

THE STRUGGLE FOR SECURITY: RISK, POLITICS, AND PENSION POLICY  
IN ONTARIO, 1960-2016

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## ABSTRACT

This dissertation traces the rise and decline of Ontario's workplace pension system that has resulted with growing emphasis on Canada's public pension system, focusing on the postwar period to 2016. Since the mid-1980s, workplace pension coverage in Ontario and across Canada has been decreasing, calling into question the ability of this system to provide adequate retirement income for future workers. Currently, large private and public sector employers such as Air Canada, General Motors Canada and Canada Post are seeking to replace secure defined benefit plans with less secure defined contribution plans. Given these trends, policymakers at the provincial and federal levels have attempted to remedy the insecurity produced by diminishing coverage rates. Using Ontario as a case study to examine Canada's retirement income system, this dissertation asks: *Why has the risk of saving for retirement shifted, and what factors have driven this?* Drawing from 22 semi-structure interviews with pension professionals, descriptive statistics, and Hansard Parliamentary transcriptions, several findings are established. First, although risk has been increasingly individualized since the 1990s, there is a limit to how much risk workers are willing to accept before political coalitions form to demand government play a larger role in establishing retirement income security. Risk transfer is thus contingent on union power, retiree activism, business lobbying, and the ideological position of governing parties. Second, the rise of individualized risk is generating new provincial/federal political dynamics in the field of pension policy, in which the failure of Canada's workplace pension systems is impacting the welfare state politics of Canada, pointing to the emergence of a new period of pension politics. This finding leads to the conclusion that in the field of pension policy in Canada, the assertion by risk theorists that globalizing forces are transforming the welfare/citizenship nexus away from a model premised on risk sharing to one in which the state must facilitate the needs of rational, risk taking citizens does not adequately describe recent trends in Canadian pension policymaking.

To Anne and Erling.

This one's for you.

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TABLE OF CONTENTS

<b>TABLE OF CONTENTS</b> .....	<b>v</b>
<b>LIST OF TABLES</b> .....	<b>viii</b>
<b>LIST OF FIGURES</b> .....	<b>ix</b>
<b>CHAPTER 1 - INTRODUCTION</b> .....	<b>1</b>
<b>CHAPTER 2 – LITERATURE REVIEW</b> .....	<b>14</b>
Canada’s Retirement Income System .....	14
Locating Ontario Pension Policymaking.....	17
Pension Systems and Macro Societal Perspectives .....	19
Ideation and Pension Policy .....	26
<b>CHAPTER 3 – SETTING THE STAGE: ‘REFLEXIVE MODERNITY’, POLICY CHANGE AND PENSIONS</b> .....	<b>31</b>
<b>Modernity, Risk and Individualization: Ulrich Beck and Anthony Giddens</b> .....	<b>32</b>
Risk.....	32
Modernizing modernity: emergence of risk society.....	33
Reflexive modernity and the welfare state .....	36
The politics of reflexive modernity .....	38
Individualization .....	40
Giddens: ‘high modernity’ and ontological security.....	43
<b>Ideas, Institutions, Gender, and Pension Policy Change</b> .....	<b>46</b>
Historical institutionalism .....	46
Ideational analysis .....	50
Feminist perspectives .....	54
<b>Summary</b> .....	<b>58</b>
<b>CHAPTER 4 – OLD-AGE, INDUSTRIALIZATION, AND THE HISTORICAL DEVELOPMENT OF PENSION SYSTEMS</b> .....	<b>60</b>
Pre-Industrial Institutional Care for the Elderly: Elizabethan Poor Laws, Poorhouses .....	63
Responses.....	67
Establishing Canada’s Public Pension System .....	68
Quebec/Canada Pension Plan .....	82
The Birth of Workplace Pension Systems: 1800s-WWII .....	87
The Golden Era of Private Pensions: WWII-1965 .....	91
‘Minimum Standards’: Regulating Workplace Pensions, 1960-1980 .....	97
Globalization, Neoliberalism, and the Employer Pension Plan: Post-1980 .....	100
<b>Summary</b> .....	<b>109</b>
<b>CHAPTER 5 – THE STRUGGLE FOR RETIREMENT INCOME SECURITY: PENSION POLICYMAKING IN ONTARIO, 1945-2015</b> .....	<b>111</b>
1940s to 1960s – The Birth of the PBA.....	114
1970s – Early 1980s.....	120
1980s – Surplus, Economic Globalization and the Rise of the Pension Professional .....	126
Entering capital markets and the rise of the pension consultant.....	136
1990s – The Exit of Provision.....	138
2000s – Workplace Pensions Limp into the 21st Century.....	146

Actuarial practice.....	149
Bankruptcies .....	150
Ontario Expert Commission on Pensions – time for change. ....	153
<b>2010s – The Return of Big Ideas .....</b>	<b>159</b>
<b>Summary .....</b>	<b>167</b>
<b>CHAPTER 6 – DRIVING POLICY CHANGE: IDEAS, INTERESTS AND INSTITUTIONS.....</b>	<b>173</b>
<b>Institutions and Ideation.....</b>	<b>176</b>
Drivers of policy change and the policymaking process .....	176
Legislation.....	181
Regulations and legislative reform .....	184
Case law .....	187
Ideology .....	189
Ideation.....	192
Legislative jurisdictions.....	195
Bureaucratic imperative .....	197
Election cycles, brokerage politics, and confusion .....	198
<b>Group Interests.....</b>	<b>200</b>
The rising role of professionals.....	202
Professional practices and representing client interests.....	205
<b>Case Study – Ontario Expert Commission on Pensions .....</b>	<b>208</b>
Ontario Expert Commission on Pensions.....	209
Analysis .....	212
<b>Summary .....</b>	<b>217</b>
<b>CHAPTER 7 – RISK, INDIVIDUALIZATION, AND RETIREMENT INCOME SYSTEMS .....</b>	<b>220</b>
<b>Pensions, Inequality, and Risk.....</b>	<b>224</b>
Senior poverty in Canada.....	226
Employer sponsored pension coverage.....	229
<b>Labour Disputes, Pensions, Policymaking and Risk.....</b>	<b>238</b>
Canada Post and Air Canada.....	239
Defined benefit pension plans.....	245
From DB to DC .....	250
Perceptions of risk and policymaking .....	254
Policy and the politics of risk .....	256
Plan maturity .....	264
Workforce composition and risk .....	267
Government, pension law and risk.....	268
<b>Summary .....</b>	<b>270</b>
<b>CHAPTER 8 - CONCLUSION .....</b>	<b>277</b>
<b>Summary of Key Findings.....</b>	<b>278</b>
<b>Theoretical Reflections on Risk, Individualization and Workplace Pensions.....</b>	<b>281</b>
<b>The Pillars of Retirement Income: Wither Individualization?.....</b>	<b>285</b>
<b>Renegotiating Pension Politics .....</b>	<b>295</b>
<b>Research Limitations and Future Research.....</b>	<b>300</b>
<b>Concluding Remarks .....</b>	<b>301</b>
<b>Appendix A - Research Methods .....</b>	<b>303</b>

<b>Appendix B – Ontario pension policy timeline .....</b>	<b>309</b>
<b>Bibliography .....</b>	<b>312</b>

## LIST OF TABLES

Table 2.1: Canada's retirement income system and risk distribution .....	15
Table 4.1: Pension plans and members for selected years, 1960-1988 .....	101
Table 6.1: Drivers of policy change .....	176
Table 7.1: Income poverty rates by age and gender in OECD countries .....	227
Table 7.2: Pension coverage by gender, industry, and pension type, 2012 .....	233
Table 7.3: Pension coverage by education, age, gender, and pension type, 2012 .....	234
Table 7.4: Life expectancy at birth, by sex, Canada 1920-2009 .....	265



