Education for Workers
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ERROL BLACK CHAIR
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Bucking the Trend: Manitoba Defends Workers' Pensions

Each day Canadian newspapers carry a version of the same story: working Canadians are not prepared for retirement. Statisticians and economists who look at the problem conclude that about half of middle-class baby boomers will experience a steep drop in living standards when they retire. They also show that with each successive generation of retirees subsequent to the boomers, this problem is projected to get worse. We used to be told that after a career of hard work all workers deserved to retire with dignity and security. Now with decent and secure retirements harder and harder to come by, this important part of middle class life seems ever more out of reach.

What's behind this trend? Fewer Canadians have access to workplace pension plans, particularly in the private sector. Shockingly, 6 in 10 workers in Canada don't have a pension plan at work. The alternative – the individual approach of the RRSP – is a flawed solution that hasn't worked over nearly six decades of operation. Each year only a quarter of eligible Canadians contribute to an RRSP and we are approaching nearly $1 trillion of unused RRSP room. Facing wage stagnation and increasingly precarious employment prospects, it's no wonder Canadians have been unable to save on their own. Most importantly, our public pension system (the Canada Pension Plan and Old Age Security) remains far too modest to pick up the slack from these other failings.

Yet in the face of these trends, most provincial governments across Canada have responded not by improving pension coverage or securing existing plans, but largely by attacking the pension plans that remain and doing nothing to improve pension coverage or benefits elsewhere. For example, governments in the following three provinces have undermined or are in the process of undermining the pensions of thousands of workers.

The previous Conservative government in New Brunswick unilaterally converted its province-wide public service pension plan from a secure defined benefit plan into a "target benefit" model, where benefits earned under the plan can be reduced in the future, even for retirees. The Liberal government of Prince Edward Island unilaterally pushed through similar cuts last year. The Quebec Liberal government is in the midst of legislating changes on hundreds of standalone municipal defined benefit plans in the province, no matter the health or history of those funds. The law will force retroactive revisions to longstanding pension deals that will see risks and costs being shifted to employees, who will pay more for lower, more precarious benefits. Other provincial governments and smaller employers have pursued similar attacks. In general, the goal is for workers to pay more for lower, much riskier benefits; pension security and coverage is being eroded.

These employers and governments generally use temporary pension deficits as a pretext for their agenda of obtaining permanent pension cuts and/or wholesale plan conversions. In most cases, these deficits are largely the result of the extraordinary market downturn that resulted from the 2008 financial crisis. The good news is that our pension funding rules are designed to accommodate and eliminate plan deficits over reasonable amortization periods. Pension plan health has been recovering steadily across the country and many plans are back in surplus positions already. Another contributing factor to plan deficits was

CCPA-MB
205 - 765 Main St.
WINNIPEG
R2W 3N5

PHONE
204.927.3200

EMAIL
CCPAMB@
POLICYALTERNATIVES.CA

WEBSITE
WWW.
POLICYALTERNATIVES.CA

BLOG
WWW.POLICYFIX.CA

TWITTER
@CCPAMB

the reluctance of employers and governments to properly fund the pension commitments they were making, which in many cases included the systematic use of "contribution holidays." This practice occurs when an employer uses pension plan surpluses – which many plans had during the 1990s and early 2000s – to reduce, or even eliminate entirely, their own annual pension contributions. Workers have a difficult time accepting the argument that employers should benefit from pension plans while those plans are doing well, but workers should bear the burden when those plans face more difficult times.

The Canadian Union of Public Employees (CUPE) does not agree with the notion that pension plans need to be gutted to be made "sustainable." In some cases we are told that plans with healthy surpluses just a few years after the biggest financial crisis in 80 years are no longer sustainable. In certain cases where plans did face genuine challenges, we have been willing to make difficult decisions if necessary that don't involve abandoning the concept of decent defined benefit pension benefits.

The agenda of pension attacks has been evident at the federal level as well, where the Conservatives have enacted unjustified, significant cuts to the public pension system. In 2012, the Conservatives announced that the federal government will be unilaterally increasing the age of eligibility for Old Age Security (and for federal pensions for low-income seniors) from 65 to 67. They had not campaigned on this change, nor had they consulted any provinces or stakeholders on it. Pension experts rightly argued that the change was unnecessary, that the plan was fully sustainable already and that the burden of this move would fall on single, low-income senior women. By 2029 when these cuts are fully phased in, the Conservatives will have removed more than $10 billion per year from the pockets of senior Canadians, including $2 billion from low-income seniors, while at the same time giving massive tax cuts to wealthy Canadian corporations. This is a major policy shift in precisely the wrong direction.

