struthers, 1983). However, given the constitutional division of powers, realising the necessary changes was a huge challenge. In 1935 a federal Employment and Social Insurance Act was introduced; it was struck down by the courts in 1937 as unconstitutional. The 1940 Rowell-Sirois Royal Commission on Dominion-Provincial Relations highlighted the flaws in the Canadian constitution where the federal government had most of the revenue-gathering powers yet provinces had more expenditure responsibilities. It recommended that Ottawa take control of unemployment insurance and pensions.

By the late 1930s and in the wake of World War II, the federal-provincial wrangling that had gone on for a dozen or more years over who was responsible for the unemployed came to be seen as unpatriotic. In addition, provinces were keen to reduce their relief expenditures. By making Ottawa responsible for some of the unemployed the burden could be shared. After receiving the consent of all nine provinces, in 1940 a new paragraph 91(2A) was inserted into the BNA Act, authorising unemployment insurance, or UI, as an *exclusive* federal responsibility (Struthers, 1983).

Federal officials developing the new UI programme concluded that nationalisation of the provincially run Employment Service of Canada would eliminate the problems of joint federal-provincial administration, including Ottawa's inability to influence how provinces operated the service (Struthers, 1983). Provinces did not object as many interpreted the UI amendment as conferring upon the federal Parliament responsibility and jurisdiction for all of the unemployed (Marsh, 1943). As a result, the provincial ESC offices were closed and staff transferred to the Unemployment Insurance Commission, a new federal tripartite 'arm's length' agency set up to administer both the unemployment insurance and public employment service.

Although the Rowell-Sirois Commission had recommended that Ottawa take over responsibility for all of the unemployed, Prime Minister Mackenzie King was adamant that relief or social assistance should not be included in the federal scheme, as otherwise there would be pressure for a national minimum income that would lead to federal bankruptcy. He saw the threat of municipal or provincial bankruptcy as the only check on the constant pressure to increase benefits and ease eligibility for the federal programme. In his view, applying the principle of 'less eligibility'[7] was best assigned to the level of government closest to the taxpayer (Struthers, 1983).

Federal expansion 1940-1980s

After World War II, Canada's federal government deliberately set out to create a pan-Canadian citizenship intended to "weaken regional loyalties and enable Canadians to participate in a new set of economic and social institutions that expressed bonds shared from sea to sea" (Martin, as quoted in Maxwell, 2001, p. 3). The main instrument of federal 'statecraft' was the development of the welfare state (Banting, 1995). Funded through the extraordinary surge in economic growth following the war, unemployment insurance was introduced in 1940, family allowances in 1944, and old aged security in 1951. These were all under direct federal control.

Because provinces had jurisdiction over education, health care, and social assistance, Ottawa could not act unilaterally. This led to a complex set of cost-sharing arrangements designed to ensure provincial autonomy while taking advantage of federal funding. With this funding, provinces modernised and expanded their social programmes. But they could only do so according to federal rules. Over time, all provinces came to resent the federal controls.

In 1971 the scope of the federal UI programme was broadened to cover all employees and unemployment due to sickness, temporary disability and pregnancy. The replacement rate was increased and benefits were extended to high unemployment regions. Employment services were expanded to cover people not in receipt of unemployment insurance benefits. These were all unilateral federal decisions, made possible as UI was an *exclusive* federal responsibility.

Federal contraction and re-alignment to the provinces, 1980s-2010

By the early 1980s, unemployment insurance had become the largest operating programme of the federal government. With a debt burden of 40% of GDP, by the early 1990s Canada had hit a 'debt wall'. In 1995, Ottawa embarked on programme and spending cuts in *all* areas of federal spending. As part of a plan to reduce UI costs, the programme was rebranded as Employment Insurance or EI,[8] and officially split into Part I (income benefits) and Part II (employment benefits and support measures). Qualifying periods were increased and changed from weeks to hours. Other eligibility restrictions were imposed. These changes had very negative impacts on the Atlantic provinces and Québec, whose citizens were heavy users of UI due to their seasonal industries. Over time UI had become an instrument of interregional equality, providing benefits

[7] The principle of 'less eligibility' draws from the British Poor Laws. Effectively, it means that a person who is able-bodied has to be destitute in order to qualify for poor relief.

[8] Despite the name change, this paper will continue to refer to Canada's Unemployment Insurance scheme as UI.

and services not otherwise sustainable without federal help.[9] Provincial politicians and advocacy groups mobilised to attack the federal changes, exacerbating cross-Canada tensions over UI.

