

**Submission to the 2010 Federal Government Consultation
on Canada Retirement Income System
by the Canadian Union of Postal Workers**

The Canadian Union of Postal Workers (CUPW) welcomes the opportunity to make a submission to the federal government's consultation on Canada's retirement income system.

CUPW represents approximately 55,000 workers, almost all of whom are covered by the Canada Labour Code. The vast majority of our members are employees of Canada Post Corporation. The CUPW units at Canada Post include 40,000 urban regular employees and 6,600 rural regular employees who are members of the Canada Post Corporation Pension Plan, (a successor to the Public Service Superannuation Plan).

Within Canada Post Corporation CUPW also represents approximately 8,000 temporary employees. The vast majority of these employees are not covered by the Canada Post Corporation defined benefit pension plan as they are not employed for fixed terms exceeding six months. These workers do have employee status and are covered by either the Canada Pension Plan or the Quebec Pension Plan.

CUPW also represents 23 bargaining units of car and bicycle couriers, call center workers and mailing house employees, most of whom are covered under the *Canada Labour Code*. Only one of these units, the Emergency Medical Care Inc., (EMC) has a negotiated pension plan. The EMC plan is a defined contributions plan.

At the outset it should be said that we strongly support the approach and recommendations of the Canadian Labour Congress included in its 2009 discussion paper entitled *Security, Adequacy, Fairness: Labour's Proposals for the Future of Canadian Pensions*. The Union's perspective on this issue is drawn from the situation experienced by the members we represent at Canada Post

Corporation, the thousands of non union workers employed by Canada Post Corporation and also the members of our private sector units especially in the local messenger companies. It is their experience, coupled with the reality of continued poverty of many seniors, especially women, which have convinced us that improvements in the OAS/GIS and C/QPP should be at the top of the legislative agenda concerning pensions.

This submission will focus on the level of pension benefits currently provided under the Canada/Quebec Pension Plans and the Old Age Security and Guaranteed Income Supplement.

Time to Double the Canada/Quebec Pension Plans

We strongly support the recommendation of the Canadian Labour Congress to increase the replacement rate for CPP retirement pensions going forward from 25 per cent to 50 per cent of the average industrial wage.

We note that such an improvement of the Canada Pension Plan would not only address the needs of the 93% of workers who are covered by the C/QPP. It would also go a long way to providing much needed support which would take the funding pressure off of existing defined benefit plans such as the Canada Post Corporation Pension Plan.

Currently, approximately 8,000, or 15% of the Canada Post Corporation employees represented by CUPW rely primarily on the C/QPP for their retirement income. Likewise the vast majority of workers represented in our other 23 bargaining units also do not have access to any employer pension plan and rely on the C/QPP. Doubling the C/QPP would have an enormous impact on these workers, providing greater security during the years of employment and significantly enhancing their income during their retirement years.

Doubling the C/QPP would also provide support for employers who already provide either a defined benefit or a defined contribution pension plan. By obliging all employers to make greater contributions toward retirement incomes doubling the CPP would help to level the playing field, with respect to labour costs, between employers who sponsor plans and those who do not.

Improving the C/QPP would help relieve the financial pressures on many employers with defined benefit pensions. Under our current system, many employers who provide defined benefit pensions have experienced significant financial difficulties as a result of being required to make special solvency payments. For example Canada Post Corporation plans to begin making annual solvency payments in excess of \$400 million to address an estimated solvency shortfall of C\$2bn. On a going forward basis, doubling the C/QPP would reduce the financial risks associated with defined benefit plans.

Likewise doubling the C/QPP would also improve the financial security of workers who already are covered by defined contribution pensions. Due to the recent wide swings in the value of equities workers with defined contribution plans are often unable to predict their retirement incomes with any degree of precision. Doubling the C/QPP would increase the proportion of their income which is both secure and predictable.

It must be noted that doubling the C/QPP would not restrict the abilities of unions and employers to address the retirement needs of workers through collective bargaining. Unions and employers would still be able to negotiate arrangements above the higher C/QPP floor and also provide benefits above and beyond the C/QPP such as provisions for earlier retirement than under the C/QPP.

Increase the Guaranteed Income Supplement by 15%

CUPW strongly supports the recommendation of the Canadian Labour Congress for a 15% increase in the Guaranteed Income Supplement (GIS). This increase is necessary to address the fact that increasing numbers of seniors are living in poverty, especially those in large urban centers.

It is important to note that CUPW represents many workers who will not be eligible for a significant level of C/QPP benefits even though they have been productive members of the workforce for much of their lives. Many contract workers at Canada Post Corporation and many workers in the courier industry effectively “fall through the cracks” as far as employer contributions to C/QPP are concerned. Many have very low incomes and effectively work in the informal economy. As such they will rely almost exclusively on the OAS and GIS for their retirement income.

The “Informal Economy” at Canada Post Corporation

As Canada Post is a Crown Corporation it is often assumed that everyone working there is entitled to decent pensions. This is untrue. In addition to the 8,000 temporary workers not covered by the Canada Post Corporation Pension Plan there are several thousand workers employed to perform operational duties at Canada Post Corporation who are not designated as regular or temporary employees and do not receive coverage under the Canada Post Corporation Pension Plan and are also not eligible for employer contributions to the C/QPP.