## LIST OF FIGURES

Figure 2.1: Growth of Pension Plans, 1938-1988 .....	21
Figure 5.1: Percentage of male and female employees with a registered pension plan, 1947-2011 .....	125
Figure 5.2: Unionization rates of employed individuals aged 17 to 64, 1982-2014 .....	128
Figure 6.1: Flow chart of the inter-relationship between macro, meso and micro level factors that drive policy change .....	179
Figure 7.1: Low income measure (LIM) after tax in Canada, age 65+, 1976-2013 .....	228
Figure 7.2: Type of registered pension plan (RPP) by number of members, by sex, Ontario, 1974-2014 .....	230
Figure 7.3: Registered pension plan (RPP) by number of members, by sector, by sex, Ontario, 1974-2014 .....	231
Figure 7.4: Median net worth, families with and without RPP assets, 1999-2012.....	236

## CHAPTER 1 - INTRODUCTION

“...pensions constitute a central link between work and leisure, between earned income and redistribution, between individualism and solidarity, between the cash nexus and social rights. Pensions, therefore, help elucidate a set of perennially conflictual principles of capitalism” (Gøsta Esping-Andersen: 1990: 79-80).

“[Welfare capitalism] had created islands of security within the economy, with high waters all around” (Jennifer Klein 2004: 58).

2016 was a pivotal year for Canadian pension policy, in which labour negotiations were characterized by an intensifying struggle between employers and employees over the future of defined benefit (DB) workplace<sup>1</sup> pension plans. On 18 September 2016, Unifor announced a new deal with General Motors of Canada, agreeing for the first time to implement less secure defined contribution (DC)<sup>2</sup> plans for new hires in exchange for new hires, wage increases and future investments in several manufacturing plants in southern Ontario. In the public sector, a protracted impasse is currently unfolding between Canada Post and the Canadian Union of Postal Workers (CUPW), in which

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<sup>1</sup> Workplace pensions are also commonly referred to as “employer-sponsored”, “occupational” and/or “private” pensions. The term “workplace” will be used throughout this dissertation to refer to pensions that are provided by employer contributions in both private and public sectors.

<sup>2</sup> In a defined benefit pension plan (DB), a member is guaranteed a preset benefit during the course of their retirement. In a defined contribution plan (DC), an employer will contribute money to a retirement income account for each individual worker. However, once retired, the worker must decide how to invest account to provide retirement income throughout the remaining duration of their life. The employer is no longer responsible for ensuring retirement income. Baldwin (2008) highlights DB and DC sit at each end of a spectrum, where most plans contain aspects of both DB and DC.

CUPW has refused to agree to introduce DC plans for new hires. This conflict has been ongoing since postal workers were locked-out in 2011 (Thomas and Tufts 2016). In the realm of public policy, on 20 June 2016, Canada's finance ministers, with the exception of Quebec and Manitoba, agreed in principle to a Canada Pension Plan (CPP) enhancement to expand benefits for Canadian workers. The enhancement, starting 1 January 2019, will increase income replacement from one quarter to one third of pensionable earnings<sup>3</sup>, along with an increase in the maximum amount of income subject to CPP by 14 percent<sup>4</sup> (Department of Finance Canada 2016). Consequently, within just a few months, public pensions expanded as private pensions contracted. These events illustrate the ongoing transformation of Canada's retirement income system (RIS) and the struggle to define who is responsible for the provision of retirement income security (i.e. employers, the state or the individual). Accordingly, risk, and who should bear the responsibility for risk is at the heart of pension policy debates.

Within this context, this dissertation examines the intersection between risk, individualization, policymaking, and pension policy in Canada, with special focus given to Ontario. The political intersection between workplace and public pension systems is thus a central focus, tracing how the decline of workplace pensions is resulting in a greater emphasis on government-sponsored pensions.

Accordingly, the dynamics of pension policy at the provincial level is investigated, exploring how government policymaking both reflects the ideas and interests of a

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<sup>3</sup> For example, a Canadian with \$50,000 throughout their working life will receive a yearly pension benefit of \$16,000 rather than the \$12,000 they would currently receive.

<sup>4</sup> Increase the maximum amount of income subject to CPP by 14 percent, projected to equal approximately \$82,700 in 2025 (from \$54,900 in 2016).

broader class struggle over pension provision, and how the policymaking process structures the extent to which saving for retirement is individualized. Ontario during the period of 1987 to 2016 is used as a major case study, a period in which two rounds of reforms to the *Pension Benefits Act* (PBA) occurred. The PBA is examined within a broader legislative framework of policymaking that includes federal and provincial jurisdictions and the interplay across policy fields such as tax law, trustee law, family law and public pension policy. Indeed, changes to workplace pension legislation must be understood within the broader context of other policy jurisdictions and related statutes.

Pension legislation and regulation is viewed here as the codified expression of the struggles between labour and capital, ultimately deciding by statute who is responsible for managing the risk of saving for retirement. Therefore, the question arises, whose ideas and whose interests have shaped pension policy and why? In broad terms, this dissertation examines the ways in which pension policymaking reflects and produces the individualization of risk in contemporary Canadian society. The primary research question asks: *Why has the risk of saving for retirement shifted, and what factors have driven this?*

As illustrated by the recent events discussed above, employers in public and private sectors are either exiting the provision of secure retirement income or are attempting to, while at the same time governments are taking on a larger role in providing retirement income security. Given these trends, some government officials, pension experts, the media, and others question the future of DB plans in Canada, where unions are expected to find new ways to secure benefits as employers demand

the cancellation of DB plans for new hires (Gindin 2016a; Murningham 2016; Ryan 2016). Many predict Unifor's concession to General Motors of Canada will have "widespread ramifications" for other bargaining units within the auto industry, continuing the trend that "the next generation of union employees must brace for a world in which they will shoulder the risk of their company pension plan" (Gollom 2016: 1).

These trends must be understood in relationship to previous political economic conditions in Ontario and Canada. Beginning in the early 2000s and intensifying after the global financial crisis of 2008, workplace pension plans in the private sector have shrunk as employers have sought to offload the cost and risk of providing DB pension plans to their employees. This is a trend that had been developing since the late 1970s, where pension coverage for men in Canada has shrunk from over 50 percent in 1980 to approximately 37 percent today (Statistics Canada 2015). Conversely, during this same period, women have seen pension coverage expand from 36 percent in the late-1970s to just over 40 percent today, reflecting the viability of public sector pension plans dominated by female workers compared to private sector jobs dominated by male workers (Statistics Canada 2015).

Overall, however, the rate of workplace pension coverage is shrinking in Canada. This has resulted in the expanding use of other RIS schemes. For instance, new two-tier hiring policies offer a different retirement package to incoming workers, and hybrid pension plans containing DB and DC benefits are becoming more common. Accordingly, developing new ways to address how best to share the risk related to workplace

pension plans between employees and employers continues to characterize the present pension sector in Canada.

These broad structural changes to Canada's and Ontario's economies and labour markets have a significant effect on the individual worker and are part of the changing terrain of class struggle as unions are forced to make strategic choices regarding pension benefits. The general trend of decreasing secure DB plans in the private sector creates new risks for working Canadians who are saving for retirement. The absence of a secure DB plan means workers must initiate a savings plan of their own, developing financial literacy skills and a general understanding of their own life expectancy and demographic trends to calculate how much to save for retirement. These changes also require the individual to consider how changing employment conditions of less secure work and heightened worker mobility will impact their ability to save for retirement and shape the decisions they need to make in how to invest for their golden years. These are some ways in which the risk of saving for retirement is individualized onto the shoulders of the worker. And this is experienced differently depending on one's gender, race, age, and other socially determining factors.