The current federal government has also stubbornly refused to support the labour movement's campaign to expand the Canada Pension Plan, where plan benefits can be doubled through a modest increase in contributions. The federal government opposes this plan, despite incredibly strong support from stakeholders, the public and pension experts for this common sense proposal. Eight of ten provincial governments support CPP expansion, yet they unilaterally decide to oppose it.

These various employer and government attacks on pension plans are completely at odds with the trends discussed above, which show that, more than ever, Canadians need more pension coverage instead of less. We should be securing and maintaining the plans we do have, reversing the unnecessary cuts to Old Age Security, and improving the Canada Pension Plan (CPP) so that all workers can retire with dignity and security. Where plans have been systematically underfunded, we should be funding those plans so we can sustainably deliver on the promises we made and continue to make.

Thankfully, this is just what the provincial government of Manitoba under the NDP has been doing for the past decade and a half.

This province has clearly recognized that the real pension crisis is the lack of pension coverage for Canadian workers and has been a strong supporter of the campaign to expand the CPP, which would bring decent pensions to all workers in Canada. Since amending the CPP requires certain levels of provincial support, Manitoba's positive voice is crucial in this debate. Premier Greg Selinger also wisely criticized the federal government's unnecessary cuts to Old Age Security. We need strong voices of dissent against the sitting federal government's agenda as the Old Age Security cuts only start in 2023, meaning it is still possible to easily undo these changes.

Within its own borders, the Manitoba government has acted to keep pension plans secure and stable. Manitoba has changed its pension laws to ensure that part-time workers are covered by pension plans. Pension plan committees are now mandatory and joint-sponsorship has been enabled in certain cases: having worker voices at the table helps to keep pension plans on track. The government has also put rules in place against employers unilaterally taking pension plan surpluses out of the funds. And where appropriate, the province has relaxed certain funding rules to help plans through difficult times while making sure they remain able to deliver on their promises. All of these changes help to keep workplace pension plans strong.

Most importantly, in dealing with the Manitoba's own pension plans, instead of reneging on the commitments made to provincial public sector workers and pursuing massive pension attacks, as other provinces have done, Manitoba has begun properly funding its pension promises as it always should have been doing. For example, the government is now finally matching the contributions employees make to the public service plans, for the first time since the 1960s. Additionally, government contributed $1.5 billion into a fund to begin addressing the obligations for past pension promises in these plans, fixing a 25 year funding problem. In the pension for healthcare workers, the province has introduced funding to create an indexing account for these workers, with the hope that their pensions may keep pace with the ever-increasing cost of living. The province has also assisted single-employer plans as well. They created legislation to enable the City of Winnipeg Employees pension plan and provided a 10 year funding commitment to stabilize the United Way of Winnipeg Plan.

CUPE deals with provincial governments across the country and I have no doubts that Manitoba's pension record over the past decade and a half is the strongest of any government in Canada. The Manitoba government has recognized that we need to be expanding pension coverage to workers without pensions and securing workplace plans where they exist. Manitoba has seen the importance of our various pension plans to a middle class life, the prospects of which are increasingly under attack in Canada.

The Manitoba government has wisely recognized that we cannot simply eliminate the costs and risks of funding decent and secure retirements for our workforce. Other governments and employers have tried to simply reduce pension costs and offload retirement risks onto individual workers without regard for the long-term consequences of these actions. This may hide or obscure these costs and risks for a time. However, in the long-run, these costs will be borne in more difficult and painful ways. Following this agenda will mean future generations of Canadian seniors having to make difficult decisions to turn down their thermostats or let prescriptions go unfilled. Workers without decent pension plans are forced to depend more on the social and income support programs that cost all levels of government significant public funds. Quite simply we can pay now or we can pay more later. The agenda of pension attacks and inaction is short-term thinking that does not account for these significant future costs, both fiscal and personal.

The Manitoba government should be applauded for avoiding this opportunistic, short-term thinking on this critical middle class issue. It has recognized that all workers need good pensions and it is standing up for what's right, as so few other provinces have been willing to do.

Paul Moist is National President of CUPE, Canada's largest union with 630,000 members

CCPA-MB
205 - 765 Main St.
WINNIPEG
R2W 3N5

PHONE
204.927.3200

EMAIL
CCPAMB@
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POLICYALTERNATIVES.CA

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