Federal deficit reduction plans also impacted federal transfers to provinces. All money for health care, post-secondary education, social assistance, and social services was unilaterally combined into a single reduced transfer. Québec had long wanted control of manpower training and the public employment service. When the second Québec referendum was narrowly defeated in 1995, the Government of Canada offered to transfer responsibility through administrative agreements, not constitutional reform. It took over 14 years for all 13 provinces and territories to take on these responsibilities through the transfer of federal staff, funding, and assets.

Canada's employment programming in 2016

Over the past 20 years fiscal restraint, devolution, and the end of conditional cost-sharing of social assistance have seriously weakened the leadership role of the federal government in employment matters, leading to a much more decentralised Canada. While provinces are now responsible for the design and delivery of most elements of the public employment service, Ottawa has remained the prime funder and also manages programmes for defined disadvantaged groups. It continues to lead on pan-Canadian employment initiatives, labour market information, and labour mobility.

The share of unemployed workers receiving unemployment insurance payments has fallen from a peak of 84% in the early 1990s to just over 40% today. Half of the drop was due to the restrictive changes to the UI system implemented in the early 1990s, while half was due to ongoing structural changes in the labour market (i.e. more part-time, temporary and self-employed workers). The main groups impacted by the changes to UI are youth and immigrants who have little or no previous attachment to the labour force, as well as low skilled individuals (Gray and Busby, 2016). A smaller federal safety net means that more of the unemployed have had to rely on provincial social assistance, their family, the underground economy, or charity such as food banks. Homelessness and inequality have increased across Canada (Banting and Myles, 2013; Gaetz et al., 2016).

Compared to other countries, Canada has one of the lowest scores with respect to overall strictness of eligibility for UI benefits (Langenbucher, 2015, p. 27). In their *Back to Work* series, the OECD (2015, p. 107) noted that the Canadian scheme was more generous for seasonal workers, less generous for long-tenured workers, and very restrictive for people with short-term unemployment spells. In work undertaken for the Government of Canada in 2005, Van Audenrode et al. concluded that the Canadian UI scheme was slightly less generous than those in Scandinavian countries but more generous than the schemes in the UK and the US. A more recent assessment – undertaken as part of the background work on a European Unemployment Benefits Scheme – considered the generosity of Canada's scheme in 2013 as low compared to

[9] For example, in 1992 the net interprovincial transfer from UI was calculated at +$1,415 in Newfoundland vs. -$168 in Ontario (Banting, 1995, p. 282).

seven other countries, as was public spending on UI and active measures as a percentage of GDP. However, it was better than in the United States (Vandenbroucke et al, 2016, p. 25-28). In 2016 (p. 93) the OECD noted that the weak finances of the US scheme had significantly weakened the programme's effectiveness as a counter-cyclical stabiliser. For example, benefit duration in some states had been reduced from the typical 26 weeks to 16. It recommended an independent Commission to study the US scheme.

The Case for a European Unemployment Benefits Scheme

The euro and financial crises that started in 2008 have resulted in higher unemployment, increased forms of precarious work, and more risk of poverty and social exclusion across the European Union. Providing for the unemployed in Europe is almost exclusively a member state responsibility. However, the capacity of member states in the EU to stabilise income during a downturn varies widely given differences in national UI schemes: from less than 10% in Greece and Slovenia to up to 25% in continental and Nordic countries (Fattibene, 2015). To date, the EU role in employment has primarily been one of coordination, directing, and facilitation (through the Open Method of Coordination), plus offering member states some limited financial support (primarily through the European Social Fund) to facilitate policy convergence and work towards overall EU-wide objectives. MacRae and Wood (forthcoming) calculated that less than 8% of the EU budget in 2015 was earmarked for social policy programmes. The comparable figure for the Government of Canada budget was 49%. This EU role has not fundamentally changed since the 1957 Treaty of Rome, even though the scope of issues under EU coordination has increased substantially.

Unemployment benefit schemes can play a major role in responding to economic shocks like the 2008 financial crisis as they almost immediately replace incomes lost from unemployment. Between 2009 and 2011 the federal government in Canada gave a financial boost to the UI benefits programme by expanding work-sharing (to avoid layoffs) and by providing an extra 20 weeks of benefits. Funding for the public employment service was also expanded. This also happened in the US, where the duration of UI benefits rose from the usual 26 weeks to as long as 99 weeks.

While there are alternative fiscal stabilisers for the Economic and Monetary Union (EMU), many arguments in favour of a European Unemployment Benefits Scheme (EUBS) have been put forward.[10] First, it would improve the capacity of member states to stabilise income during a downturn, thereby upholding purchasing power and aggregate demand. A partial pooling of fiscal risks at the EMU level would provide all member state governments with greater fiscal capacity, improve the economic resilience of the EMU, and make its institutional architecture more sustainable. Second, implementation of an EUBS would be a driver for structural reform, reduce fragmentation, and enhance convergence across all member state benefit schemes.