This process of individualized risk is linked to broader changes in labour forces across advanced industrialized societies, as well as the adoption of neoliberal regulatory practices. Within the context of labour markets, this is most noticeably observed through transformations in the standard employment relationship towards flexible and precarious employment within expanding service-based economies (see Jessop 2007; Vosko 2006; Thomas 2009). Canadian social policy from the 1970s to 1990s was

characterized by the “rolling-back” of Canada’s welfare state (Finkel 2012; Rice and Prince 2013). As neoliberal governance practices responded to global economic events beginning in the 1960s, questioning the legitimacy the Keynesian welfare state, workplace pensions have been challenged.

As such, political and economic changes have impacted the level of risk individuals experienced when saving for retirement. What is less clear, however, are the ways in which the policymaking process has shifted the risk of saving for retirement and the mix of factors that has driven pension policy change since the mid-1980s. This dissertation investigates these issues.

Canada’s RIS is constituted by three pillars. Pillar One is comprised of publically funded pensions (i.e. Old Age Security, the Guaranteed Income Supplement, and spousal allowance); Pillar Two consists of compulsory public pension plans administered by the federal and provincial governments (i.e. Quebec and Canada Pension Plans); and Pillar Three represents voluntary personal savings, such as workplace pension plans. These pillars will be discussed in further detail in Chapter Two. The focus this dissertation will examine risk and individualization that occurs in Pillar Three, the location in Canada’s retirement income system in which this process primarily occurs. This is because pillar three is *voluntary*. Although there are “minimum standards” contained within provincial and federal statutes that must be followed by employers who do provide a pension for their workers, employers are not required by law to provide pensions to their employees. Historically, workplace pensions have been offered for variety of reasons, such as retaining loyal workers, accessing tax shelters,

and to control labour unrest. But if an employer deems that their company pension is too costly, they do not have to provide one. Therefore, as economic conditions change, many employers attempt to renegotiate the terms of their sponsored pension plan to manage the volatility and costs of these benefits – which is what is occurring today. It is here where the collectivization of risk is most vulnerable.

The Ontario government's central role over the past six years in establishing recent proposed CPP changes was catalyzed by the dire conditions of the workplace pension system in Ontario (McFarland and McGugan 2016). This “agreement in principle” to enhance CPP benefits illustrates the policymaking relationship that exists between different pillars within the RIS and how issues of risk traverse the boundaries between different pillars. Put differently, if the distribution of risk amongst different pillars is skewed and deemed problematic, new policy ideas will arise to remedy this issue, politically connecting the policies embedded within each pillar. As such, the individualization of risk that occurs within Pillar Three must be understood in relationship to other areas of the RIS. Therefore, the shifting relations between these pillars are investigated from a sociological perspective to understand how risk is structured into Canada's RIS.

To examine the relationship between policymaking, risk and individualization, a mixed-method approach is used drawing from three data sources: interview transcripts produced from twenty-two semi-structured interviews with pension professionals; descriptive statistics retrieved from Statistics Canada and the Organization for Economic Development and Cooperation; and *Hansard* transcriptions of parliamentary debates of



the Legislative Assembly of Ontario retrieved online. Appendix One provides a full elaboration on how this data was accessed, analyzed, along with an explanation and justification on why this data was used.

The timeliness of this topic is paramount, given the multitude of social implications that characterize the politics of pension policymaking. Significant social factors such as Canada's aging population, low fertility rates, growing employment precarity, deepening income inequality, the impact of expanding housing costs, the movement of women in and out of the workplace due to child rearing and care taking, —these are critical issues in contemporary Canadian society that connect to issues of retirement income security. In this light, investigating the relationship between pension policy and individualized risk is vital to understanding the present and future conditions of economic security for Canada's workers.

As Chapter Two will illustrate, pension policymaking in Ontario over the past twenty years has escaped comprehensive scholarly examination, highlighting one novel contribution of this dissertation. Moreover, this analysis is made unique by the broad range of factors that are considered when investigating the policymaking process, moving beyond established political economic factors such as the state, class, capital, and now gender to include the role of ideas, interests, and institutions. This breadth of factors provides analytical nuance beyond narrow political economic and institutionalist explanations of policy change.

As will be elaborated in the latter chapters of this dissertation, Canada's RIS is currently undergoing a period of sustained change as illustrated through current labour

bargaining trends and CPP expansion discussed above. The research presented below investigates the historical, political, and economic conditions that have shaped these events, while more importantly, examining the extent to which risk is distributed between individuals, employers, and the state. As this distribution changes, this dissertation provides empirical and theoretical analysis of how and why these trends have developed.

Given this focus, this research contributes to sociological literature on the intersection of public and private social benefits; Canadian literature on the history and politics of workplace pension policy; scholarship on Ontario policymaking; and literature on social policy, risk, and individualization.

This dissertation is organized as follows: Chapter Two reviews secondary research on pension policymaking in the Canadian context. This chapter begins with an introduction to Canada's RIS to elucidate how retirement income systems are organized and the implications this has for different policymaking jurisdictions. Following this, a review of scholarship specifically examining Ontario pension policy is provided, highlighting the extent to which policymaking in Ontario has been under researched. Discussion then turns to literature that examines public and private pension systems in Canada in relationship to broader historical and political processes, often in the context of welfare state formation.

Chapter Three introduces the theoretical lens and methodological approach that are used to analyze risk and individualization and the policy process. Here, the sociological theories of modernity, risk, and individualization set out by Ulrich Beck and

Anthony Giddens is discussed. The second part of this chapter introduces the approaches of historical institutionalism and ideational analysis. This section explores the role of institutions and ideas in shaping the extent and character of policy change and how these approaches can be used to analyze policy change. The chapter ends by introducing feminist political economy literature to understand how gender and inequality are structured into advanced industrial welfare systems.

Chapter Four lays out the historical and institutional development of pension systems across industrialized countries following the industrial revolution with specific reference to the United States and Canada. This chapter examines the historical, material, and institutional conditions that led to the establishment of workplace pension plans. Although public and private pension systems have emerged historically along different institutional trajectories, a description is provided of how each system has informed the development of the other through economic expansion, class tensions, and labour political mobilization.

Chapter Five draws from interview data with pension experts, *Hansard* debate transcriptions, and statistical data to examine the dynamics of pension policy development in Ontario from 1945 to the present period. Analysis of the pension policymaking process in Ontario will begin to shed light on how policy change affects the extent and character to which the risk of saving for retirement has been individualized (see Appendix Two for a timeline of key events of pension policy in Ontario). One key focus is the analysis of the *Pension Benefits Act*, where following its enactment in 1965, there have been two major rounds of legislative reform, first in 1987 and second in

2010. Another key focus will be the political dynamics between provincial and federal policymaking processes, how the interplay between these two jurisdictions and the distribution of risk can drive policy change. Throughout the chapter, the institutional environment of pension policy development will be linked to changes in the broader global political economy, in which the relationship between economic cycles, class forces, policy ideas, and legislative design is explored.