Approximately 1,000 workers are designated as helpers for rural and suburban mail carriers and act as relief employees when the regular employees are absent. The compensation of these workers is negotiated between the routeholders and the helpers and paid through a voucher system by Canada Post Corporation. Canada Post classifies these workers as contractors as such are not members of

the Canada Post Corporation Pension Plan. They also are not eligible for employer contributions to the C/QPP.

Another 1,500 workers serve as “ergonomic assistants” who work with RSMCs during the delivery portion of their routes. These workers typically are paid for a few hours per day at rates close to the provincial minimum wage. They are not members of the Canada Post Corporation Pension Plan and are not eligible for employer contributions to the C/QPP.

Another 110 workers are employed processing parcels at the International Section in the Customs operations in Toronto, Montreal and Vancouver. These workers are employed through a temporary employment agency. They are not members of the Canada Post Corporation Pension Plan but they are eligible for employer contributions to the C/QPP.

There are also approximately 600 workers employed as Combined Urban Services (CUS) drivers who pick up and deliver mail in smaller communities. The majority of these workers are employed by companies that have contracts with Canada Post Corporation. Some are deemed to be employees of these companies and some are hired on contract. There are also approximately 75 CUS drivers who have individual contracts with Canada Post Corporation. These CUS contractors are not members of the Canada Post Corporation Pension Plan and are not eligible for employer contributions to the C/QPP.

As seen above over 10,000 workers employed by Canada Post Corporation are not members of the Canada Post Corporation Pension Plan. Several thousand of these workers are not eligible for employer contributions to the C/QPP. It is our belief that some and perhaps many of these workers earn such low wages that they effectively work in the informal economy and do not make significant contributions to the C/QPP.

Courier workers and pensions

Likewise many courier workers make very low, or even no contributions to the C/QPP and will rely on the OAS and GIS.

The Canadian courier industry is estimated to be worth \$5.4-billion in sales. Altogether the industry is made up of more than 2,000 courier companies, employing over 45,000 people.

The industry can be divided into two components: courier companies, with their main focus being national and international overnight or later deliveries, and local messenger companies, whose main focus is to provide same-day deliveries in smaller well defined geographical areas. The national courier companies that provide overnight service control 80 per cent of its volume, constituting what economists refer to as the industry core. The local same-day messenger services make up the industry's periphery.

The core companies include big players such as Canada Post, UPS, Purolator, and Federal Express. Workers in these companies receive wages close to the average industrial wage and are members of either defined benefit or defined contribution pension plans.

At the other end of the scale there exists a wide range of individuals and companies who provide same-day delivery service in major urban areas. This segment of the courier market includes individual owner-operators and "mom and pop" operations employing 1-to-5 messengers to larger companies employing up to 100 people.

Workers in this sector are covered under the *Canada Labour Code* however employers are routinely permitted to ignore the provisions of Part III of the *Code* when it comes to couriers.

Workers in the same-day industry receive low wages, no overtime, holiday or vacation pay, and do not receive any of the minimum employment standards. Health benefits and pension plans are virtually non-existent.

Employers in this sector routinely avoid their legal responsibilities to contribute to the Canada/Quebec Pension Plan by informing the workers that they are not employees but instead are independent contractors.

The CUPW, together with other unions, is attempting to organize the workers in this sector and improve their wages, working conditions and benefits. However, given the highly competitive nature of this sector it has not yet been possible to organize a critical mass of workers necessary to enable us to make any serious improvements in the wage, benefit and pensions situation of the workers.

Given the high turnover, low wages and informal nature of much of this employment many workers in this sector are not able to make their self-employed contributions to the Canada/Quebec pension Plans. Upon retirement many of these workers will be totally dependent on the OAS and GIS for their income.

Women and pensions

Much has been written concerning the importance of public pensions in reducing the incidence of poverty among seniors. Indeed today the rate of retiree poverty is currently about half the rate of the working-age population whereas in 1980 the rate of poverty among seniors was twice the rate of the working-age population. This is a direct result of the OAS, Guaranteed Income Supplement (GIS), and C/QPP. It is also true that the low-income rate of seniors is now actually lower than that of the general population.

However, studies conducted by the Canadian Labour Congress and researchers such as Monica Townson have demonstrated that these statistics tend to obscure

a systematic discrimination against many low income senior women. After taking government transfers and taxes into account, about 6 per cent of people aged 65 or older lived on low income. The low-income rate for senior women however, is almost double that of senior men. In fact, the low-income rate for senior women on their own was more than 20 per cent in 2005 and increasing.

The CUPW believes it is urgently necessary to address the needs of these women and all low income seniors. It should also be noted that, in the current economic climate, when layoffs and plant closures are adversely affecting income related pensions the OAS and GIS are more important than ever.

CUPW Recommendations:

1. Old Age Security and Guaranteed Income Supplement

At the very minimum the amount of OAS and GIS combined must be increased to bring these two programs above the low-income level. The CUPW strongly supports the recommendation of the Canadian Labour Congress to provide a 15 per cent increase to GIS benefits to lift all seniors over the low-income cut-off line established by Statistics Canada.

2. Canada/Quebec Pension Plan

We strongly support the recommendation of the Canadian Labour Congress to increase the replacement rate for CPP retirement pensions going forward from 25 per cent to 50 per cent of the average industrial wage.