---

[10] The following section summarises arguments presented in various CEPS studies, which are available at: www.ceps.eu/topics/unemployment-insurance.

Third, by reducing barriers and facilitating job search across Europe, an EUBS could improve the mobility of labour. Mobility is an important macroeconomic adjustment mechanism to ensure an efficient re-allocation of job seekers from regions with high unemployment to regions that are seeking workers. Finally – and for some most importantly – an EUBS would put a 'human face' on the EU integration project, combatting Euroscepticism and providing a clear signal to EU citizens of EU solidarity in times of hardship. "It would provide an answer to the simple question of a disillusioned European voter: Where is Europe when we need it most?" (Andor, 2014). It would also strengthen the social dimension of the EU, in line with the idea of a European Pillar of Social Rights as proposed by the European Commission in March 2016.

It is noteworthy that all monetary unions – with the exception of the euro area – manage key elements of unemployment insurance at a central level (Vandenbroucke, 2016). In a monetary union, the danger of contamination is greater than in a purely common market. Involuntary unemployment is largely a consequence of shocks to the economy on either the demand or supply side. These can hit selected regions, or hit most or all regions in the union. A centrally managed unemployment insurance scheme pools risk from a central fund, essentially insuring the constituent units against regional economic shocks and volatility in revenues. A central scheme is also a way to deal with externalities and spillover; it ensures that your neighbour's scheme is generous enough to have a stabilising impact so you are not adversely affected. This principle means that minimum requirements – both with respect to the quality of the unemployment insurance scheme as well as the quality of the activation policy – are a key requirement to achieve a common standard for those whose income falls due to job loss wherever they live (Vandenbroucke, 2016).

However, the obstacles to an EUBS are formidable. It would constitute a clear step in the direction of 'more Europe', an approach that many citizens – as evidenced by the June 2016 Brexit vote in the UK – reject. Summoning the political will for change would be challenging, given the high level of reciprocal mistrust and resistance to the idea of sharing resources among the different parts of the EU that was evident in 2016. Then there are the decisions on the form an EUBS would take. The work undertaken by CEPS has modelled two approaches: 1) a *reinsurance* or *equivalent* scheme where financial transfers from an EUBS would occur only from and to member states and 2) a *genuine* scheme that would pay benefits directly to the unemployed, funded through contributions from employers and employees.

An *equivalent* scheme, as modelled in the project led by CEPS, would come with some kind of trigger due to a major adverse event to determine when funds would be transferred to the member state (e.g. when short-term unemployment exceeded its long-term average by a certain percentage). It would not be active all the time and would not replace member state UI schemes. Depending on its design, the earmarking of payouts could be required to ensure that any EU funds received were used for UI benefits. In contrast, a *genuine* scheme would partially replace existing member state UI schemes. Member states would be free to top this up with more generous benefits at their discretion. There would be no special trigger, as any short-term unemployed person deemed eligible would receive a benefit from an EU fund, independent of the rate of unemployment in his/her member state. While designed and funded at the EU level, the EUBS would be implemented through the respective member state framework. The EU-level benefit paid would constitute an individual social right (Vandenbroucke, 2016; CEPS, 2016; Coucheir, Strban and Hauben, 2016).

Building any kind of EUBS on top of existing member states' programmes would necessitate convergence of national UI schemes, labour market policies, and institutional capacity. This is needed to deal with 'institutional moral hazard', ensuring that there are no incentives for member state governments to influence the costs of UI benefits, borne by the centre (Vandenbroucke et al., 2016). An analysis of the legal and operational feasibility of the two types of EUBS schemes shows that there would be more challenges with the implementation of a *genuine* scheme, given the complexity, diversity, and interaction of current member state UI schemes with related programmes (Coucheir, Strban and Hauben, 2016). Substantial legal reforms would be required. It would also entail additional administrative effort and be more complex. These complications would vary from one member state to another, depending on the EUBS programme design.

There is a world of difference between the interpersonal solidarity of a *genuine* scheme and the interregional solidarity of an *equivalent* scheme. Seen from a Canadian point of view, an *equivalent* scheme bears a strong resemblance to Canada's equalisation programme, albeit conditional on member states demonstrating that they used the EUBS money for UI benefits.[11] It would not touch the unemployed directly, and the EU contribution would be known only to those citizens who follow the intricacies of fiscal relations between their various governments. By contrast, the *genuine* scheme is closer to Canada's federally operated EI programme. However, the administrative process would be different; by being delivered by the EU member states it bears more resemblance to the US unemployment insurance scheme that is delivered by the 50 US states under flexible federal rules.