Chapter Six examines the major drivers of pension policy in Ontario by considering the relationship between ideas, institutions, and group interests. The first section provides a theoretical sketch of different variables that drive the policymaking process, conceptually exploring the interplay between variables. Section two describes the growing influence of pension professionals as a source of ideation, while analyzing the relationship between professionals and interest groups (i.e. union and employer clients) as another factor that shapes policy debates and policy. To ground the theoretical discussion provided in the previous two sections, section three examines the development of the Ontario Expert Commission on Pensions (OECPC). Institutional and ideational processes are discussed to illustrate how particular ideas became policy in Ontario during the work of the OECPC.

Chapter Seven draws from quantitative and qualitative data to explain how and the extent to which risk has shifted from employers to employees both with and without workplace pension benefits in Ontario and other Canadian jurisdictions. The first section provides a descriptive statistical sketch of the RIS and its relationship to individualized risk, inequality and poverty levels. In the following section, the labour

disputes at Canada Post and Air Canada in 2011 are used as mini-case studies to expound how the struggle to share risk is shaped by broader institutional and political economic processes. The final section surveys what various professionals in the pension field perceive as the different types of risks facing the pension industry and individual workers and how these risks have changed.

Chapter Eight, the concluding chapter, returns to the primary research question of this dissertation. Drawing from social theories of risk and individualization, a description of how workers experience individualization in the risk society is provided, highlighting the new responsibilities and ontological realities facing individual workers vis-à-vis deciding how to save for retirement. The chapter concludes by examining the relationship between Ontario and federal pension policymaking processes as it relates to individualization. This section questions the extent to which individualization has occurred in the context of private and public pension policymaking. Given the recent proposed expansion of CPP benefits, and the leading role the Ontario government played in establishing these reforms, this dissertation research ultimately reveals that we have entered a new period pension politics, in which the public/private nexus of Canada's pension system is shifting. The struggle over who should shoulder the risk associated with retirement income is contested by workers, employers, and governments, and is contingent on factors such as the degree of union power, retiree activism, business lobbying, and the ideological assumptions of governing parties. As the broader context of pension politics is characterized by economic and labour market changes, as we will observe, expanding individualized risk and individualization is

leading to new forms of collectivization that challenge neoliberal policy proposals, fuelling demands on government to provide more retirement income security as secure workplace pensions continue to diminish.

## CHAPTER 2 – LITERATURE REVIEW

To navigate the sprawling research that touches upon pensions, this chapter reviews scholarship examining the politics of pension policy in Ontario and across Canada and its relationship to the policymaking process<sup>5</sup>. Literature on public and private pension policy will be considered to illustrate the structural relationship between both pension systems. First, however, to provide the reader with a clearer sense of the relationship between pension systems and policy jurisdictions, the following section provides a description of Canada's retirement income system (RIS). Following this, a review of macro-societal perspectives on the politics of pension systems will commence, focusing on provincial, federal and other scholarship that investigates the relationship between ideation and policymaking. This literature review also highlights the lack of recent scholarship on pension policymaking in Ontario, risk, and individualization.

### *Canada's Retirement Income System*

Canada's retirement income system is composed of three supporting pillars. Pillar one is comprised of a publically funded pension program financed by tax revenues to eliminate

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<sup>5</sup> Theories of risk and individualization will be discussed in Chapter Three, where I will also introduce the methodology of this dissertation.

poverty through wealth redistribution. These programs include Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), and smaller programs for spouses and surviving spouses of OAS/GIS recipients (Klassen 2013). Pillar two consists of the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP), which is a pair of compulsory contribution plans based on contributions made by employees and their employers and is a joint federal and provincial program administered by the Federal government. Pillar three represents voluntary personal savings of Canadians, including employer-sponsored workplace pension plans and other tax-assisted individual retirement savings. This includes any registered pension plan (RPPs) provided by employers or unions, and programs such as Registered Retired Savings Plans (RRSPs), Tax Free Savings Accounts (TFSA), and any other form of personal savings.

Table 2.1: Canada’s retirement income system and risk distribution

<b>Pillar 1 (federal)</b>	<b>Pillar 2 (federal/provincial)</b>	<b>Pillar 3 (provincial)</b>
Canada’s public pension system: Old Age Security (OAS) payments and the Guaranteed Income Supplement (GIS).	Canada’s Pension Plan: contributory Canada Pension Plan (CPP) and the Quebec Pension Plan in Quebec (QPP).	Private retirement savings: registered pensions plans (RPP), registered retirement savings plans, and other personal savings (such as defined contribution pensions benefits).
Risk is distributed across Canadian society (funded by tax dollars).	Risk distributed across Canadian/Quebec labour force that contribute to C/QPP.	Risk is either distributed across contributors of a RPP, or individualized within personal savings vehicles (e.g. RRSPs, TFSA and defined contribution accounts).



This project is primarily concerned with one aspect of pillar three: employer-sponsored workplace pensions. As illustrated by Table 2.1, in pillars one and two, risk is broadly distributed across Canadian society through public pension systems including OAS, GIS, and CPP/QPP. Pillar one (OAS and GIS), risk is assumed by the Canadian government, or Canadian taxpayers in which funds for these programs come directly from federal government coffers. Pillar two (CPP) is the largest pension plan in Canada representing the largest collectivization of risk in which most workers contribute to a pension plan that distributes risk across the entire labour force. However, pillar three is where the individualization of risk in Canada's retirement income system is more pronounced. This is because pillar three is *voluntary*. Although there are "minimum standards" contained within provincial and federal statutes that must be followed by employers who do provide a pension for their workers, employers are not required by law to provide pensions to their employees. Historically, workplace pensions have been offered for variety of reasons, such as retaining loyal workers, accessing tax shelters and to control labour unrest. But if an employer deems company pensions as too costly, they do not have to provide one. Therefore, as economic conditions change, many employers attempt to renegotiate the terms of their sponsored pension plan to manage the volatility and costs of these benefits – which is what is occurring today (as will be discussed in further detail in Chapter 4). This is where the collectivization of risk is most vulnerable, and therefore the focus of this dissertation project.

As discussed in the first chapter, this dissertation explores the shifting relations among these pillars to understand, from a historical and sociological perspective, how

risk is structured into Canada's RIS. The development of pillar three, as described above, was the product of intense struggle between capital and labour, in which capital successfully established private pension schemes as a major component of the RIS in North America. However, since the 1970s, workplace pension coverage has been diminishing, where many employers now seek to exit their involvement in workplace pension plans, shifting the risk of saving for retirement onto individual workers. Within this context, particularly since the global financial crisis, calls for expanding the CPP have grown, in which Ontario has played a central role. Consequently, pillar two is now playing a more prominent role with the expansion of CPP benefits in 2016.