Lessons Learned: Canada to the European Union

It took a crisis of unemployment during the Great Depression of the 1930s for all governments in Canada to eventually agree to a constitutional amendment in 1940 that re-aligned responsibility for unemployment insurance to the federal level. Are the crises that still linger in 2017 the right time to try and make similar changes to the EU's basic architecture? Some would say that an EUBS is "a kind of political science fiction". Others would say that there is no better time to start considering it. When asked what would strengthen the feeling of being a European citizen, 32% of respondents replied "A European social welfare system harmonized between the Member States" (Eurobarometer, 2014).

Canada has had over 75 years' experience with a nationally run UI programme. The first lesson from Canada to the EU is to reflect on why unemployment insurance responsibility was moved to the centre in the first place. In 1969, the Government of Canada (p. 80-82) reflected back on the rationale: "Provincial and local governments cannot by themselves bring under control the

[11] Equalisation payments in Canada can be used by the receiving province for any purpose they choose.

forces that cause unemployment; to do so requires the full panoply of economic powers associated with a nation: fiscal, monetary, debt management, trade, and balance of payment policies and indeed selective economic measures……the viability of unemployment insurance depends upon the successful use by the federal government of these instruments of economic policy: if they fall under federal jurisdiction, so should unemployment insurance". Canadian citizens accept this rationale and the legitimacy of UI as federal competence, even Québeckers where control of the programme was debated again in 2015. The same reasoning would apply to the eurozone; it is appropriate that unemployment insurance become an EU responsibility.

The second lesson is that UI is a better automatic stabiliser than other choices. A number of Canadian studies have been undertaken that reach this conclusion. A 2012 study concluded that "EI is, of course, only one of a large number of automatic stabilisers in the economy – although a particularly powerful one – given that it reacts to booms and busts via EI benefits being paid (in busts) or withdrawn (in booms)" (Dungan and Murphy, 2012, p. 26). Research conducted in the 1990s confirmed that Canada's UI programme acted as a stabiliser in the 1981-82 recession, reducing GDP loss by about 13% in 1982 and by 14% for 1983. It also acted as a stabiliser in the 1990-91 recession. The simulation undertaken confirmed that Canada's UI system reduced the monetary or fiscal shock on GDP, and employment by 15 to 20%. This compared to estimates of 3 to 5% for the stabilising properties of the unemployment insurance programme of the US. If the UI system in Canada had not been operating in the 1982 recession, a further 100,000 jobs would have been lost (Dungan and Murphy, 1995).

Informetrica Limited (July 2012) examined the stabilisation properties of the unemployment insurance programme during the economic slowdown of 2001-02 and the recession of 2008-09. Its study concluded that, during the recession of 2008-09, UI's stabilisation properties attenuated the effect of the economic shock by 0.15% of GDP, or $1.9 billion, in the first year of impact. The impact was strongest in the second year, 2009, at $9.5 billion (0.78%). In 2012 Dungan and Murphy (2012) concluded that the UI programme had saved 51,000 jobs in 2009, 128,000 jobs in 2010, and 178,000 jobs by 2011. However, given recent changes to the programme, they found that its stabilising property was smaller than in past decades.

The third lesson on the redistributive impact of a pan-Canadian UI programme is much more complex. The design features that have become embedded in Canada's UI programme over time redistribute funds between citizens as well as between regions. Finnie and Irvine (2011, p. 208) looked specifically at the redistributional impact on individuals after the 1990 reforms. They found a strong redistributive pattern where, for example, in 1992 44% of UI benefits went to those in the lowest two income deciles, whereas these individuals accounted for less than 3% of total contributions to the programme. Conversely, the top three deciles contributed over 50% of the premiums and received just 4% of the benefits. Kapsalis (2010) concluded that Canada's UI programme also had a significant positive impact on the poverty rate for those in receipt of benefits. Comparing incomes before, during, and after a year on UI over the period 2000-07 he demonstrated that – in the absence of UI – the percentage of beneficiary families below the after-tax Low Income Cut Off would have doubled to 14% from 7%.

What attracts more attention in Canada is the regional redistributive impact of UI. Under the programme's variable eligibility requirements, people working in higher unemployment rate regions need fewer hours of employment to be eligible for regular benefits than those from lower unemployment rate regions. Citizens in Québec and the four Atlantic provinces are the highest users of the programme as these provinces have higher rates of unemployment. However, most of the money to fund UI comes from citizens and businesses in Ontario and the four western provinces, where there are generally lower rates of unemployment. The net impact is that – given its particular program features – UI has exacerbated regional grievances in Canada, producing winners and losers who take these grievances into the political battlefield, with provincial premiers complaining about the treatment of their province's citizens (Graefe, 2015). Ontario is the province that most consistently expresses its concern on this front, initiating in 2011 an entire study on Employment Insurance reform that advocated for a more uniform system of eligibility across Canada (Mowat Centre, 2011). However, given that Employment Insurance is an *exclusive* federal responsibility, the study recommendations were mostly ignored by the Government of Canada. The lesson for the EU here is that programme design features for any kind of an EU-wide scheme should attempt to minimise – and certainly not exacerbate – regional grievances.

Migration has been a key element of Canada's stabilisation process following economic shocks for many years. Workers can carry their unemployment insurance benefits with them if they move between provinces to look for work. While unemployment insurance schemes can foster mobility by financing travelling costs and providing a source of income during job seeking, many worry that – by providing a safety net – the schemes lower the pressure on workers to move to areas where better job opportunities are available. The fourth lesson for Europe is that the Canadian experience finds no evidence that the presence of UI has discouraged workers from being mobile. On the contrary, UI receipt was positively correlated with long distance moves, long distance commuting and other flexible commuting behaviours (HRSDC, 2011). An analysis undertaken in 2008 concluded that individuals in receipt of UI were generally much more likely than non-recipients to migrate (Bernard et al., 2008).

The fifth lesson for Europe from Canada is that redistribution schemes managed by the centre can be an effective way to build a sense of social citizenship, solidarity, and loyalty to the collective entity, creating "spheres of shared experience in [entities] otherwise marked by territorial diversities" (Banting, 2005, p. 130). They are especially important in fragmented societies such as Canada and the EU. Unemployment Insurance was Canada's first national welfare programme. While some label it a 'policy failure',[12] unemployment insurance represents a critical part of what Canadian citizens look for from the Government of Canada. Federal governments that have reduced UI have paid the price in subsequent elections in ridings

[12] Some even question whether, given its regional variation, Employment Insurance is truly a 'national' programme. See Banting (2012) for information on current shortcomings.

(constituencies) that have borne the brunt of the changes.[13] Canada's unemployment insurance programme is *visibly* federal. Accountability and responsibility are clear. Having such a high-profile programme under federal responsibility legitimises the importance of the Government of Canada – and the federal parliamentarians that control it – to citizen well-being and security.

The EU has made slow progress to date in building loyalty among its citizens. Many also question the legitimacy of EU action, believing that the nation state is the best political vehicle to provide efficient action on problems. While putting an EUBS in place behind the scenes through an *equivalent* scheme may achieve an EU-wide stabilisation goal, it would not likely achieve the citizenship goal of providing evidence of Europe being there when citizens need it most. A *genuine* scheme would come closer to realising this goal. Certainly, the EU cannot replicate the Canadian model, where the UI programme was put in place when provincial welfare systems were weak and not yet fully formed. The main lesson from Canada is that, if an *equivalent* scheme is the choice, a special effort needs to be made to communicate to European citizens the role that the EU-level is playing in the interests of their well-being by sharing UI costs across the eurozone. As previously noted, the *equivalent* scheme being modelled in the EU bears a strong resemblance to Canada's equalisation programme. Yet the average Canadian is only vaguely aware of how this federal programme contributes to their well-being.

The sixth lesson from Canada is that while crisis can lead to change, it takes a long time for consensus on the direction for change to emerge. It took over 40 years in Canada to conceive of, marshal support for, secure the agreement of all governments to, and ultimately implement the UI changes. Federal dominance peaked in the early 1980s; by then all provinces had started to chafe at federal intrusion into their competence – especially as it relates to the public employment service – and looked to take back control. It took another crisis – that of federal debts and deficits in the early 1990s – for the course to be reversed. Handing back power to the provinces in the 1990s and 2000s also took time, taking place over two decades.

Constituent support can also change over time. The Atlantic provinces are now the biggest supporters of Canada's UI programme, given the positive impact it has had on interregional redistribution and citizen well-being. This advantage was not all that evident at its inception. Likewise, not all EU member states have the same interests or policy preferences. In 2016, it was the poorest countries such as Greece, Spain and Italy that were the most zealous advocates for the use of the cohesion fund and likely the greatest advocates of an EUBS. However, modelling has demonstrated that Germany would have been a beneficiary if an EUBS had been in place in 2000 (see Dolls and Lewney, 2017). Finding and sustaining coalitions – across regions and social partner groups and civil society – is an important and necessary strategy.