#### *Locating Ontario Pension Policymaking*

Beginning in the 1980s, due to changing demographic patterns, journalists, scholars and policymakers have described pension policy in Canada as a ticking "time bomb". Corporate restructuring and macro-economic constraints relating to economic globalization and regional integration escalated this perception. Indeed, many have written on pension systems in Canada, their political context and their ability to provide retirement income security in the future (Bryden 1976; Deaton 1989; Myles 1989; Gifford 1990; Gee and McDaniels 1992; Weitz 1992; Orloff 1993; Battle 1997; Béland and Myles 2005; Boychuk and Banting 2008; Little 2008; Rice and Prince 2013; Shilton 2016). Yet in Canada, pension policymaking in *Ontario* has only been given limited attention. Ontario pension policy has been discussed in studies with a broader analytical

framework that have examined private pension system across Canada (Weitz 1992; Shilton 2016), analyzed within the broader context of *public* pension policymaking at the national level (Bryden 1974; Gee and McDaniels 1991; Little 2008; Myles 2013), or used as an example to discuss the social investment of pension capital (Deaton 1989; Quarter et al. 2001). Indirectly, provincial political dynamics are mentioned in international comparative research of national pension systems (Esping-Anderson 1990; Orloff 1993; Marier and Skinner 2008). Some studies have given aspects of pension policy in Ontario more attention than others. Weitz (1992) provides a detailed account of the political, economic, and institutional factors that led to the establishment of the *Pension Benefits Act* in 1965 and development of Ontario's Pension Benefit Guarantee Fund (PBGF)—Canada's only government funded pension insurance program—in 1980 as part of a broader discussion about workplace pension policy in Canada. Balcer and Sahin (1984) briefly examine the dynamics of pension reform leading up to the establishment of the Royal Commission on the Status of Pensions in Ontario in 1977 and its implications during the early 1980s. However, this analysis is contextual for the primary focus of their project that conducted economic modeling of costs and benefits of different pension proposals. Kaplan and Frazer (2013) provide a detailed description of the historical development of Ontario pension law as it relates to the PBA and successive rounds of legislative reform during the post-war period. Other historical accounts of pension policymaking in Ontario can be found in commissioned reports, including the Haley Report (1980), the Friedman Report (1987), and the Arthurs Report (2008).

Indeed, one must draw from a variety of disciplines and literature sources to piece together an account of pension policymaking in Ontario from different periods of time. What is missing, however, is sociological scholarship that places Ontario pension policy at the centre of analysis. This dissertation addresses this gap by conducting a systematic analysis of pension policymaking in Ontario up to the current period from a political-economic perspective, drawing from social theories of risk and individualization. The remainder of this chapter reviews relevant literature that speaks to the politics of pension systems in Canada and the policymaking process.

### *Pension Systems and Macro Societal Perspectives*

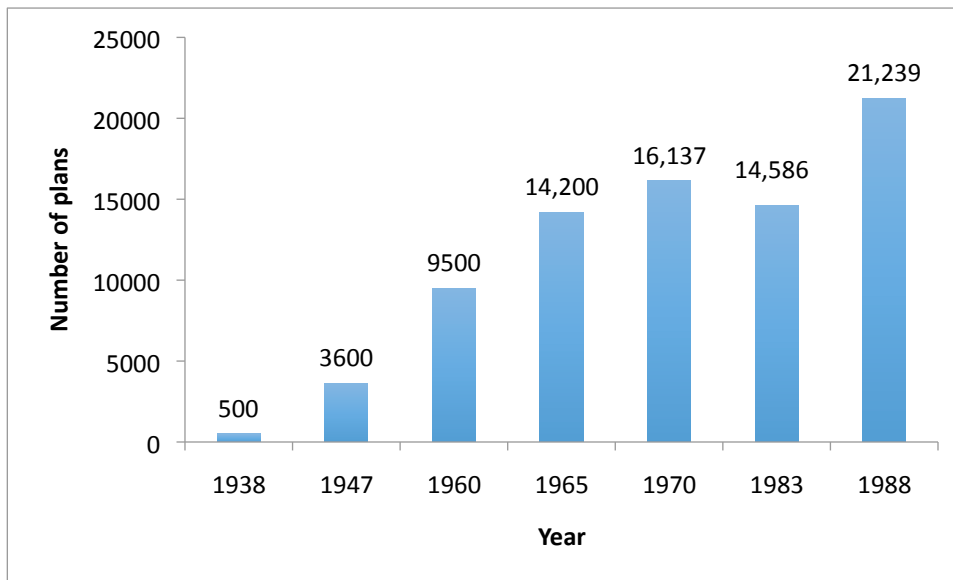
One overarching aim of this dissertation is to examine the political, economic, institutional, and ideational factors that inform Ontario's pension policymaking process. Therefore, macro societal perspectives analyzing the politics of pension policymaking provide a useful starting point, in that they examine Canada's public and private systems together and draw comparisons to other national systems, often in the context of welfare state formation and economic globalization. Within this field, there is a range of focus, in which analyses use either institutional and/or power resource models to explore the impact of industrialization and globalization on national and local economies. Here, the history of social policies is brought into consideration, connecting pension policymaking to labour markets, economic development, state politics, and the politics of aging.

In the Canadian context, Kenneth Bryden (1974) depicts both universal and wage-related pension policymaking as belonging to the “politics of income redistribution” and the “income maintenance for the aged in Canada” (1). As Canada’s economy has industrialized alongside mass urbanization, new “patterns of demand” appeared, pressuring political systems to respond (1974: 11). While it is true that industrializing nations have seen similar policy outputs, policymaking is not predetermined. Rather, policy outputs are contingent on the “processing of demands through the political system” and the historical context in which these political systems occur (1974: 11). Broadly speaking, policy outputs are characterized by environmental want and the “market ethos”, representing two major tensions in civil society that have led to public pension policy in Canada. However, in the early days of pension policymaking, these “environmental wants” produced by industrialization encountered deep-rooted resistance characterized by Victorian notions of self-help that legitimized prevailing economic interests. Bryden concludes that, “public pension in Canada were unmistakably stamped with the market ethos” (1974: 1).

In a similar vein, Harry Weitz (1992) argues that industrialization is key to understanding the development of the workplace pension systems and its ability to support workers. The workplace pension was the first program to respond to the development of increasing leisure time offered by industrialized automation, expanding life expectancy and general acceptance of retirement as a normal and desirable life stage. Consequently, workplace pensions developed as an institutional response to these social changes, characterizing transforming employer-employee relationships,

particularly for emerging industrial bureaucracies corporations with large workforces. However, Weitz draws a distinction between the periods before and after WWII. As the post-war period unfolded, legislation took on a more prominent role as pension systems were identified as having a clearer social policy objective. During this period, minimum standards legislation and the establishment of Canada's public pension system, including the C/QPP, OAS and GIS were introduced as the number of pension plans rapidly grew (see Figure 2.1).

Figure 2.1: Growth of Pension Plans, 1938 - 1988



Source: 1938 – *Industrial Retirement Plans in Canada, 1938* (Queen's University); 1947 – *Survey of Pensions and Welfare Plans in Industry 1947* (Dominion Bureau of Statistics); 1960 – *Pension Plans, Non-Financial Statistics, 1960*; 1965 – *Survey of Pension Plan Coverage 1965*; 1970-88 *Pension Plans in Canada*, various issues (Statistics Canada). Cited from Weitz (1992).

John Myles (1989) argues that examining old age is central to understanding the political foundations of the welfare state, including pension policy. This is because the welfare state has transformed old age into a social category in which individuals gain

access to state entitlements premised on their age. Consequently, politics will increasingly change as populations continue to age, since “...the contemporary welfare state in capitalist democracies is largely a *welfare state for the elderly*” (Myles 1989: 2)(original emphasis). The state therefore must reconcile the contradictory tensions between the market economy and the demands of a democratic polity. Pension policy can thus be viewed as the outgrowth of the state’s attempt to mitigate these opposing forces and determine the way policymakers direct social policy within capitalist democracies. Ultimately, the tensions surrounding old age security will not be determined by demographic trends, but rather the direction and extent to which political forces align in a post-Keynesian political economy. In the late 1980s, in comparison to countries such as Norway and Sweden, Canada’s public pension system was not well developed, due to higher levels of income inequality amongst older groups.

As the neoliberal era unfolded in the 1990s, scholarly analysis of pension politics published during this time predicted a bleak economic future for older age groups (Gee and McDaniels 1991; Battle 1997). This was due in part to the failure of the “Great Pension Debate” during the late 1970s to provide progressive pension reform, in which labour groups and other activists pushed for a doubling of CPP to 50 percent income coverage, up from 25 percent (this will be discussed in more detail in Chapter 5).