The final lesson for Europe from the Canadian experience relates to institutional moral hazard. The end of cost-sharing for social assistance and its replacement in 1995 with a smaller block grant has basically eliminated moral hazard here. The issues that remain focus mainly on

[13] In the 2015 election the Conservatives lost all their seats in Atlantic Canada to the Liberals. It is widely believed that Conservative changes to diminish unemployment insurance in 2013 cost them these seats in Parliament.

ensuring that UI recipients receive employment services to get them back to work as quickly as possible in order to minimise federal UI costs. While the accountability requirements in the federal-provincial labour market transfer agreements restrict more in-depth programming to UI recipients, there are no incentives – financial or otherwise – to induce provinces to privilege serving them over other unemployed persons. Luigjes (with Wood, 2016, p. 24) explained the lack of concern over institutional moral hazard in Canada this way: "The historical institutional developments of the previous two decades deterred the federal government to impede provincial [active labour market policy] autonomy too much, while the low generosity of UI combined with decreased coverage, limits the consequences of provincial actions for the federal budget". The lesson from Canada to the EU on this account is that concerns over institutional moral hazard in the implementation of a EUBS may be over-exaggerated.

Conclusion

In both Canada and the European Union responsibility for employment and unemployment has migrated over time. Competence was initially completely with the constituent units: provinces in Canada and member states in the EU. Over time, the centre in both has assumed some responsibilities. However, these look very different in Canada and the EU. For over 75 years, Canada's unemployment insurance scheme has served as an automatic stabiliser that has smoothed out citizen incomes impacted by economic downturns in different parts of the country. It has not impeded labour mobility. A national UI scheme has also been a major contributor to promoting pan-Canadian citizenship and assuring the legitimacy of Canada's central government. While the unemployment insurance programme has not been without its problems – especially with respect to coverage and redistribution from richer to poorer provinces – having a national UI scheme in Canada has been a good thing. A similar scheme in the European Union could, over time, also have similar positive impacts.

While the Canadian UI scheme developed in the 1940s was framed in terms of national identity and unity, the EUBS story in the European Union in 2016 has been framed more in terms of risk-sharing and stabilisation. This is understandable, given the lack of consensus on whether there should be 'more Europe' or 'less Europe'. Whether social solidarity in the EU is a national or an EU matter has been much debated (Ferrara, 2005; Leibfried and Pierson, 1995; Vandenbroucke, 2012). Moving into 2017, the future of social policy at the EU level is unclear. Decisions around an EUBS represent a key component of what EU social policy could look like in the future. Drawing lessons from Canada – as identified in this paper – could trigger thinking about the possibility of such a programme for the eurozone, as well as optimal design features.

References

Andor, L. (2014), "Basic European Unemployment Insurance- the Best Way Forward in Strengthening the EMU's Resilience and Europe's Recovery", *Intereconomics*, Vol. 49(4), pp. 184-203.

Banting, K. (1995), "The Welfare State as Statecraft: Territorial Politics and Canadian Social Policy", in Stephan Leibfried and Paul Pierson (eds), *European Social Policy: Between Fragmentation and Integration*, Brookings Institute, Washington, D.C., pp. 269-300.

Banting, K. (2005), "Canada - Nation Building in a Federal Welfare State', Federalism and the Welfare State, New World and European Experiences", in H. Obinger, S. Leibfried and F. Castles (eds), Cambridge: Cambridge University Press.

Banting, K. (2012), "Introduction: Debating Employment Insurance", in K. Banting and J. Medow (eds), *Making EI Work: Research from the Mowat Centre Employment Insurance Task Force*, Queen's Policy Study Series, McGill-Queen's University Press, Montreal and Kingston.

Banting, K. and J. Myles (2013), "Inequality and the Fading of Redistributive Politics", *UBC Press*, Vancouver, B.C.

Beland, D. and A. Lecours (2016), "Canada's Equalization Policy in Comparative Perspective", *IRPP Insight September 2016* (http://irpp.org/wp-content/uploads/2016/09/insight-no9.pdf, accessed November 13, 2016).

Bernard, A., R. Finnie and B. St-Jean (2008), "Interprovincial Mobility and Earnings", *Perspectives*, Statistics Canada (www.statcan.gc.ca/pub/75-001-x/75-001-x2008110-eng.pdf, accessed November 18, 2016).

CEPS (2016), "Stabilising the European Economic and Monetary Union through a Common Unemployment Benefits Scheme?", Presentation of a study led by CEPS, Brussels, July.

Coucheir, M., G. Strban and H. Hauben (2016), "The Legal and Operational Feasibility of a European Unemployment Benefits Scheme at the National Level", CEPS Special Report No. 145, CEPS, Brussels, September.

Dolls, M. and R. Lewney, (2017), "Backward-looking analysis", paper prepared as part of the study on the "Feasibility and Added Value of a European Unemployment Benefits Scheme", European Commission.

Dungan, P. and S. Murphy (1995), "The UI System as an Automatic Stabilizer in Canada", *UI Macroeconomic Stabilization*, prepared for Human Resources Development Canada.

Dungan, P. and S. Murphy (2012), "The Stabilization Impact of the Employment Insurance Program", prepared for Human Resources and Skills Development Canada.

Eurobarometer (2014), "European Citizenship Report", *Standard Eurobarometer 82/Autumn*, European Commission.

Fattibene, D. (2015), "Creating a Union with a 'Human Face': A European Unemployment Insurance", IAI Working Paper No. 15/13, Istituto Affari Internazionai, Rome, May.

Ferrara, M. (2005), *The Boundaries of Welfare: European Integration and the New Spatial Politics of Social Protection*, Oxford, UK: Oxford University Press.

Finance Canada (2015), "Strong Leadership, A Balanced Budget, Low-Tax Plan for Jobs, Growth and Security" (www.budget.gc.ca/2015/docs/plan/budget2015-eng.pdf, accessed February 25, 2015).

Finnie, R. and I. Irvine (2011), "The Redistributional Impact of Canada's Employment Insurance Program, 1992-2002", *Canadian Public Policy*, Vol. 37(2), pp. 201-218.

Gaetz, S., E. Dej, T. Richter and M. Redman (2016), "The State of Homelessness in Canada 2016", Research Paper No. 12 (http://homelesshub.ca/sites/default/files/SOHC16_final_20Oct2016.pdf, accessed December 21, 2016).

Government of Canada (1969), "Income Security and Social Services, Working Paper on the Constitution", the Right Honourable Pierre Elliott Trudeau, Prime Minister of Canada.

Graefe, P. (2015), "EI and Regional Dynamics in Canada", paper prepared for CPSA Conference.

Grant, M. (2015), "Brain Gain 2015: The State of Canada's Learning Recognition System", Conference Board of Canada (www.conferenceboard.ca/e-library/abstract.aspx?did=7607, accessed July 8, 2016).

Gray, D. and C. Busby (2016), "Unequal Access: Making Sense of EI Eligibility Rules and How to Improve Them", C.D. Howe Institute (www.cdhowe.org/public-policy-research/unequal-access-making-sense-ei-eligibility-rules-and-how-improve-them, accessed November 16, 2016).

Human Resources and Skills Development Canada (2011), "Commuting and Mobility Patterns of Employment Insurance (EI) Recipients and Non-Recipients", prepared for 2011 Monitoring and Assessment Report, September.

Hurrelmann, A. (2016), "Brexit does not signal the end of the EU, but it highlights its structural problems", *Ottawa Citizen* (http://ottawacitizen.com/opinion/columnists/hurrelmann-brexit-does-not-signal-the-end-of-the-eu-but-it-highlights-its-structural-problems, accessed July 1, 2016).

Informetrica Limited (2012), "Simulation Studies on the Economic Stabilization Properties of the Employment Insurance Program", Draft Final Report Contract No.: 9134-11-0015/00, prepared for Human Resources and Skills Development Canada.

Kapsalis, C. (2010), "Financial Impacts of Receiving Employment Insurance", Final Report, Data Probe Economic consulting Inc., 6 February.

Kincaid, J. (2015), "Preface", in J. Poirier, Ch. Saunders and J. Kincaid (eds), *Intergovernmental Relations in Federal Systems, Comparative Structures and Dynamics*, Don Mills, Ontario: Oxford University Press.

Langenbucher, K. (2015), "How Demanding are Eligibility Criteria for Unemployment Benefits, Quantitative Indicators for OECD and EU Countries", OECD Social, Employment and Migration Working Paper No. 166, Paris.

Leibfried, S. and P. Pierson (1995), *European Social Policy: Between Fragmentation and Integration*, Brookings Institute Press.

Leonard, A. (2014), "The Employment Insurance Program in Canada: How it Works", Library of Parliament Background Paper No. 2010-52E, revised August.

Luigjes, C. with D.E. Wood (2016), "Canada Case Study", addendum to *Institutional Moral Hazard in the Multi-tiered Regulation of Unemployment and Social Assistance Benefits and Activation: A Summary of Eight Country Case Studies*, Centre for European Policy Studies.