Although this campaign had developed considerable momentum, it ultimately failed by the early 1980s under recessionary economic conditions, followed by a period of “claw-backs” (Rice and Prince 2013). Gee and McDaniels (1991) argue that the public pension changes of the federal government during the 1980s (CPP and OAS) had attempted to

remove universal social benefits, shifting “responsibility for pensions to individuals and employers” (Gee and McDaniels 1991: 469). Rather than bolstering Canada’s public pension system, the federal government during the late 1980s sought to reform the private system through workplace pension reform and the establishment of new personal savings vehicles (such as RRSP limits). At the time, however, Gee and McDaniels point out that the private system excluded more than one-half of Canadians and two-thirds of Canadian women. The authors concluded that pension reforms attempting to place more risk onto individual workers threatened the future income security of elderly Canadians, particularly those of women, thereby perpetuating economic inequality.

Ken Battle (1997) also documents the attempt to claw-back pension benefits during the 1980s and 1990s. Battle describes the policy actions of the federal government as “social policy by stealth” (1997: 531), whereby technical changes such as partial indexation of OAS were used to hide increases to income taxes that few Canadians understood. This targeting of benefits through stealthy social policy, “...introduced new inequity into Canada’s public pension system” (Battle 1997: 532). Unlike Gee and McDaniel, Battle points to globalization as a determinant of pension policymaking through the 1970s and 1980s, identifying factors such as government deficits, debt, and stagnating wages. As Canadian businesses increasingly had to compete on a global level, this, Battle contends, created, “...a chilly climate that froze out advocates of larger pension programs that would require higher payroll taxes for employees and employers” (1997: 523). Economic globalization was thus a force that



could limit which policy ideas were deemed “realistic”, altering the boundaries of pension debate in a period that Paul Pierson (1996) described as the “politics of austerity”. This perspective runs parallel to analyses of Canada’s welfare state during this time, in which the welfare state is described as existing in a state of crisis shaped by economic globalization (Rice and Prince 2013).

Myles (2013), with the benefit of hindsight, describes the reform attempts of the 1980s and 1990s as a series of failed assaults on the “universality” of the pension system. Mulroney and Chrétien both attempted to introduce “targeted” measures based on means-testing that ultimately failed, illustrating what Myles views as the “path-dependency” of Canada’s pension structure that have made policy reform difficult (2013: 324). A broad consensus of oppositional forces that spanned from the left to right (embodied through the Retirement Income Coalition) stymied these attempted reforms. Instead, Canada’s pension policy has not undergone any significant change, but rather “drift” – small incremental changes that maintain the existing system<sup>6</sup>. In opposition to Gee and McDaniels (1991), and Battle’s (1997) earlier prediction that reforms would perpetuate or even deepen inequality in Canada’s pension systems compared to other advanced industrial countries, Myles highlights how Canada’s pension system has been effective at keeping seniors out of poverty while costing less<sup>7</sup>.

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<sup>6</sup> This argument is similar to Béland and Myles (2005), arguing, “relatively little has changed to the basic pension design constructed in the 1950s and 1960s” (p. 253).

<sup>7</sup> This has occurred for several reasons. Since Canada did not implement a “pay-as-you-go” system in which current government pensions are funded by tax deductions from current workers, instead using general tax revenue to fund OAS and GIS, the burden for paying pensions is distributed more broadly, avoiding intergenerational tensions of redistribution. This will be discussed in further detail in Chapter 7.

Although Banting and Myles (2013) contend that redistributive politics in Canada have “faded” and resulted in deepening inequality in the new millennium, “The core architecture that has reduced poverty and maintained retirement living standards among Canadian seniors remains largely intact” (Myles 2013: 313). This was also the case in other industrial democratic societies, where the push to privatize pension policy faced considerable resistance from activists, voters, and researchers, demonstrating the resistance of pension politics to neoliberal ideas (Blackburn 2002). Béland and Myles (2005) contend neoliberal pension reformers in Canada have been unsuccessful since they face the “challenge of legitimacy” when questioning the fairness of Canada’s system. This is because a disproportionate amount goes to the bottom end of the income ladder, “providing precious little room for such a rhetoric [of unfairness] to take hold” (Béland and Myles 2005: 254).

This literature describes important political, economic and institutional factors that have driven Canadian pension policy during different historical periods. However, the tendency of existing scholarship to claim public and private pension policy in Canada is characterized by policy “drift” and “path-dependency” is disputed by events in 2016 discussed in Chapter One. One of the objectives of this dissertation is to examine the factors that have established a new period of pension policymaking, a period in which policy change has accelerated beyond the status of “drift”. Moreover, the scholarship reviewed here analyzes provincial pension policymaking processes through a national lens, thus overlooking many local factors that inform national pension debates. This dissertation begins with the analysis of factors at the provincial level, establishing a

novel analytical starting point in the examination of pension policy in Canada in recent scholarship.

### *Ideation and Pension Policy*

In recent years, scholarship on pension policy has emphasized the important role of ideas in policymaking, thus providing a new methodological contribution to the study of policy change, while critiquing the institutional and class focus of macro-societal perspectives. For example, Babich and Béland (2009) analyze the pension reforms that led to the adoption of the Canadian and Quebec pension policies (C/QPP) during the 1960s through the explicit consideration of the impact of ideas on policy change. Here, institutional factors (such as the development of Canadian federalism and electoral conditions) and economic factors (such as rising inflation) are identified as conditions that propelled policymakers to explore new ideas concerning economic and social policy (Babich and Béland 2009: 256). These authors contend that the new ideas that emerged during this period played a critical role during the policymaking process that established the C/QPP in the early 1960s, illustrating “how paying systematic attention to ideas can enrich the study of policy change” (2009: 254).

Likewise, Bradford (2000) examines the policy influence of economic ideas on major policy changes in Canada. Why did certain economic ideas prevail at critical policy junctures during the postwar period over that of others, leading to the institutional embedding of Keynesianism during the 1940s and neoliberalism in the 1970s? Placing

ideas at the centre of his analytical focus to explain policy change, Bradford mapped “the flow of new ideas through political institutions bounded by economic structures” (2000: 51). Although he concludes economic-structural and institutional-political factors “determine which ideas really make a difference” (Bradford 2000: 74), the analytical focus on ideas provides a broader examination about social policy change and the relationship between ideas, interests and institutions.

The trend towards ideation to explain pension change is also exemplified in Jane Jenson’s (2013) recent scholarship that investigates the political drivers of Canada’s welfare regime by analyzing “institutions, instruments, and ideas” (2014: 43). Political actors operate in and are limited by their institutional context, providing the toolbox of policy instruments that are available. But these political actors, Jenson argues, are influenced by two sets of ideas: (a) the constitutional division of powers and relationship of communities set out by federalism; and (b) ideas about the role of the state in the mix of responsibilities for producing welfare (between markets, families, the voluntary sector and the state) (Jenson 2014: 43-44). These ideas subsequently “refract” decisions around policy reform.

To defend her use of ideational analysis, Jenson describes how previous Canadian scholars such as John Porter and Gad Harowitz operationalized the ‘power-resource approach’ to explain the politics of Canada’s welfare state. The power resource approach identified a correlation between the success rates of left parties aligned with unions and the levels of social spending. Esping-Anderson (1990) adopted both power-resource approach and new institutionalism (Thelen and Streek 2005) to describe the

link between political coalitions and institutional governing frameworks. Institutions such as federalism have structured the way in which the CCF-NDP as a third political party have asserted reformist pressures, while also identifying constraints imposed by institutional arrangements, such as the political jurisdiction imposed by federalism originating in the British North America Act. These approaches critiqued earlier functionalist approaches by examining the political dynamics of policy changes, rather than simply the social and economic determinants. However, Jenson claims that power-resource and new institutionalist approaches are, "...less helpful in accounting for change over time" (2013: 45).

A distinction is made between the politics of the welfare state following WWII when Canada established its social infrastructure – such as retirement provision, public health care, unemployment insurance and family allowance – and the politics following the 1970s of welfare state retrenchment. This new wave of the "politics of distribution" began in the early 1980s with neoliberal reform and the "rolling back" of social benefits. Rather than a creative political process of welfare development based on class politics, the welfare politics following the 1980s was dominated by the rise of interest groups and the tightening of eligibility – for example, a politics dominated by pensioner groups instead of unions (Jenson 2014: 45). However, Jenson notes that writers of this 'new politics' (such as Pierson 1996; Maioni 1997; and Banting 2006) tended to focus on the conditions under which retrenchment was occurring rather than giving attention to *goals* – i.e. the ideas for achieving a new vision for a new social architecture. These ideas, at the group level provide a general direction for the policy initiatives undertaken

based on their particular notion of social architecture. Béland and Cox (2011) argue that ideation serves to frame and problematize an important issue and to pose a set of alternatives. Similarly, Jenson also highlights the importance of how political groups frame issues, claiming: "...the ways in which political actors interpret problems and identify solutions are important" (2014: 46). By bringing ideation into the analytical mix with institutions and policy instruments, Jenson asserts one can better explain policy change over time.

The inclusion of ideation into the examination of social policy broadens the factors that can be used to explain why specific policy changes occur, deepening our understanding of the relationship between institutions, political actors and interest groups. Accordingly, one contribution of this dissertation is that it examines ideation as an important factor that drives the policymaking process in Ontario. However, this dissertation moves beyond the claim that ideas are important in the analysis of policy change by providing a more nuanced account of how actors interpret problems and identify solutions. This is achieved by exploring the institutional tensions between different "political actors" (Jenson 2013), differentiating between policy advisors, regulators, political staff and research consultants. Indeed, government officials involved in the policymaking process is a heterogeneous group, located within different institutional locales within and outside the state, each with different professional mandates. Exploring the ideas of these different groups provide new insight into ideation and policy change.

## *Summary*

The scholarship reviewed in this chapter contextualizes the macro-societal factors that shape the politics of pension systems in Canada and scholars that have investigated the role of ideation to analyze pension and social policy change in Canada. Macro-societal approaches establish policymaking as historically situated in economic-structural and institutional-political contexts that are connected to the political economy of welfare state formation. It is at this juncture that Ontario's workplace pension system can be examined. This literature review also highlights the gap in research on Ontario pension policy, particularly since the 1990s. By adopting ideation as key factor in the analysis of pension policy in Ontario, this dissertation provides a unique examination of the dynamics of provincial policymaking in Canada and its relationship to federal pension policy.

What is also absent from this literature is the examination of the analysis of risk and individualization and pension systems (Beck 1992; 1999; Beck and Beck-Gernsheim 2001; Beck, Giddens and Lash 1994). How is the problem of risk understood by policymakers and stakeholder groups and to what extent does this shape individualization? Put differently, if it is true that pension policy reflects the struggles to distribute the risk of income security in old age, how can Ulrich Beck's concept of the "risk society" be used to further understand processes pension policy change? The following chapter will turn focus to social theories of risk, individualization and modernity to describe how pension politics occur in a risk society.

### CHAPTER 3 – SETTING THE STAGE: ‘REFLEXIVE MODERNITY’, POLICY CHANGE AND PENSIONS

What is the relationship between *policy change* and *individualization* within the context of pension policymaking in advanced industrial societies? More specifically, what is the relationship between, on the one hand, the political, economic, and institutional conditions that shape the pension policymaking process, and on the other hand, the individualization of risk for saving for retirement? The previous chapter reviewed scholarship that considered how political, economic, and institutional conditions shape the pension policymaking process and inequality. In this chapter, the focus will shift to an examination of social theories of risk and individualization. The overall purpose is to establish a theoretical framework and methodological approach that can examine the relationship between Ontario’s pension system and policymaking and the extent to which saving for retirement can be individualized.

The first substantive section of this chapter discusses social theories of risk and individualization developed by Ulrich Beck and Anthony Giddens. This section sets the conceptual frame for this dissertation by discussing these theories of modernity to describe how advanced industrial societies have transformed the relationship between individuals and institutional structures of social provision. This illustrates the institutional context in which recent reforms to workplace pension systems have



occurred and how risk is individualized. The second substantive section develops the methodological approach that is used throughout the remainder of this dissertation. Here, historical institutionalism and ideational analysis are discussed as two perspectives that can be used to examine the factors that drive policy change within a broader political economic approach. Furthermore, this section discusses how ideation can be examined within a historical materialist approach, arguing that although ideas do not alone drive policy change, ideational analysis can be used to understand how notions of risk and processes of individualization materialize in policy change. Feminist political economy approaches that have examined the relationship between pension systems, politics, gender and inequality will also be discussed. These perspectives will be summarized and critiqued, concluding with a discussion about how this study of Ontario's pension system is informed by principles from these perspectives.

*Modernity, Risk and Individualization: Ulrich Beck and Anthony Giddens*

*Risk*

The concept of risk as an analytical problematic within social theory has dominated the field over the past three decades. Social scientific and philosophical scholarship has examined the processes of risk, including approaches such as realism, constructionism, phenomenology, and poststructuralism (Denney 2005). Moreover, analysis of risk has developed into new professionalized fields, such as economic and social provision policy

(Giddens 1998) in the public sector, and finance and insurance industries in the private sector<sup>8</sup>.

The breadth of this topic is reflected in what can be defined as “risk”. For example, many things can be deemed a “risk” if they pose psychological or physical threat to a community or person’s health. This can include traditional risks such as war, famine, and old age, as well as more recent risks such as global warming, nuclear meltdowns, terrorism, pollution etc. Importantly, it can also include new risks that have been produced by transformations in institutions, such as the family and employment. Many scholars examine risk through the social transition from traditional post-war industrial modernity to post-industrial modernity, occurring roughly over the past 30-40 years. A central argument is that we have become more aware of the risks posed by industrial society and thus reflect upon issues of personal risk more frequently, impacting our actions and consciousness at an individual level. Two prominent social theorists of risk are Ulrich Beck and Anthony Giddens. It is this last set of social risks that this chapter concerns itself.

#### *Modernizing modernity: emergence of risk society*

There are three major concepts and processes of Ulrich Beck’s (1992; 1994; 1998; 2002) social theory of modernization: “risk society”, “reflexive modernization” and

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<sup>8</sup> For an extensive review of different epistemological positions on risk and how these approaches have been applied to different professional fields such as policy and insurance industries, see *Risk and Society* by David Denney (2005).

“individualization”. The following sections elaborate on these key points of Beck’s theory of modernization.

The risk society represents the emergence of a second stage of modernity that is “post-traditional”. The first period of modernity followed the Industrial Revolution in which the capitalist economy premised on private property and technological development was initiated, eventually establishing the institutions of modern industrial society such as the nation state, corporate organization, nuclear family and class. Here, the individual was released from feudal lords into an industrialized wage labour employment relationship within an urban environment. Pre-industrial risks such as famine, war and old age were typically dealt with at the family or village level (Beck 1992; Beck and Beck-Gernsheim 2002).