Levrat, N. (2015), "The European Union: from International Relations to Intergovernmental Relations", in J. Poirier, Ch. Saunders and J. Kincaid (eds), *Intergovernmental Relations in Federal Systems, Comparative Structures and Dynamics*, Don Mills, Ontario: Oxford University Press.

McKay, D. (2001), *Designing Europe: Comparative Lessons from the Federal Experience,* Oxford, UK: Oxford University Press.

MacRae, H. (2010), "The EU as a Gender Equal Polity: Myths and Realities", *JCMS: Journal of Common Market Studies*, Vol. 48, pp. 155–174.

MacRae, H. and D.E. Wood (forthcoming), "The Social Dimension of the European Union", chapter in A. Verdun, E. Brunet-Jolie and A. Hurrelmann (eds), *European Union Governance and Policy-making: A Canadian Perspective*.

Marsh, L. (1943), "Report on Social Security for Canada", originally published by the King's Printer (Ottawa), re-published in 1975 by University of Toronto Press with a new introduction by Michael Bliss.

Maxwell, J. (2001), "Reflexion: Towards a Common Citizenship: Canada's Social and Economic Choices", *Canadian Policy Research Networks*, Research Report No. 4 (www.cprn.org/doc.cfm?doc=185&l=en, accessed August 4, 2016).

Mowat Centre (2011), "Making it Work, Final Recommendations of the Mowat Centre Employment Insurance Task Force", School of Public Policy and Governance, University of Toronto.

Organisation for Economic Cooperation and Development (2015), "Back to Work Canada: Improving the Re-employment Prospects of Displaced Workers", OECD, Paris (www.oecd.org/publications/back-to-work-canada-9789264233454-en.htm, accessed January 10, 2017).

Organisation for Economic Cooperation and Development (2016), "Back to Work United States: Improving the Re-employment Prospects of Displaced Workers", OECD, Paris (www.keepeek.com/Digital-Asset-Management/oecd/employment/back-to-work-united-states_9789264266513-en#.WHS7VY2QzmI, accessed January 10, 2017).

Pal, L.A. (1988), *State, Class and Bureaucracy: Canadian Unemployment Insurance and Public Policy*, Kingston and Montreal: McGill-Queen's University Press.

Parliament of Canada (2016), "How Canadians govern themselves—Canadian and American government" (www.lop.parl.gc.ca/About/Parliament/senatoreugeneforsey/book/chapter_4-e.html).

Simpson, J. (2016), "State of the Nation - Canada a Country that has Stood the Test of Time", *Globe and Mail*, 1 July (www.theglobeandmail.com/news/politics/globe-politics-insider/jeffrey-simpson-state-of-the-nation/article30716505/, accessed July 1, 2016).

Struthers, J. (1983), *No Fault of Their Own: Unemployment and the Canadian Welfare State 1914-1941*, Toronto: University of Toronto Press.

The Economist (2016), "Liberty Moves North: Canada's Example to the World", Vol. 421(9013), 29 October-4 November.

Van Audenrode, M., A. Fournier, N. Havet and J. Royer (2005), "Employment Insurance in Canada and International Comparisons", Groupe D'Analyse, study prepared for Human Resources Development Canada, 10 March.

Vandenbroucke, F. (2012), "Europe the Social Challenge: Defining the Union's Social Objective is a Necessity Rather than a Luxury", European Social Observatory Paper Series No. 11, July.

Vandenbroucke, F., C. Luigjes with D.E. Wood and K. Lievens (2016), "Institutional Moral Hazard in the Multi-tiered Regulation of Unemployment and Social Assistance Benefits and Activation: A Summary of Eight Country Case Studies", Centre for European Policy Studies, Brussels.

Vandenbroucke, F. (2016), "Automatic Stabilizers for the Euro Area and the European Social Model", *Tribune,* Jacques Delors Institute, 22 September (www.delorsinstitute.eu/011-23652-Automatic-stabilizersfor-the-Euro-area-and-the-European-social-model.html, accessed November 16, 2016).

Verdun, A. (2016), "The Federal Features of the EU: Lessons from Canada", *Politics and Governance* (ISSN: 2183-2463), Vol. 4(3), pp. 100-110.

Wood, D.E. and A. Verdun (2011), "Governing Canada and the European Union: Key Similarities and Differences", Canada-Europe Transatlantic Dialogue Policy Brief, August (http://labs.carleton.ca/canadaeurope/wp-content/uploads/sites/9/CETD-Policy-Brief-Governing-Canada-and-the-EU-August-26-final.pdf, accessed December 21, 2016).