The risks posed by industrial society prior to the 1970s were caused by technological advancement, the expansion of wage labour, and the removal of the individual from the safety net of the family and community. These new risks included unemployment, old age, work related injury and education. Subsequently, a new social architecture of the welfare state and insurance systems was established to protect workers and legitimize the pursuits of industrial capitalist society. However, Beck argues this legitimacy eroded as industrial capitalism continued to expand, “creatively destroying” older industries to be replaced with new ones, while at the same time establishing new risks posed by technological advancements that threatened personal well-being and the environment. The benefits of economic and scientific “progress” became increasingly questioned.

The limitations of industrial society and the transition to a different modernization began during the 1970s. Risks produced by industrial society—including ecological disasters (such as acid rain; nuclear plant meltdowns), impoverishment and military technologies (such as nuclear war)—eventually become acknowledged and deemed problematic. It is at this moment the “risk society” appears. This uncertainty becomes a new state of permanence for individuals, in which the emergence of the risk society represents a clear break from earlier periods. The emancipatory promises of the Enlightenment through scientific and technological development are no longer viewed as benevolent, but rather disruptive and a threat to human security. In the *Dialectic of Enlightenment*, Horkheimer and Adorno (1947) argued domination in industrial society was facilitated through the absence of reflexivity, where the promises of the Enlightenment became a self-fulfilling prophecy, legitimizing unbridled economic industrial development. However, the continuous success of industrial expansion ironically led to the risk society, thus compelling society to reflect on these very promises of scientific and industrial development – a new form of disenchantment.

Unlike earlier risks of industrial society, these new modern risks were experienced on a global level, rather than distributed along social class lines at the national or sub-national level. Instead of a distribution of goods along a social class hierarchy, in the risk society there is a distribution of “bads” that transcends social class and geographical lines, threatening the institutions of production and private property. For instance, a nuclear reactor meltdown and the radioactive poisoning that is caused, the acid rain that falls from the sky and enters groundwater systems, or more broadly

global warming, are risks that are experienced by all groups of society. This, for Beck, signifies the beginning of a new second modernity premised on disorder, what he terms 'reflexive modernity'.

### *Reflexive modernity and the welfare state*

Beck defines reflexive modernization as the 'modernization of modernization' or the '*radicalization of modernity*' (Beck 1994: 3-4), and used the term to describe the transition from industrial society to risk society (Rosa et al. 2014). 'Reflexive modernity' is therefore a theory of societal *change*. According to Beck, social change does not come through revolution and moments of extreme social crisis. Rather, it happens unnoticed and incrementally as industrial societies grow under orthodox industrial social forms. Industrial forms destroy themselves, unplanned, creating new social relations that are post-traditional and premised on the individualization of choices within a context of a risk society. This change is surreptitious, bypassing political debates and government decision-making (Beck 1994: 3). For instance, according to Beck the erosion of the standard industrial employment relationship towards precarious and casualized working conditions was initially overlooked by policymakers and social scientists while occurring in different industries and occupations. Eventually, this shift in employment was identified and reflected upon by various social groups, government officials and researchers, but not until it was a well-formed practice. These changes open up a new path of modernity that is born from the success of industrial modernity. However, once these effects of industrial capitalism are reflected upon, new oppositional forces that

question industry's ability to provide secure employment arise, thereby undercutting the foundation of institutional legitimacy on which previous industrial relations had been able to flourish.

In this context, the intersection among citizenship, welfare policies, and individual choice intersects with the emergence of the risk society. In the epoch of reflexive modernization, 'traditional' welfare states premised on risk sharing and citizen-recipients become challenged by shifts to economic, political and cultural globalization (Edwards and Glover 2001). The emergence of flexible labour markets, international economic competition, global speculative capital markets (or financialization), and the spread of multinational corporations has challenged established national economies and traditional welfare states premised on a citizen-recipient model (Beck 1992, 1999; Giddens 1991, 1994, 1998). Politically, transnational political regimes and emerging international jurisdictions override the autonomy of the nation-state's control of social provision. And culturally, the shrinkage of time and space through communication technologies facilitate the heightened convergence of cultural practices and lifestyles globally. The result of these globalizing forces is the intensification of reflexive modernization. In the context of the welfare state, expert knowledges that prescribe what is good for citizens is demystified and questioned in the epoch of reflexive modernization. This questioning occurs at the individual level as citizens increasingly reflect on the new risks posed by globalization and the ability of governments to respond to these risks. Consequently, "'Givens' are dissolved and transformed into

choices...” (Edwards and Glover 2001: 5). Citizenship thus shifts from passive citizen-recipient to rational citizen-consumer.

### *The politics of reflexive modernity*

One effect of reflexive modernization is a new politics, or what Beck calls “sub-politics” – that is, a politics from “below”. The emergence of the risk society means risks begin to dominate the public domain: “What happens here is certain features of industrial society become *socially and politically problematic*” (Beck 1994: 5). Industrial institutions traditionally responsible for managing political, economic and individual risk, such as the welfare state, can no longer effectively monitor and protect individuals against the risks produced by industrial society. This uncertainty becomes a new state of permanence for individuals in reflexive modernity. As reflexive modernization facilitates the development of rational welfare consumers, Giddens and other Third Way proponents assert the state must turn from providing social provision (i.e. ‘traditional’ welfare) towards actively promoting individuals’ ability to manage risk (Giddens 1998). Here, the public sector and traditional welfare state becomes problematized as a threat to the efficiency of markets, entrepreneurialism and the ability of citizens to mitigate risk on their own (Culpitt 1999). Third Way activists view collectivized social provision as enabling ‘welfare dependency’ and is therefore anti-rational, inappropriate and harmful (Edwards and Glover 2001). Instead, the role of the state should break the shackles of prescriptive traditional social policy to enable rational citizens to actively seek self-fulfillment and behave as “responsible risk takers” (Giddens 1998; 100).

Beck argues that threats and uncertainty created by the emergence of the risk society has a democratizing power. Given new risks transcend social, economic and geographical boundaries, there is a “potential for new alliances that provide heightened opportunities for public participation” (Rosa et al. 2104). This potential is also facilitated by increased media coverage of global risks that depicts individuals and societies as all belonging to one “shared space of threats” with no exit (Beck 2009: 56). This point is particularly salient with the intense global media coverage of the 2015 United Nations Climate Change Conference held Paris that amplified the sense of a single global community that is equally threatened by the destruction of global warming. Institutional sources of power and legitimacy in industrial society come under the microscope and create openings for new sources of power and legitimacy from below.

This creates new opportunities for democratic political engagement from a global civil society in the form of new social movements and a growing NGO sector that operates beyond national boundaries. New social groups and movements begin to materialize around particular issues to problematize them in the public sphere, entering juridical political and legislative debates. Environmentalist groups, business lobbies and retirement groups organize around different issues beneath the traditional institutions of political power and attempt to insert their interests into the policymaking process. For example, instead of relying on unions to represent retiree interests, seniors’ groups begin to mobilize around pension issues, forming associations and lobby organizations.

Beck argues that risk society thus becomes the management of ‘goods’ (income, jobs, social security) against the hazardous effects of ‘bads’ (air pollution, nuclear



meltdown, impoverishment). Older ethical and legal principles and categories of risk management become antiquated and the old industrial political order is subverted, as political action from below transcends traditional boundaries of the private and public divide of the political. This is a crisis of industrial society and the security it supposedly is able to provide, and thus provides new openings for political action based on uncertainty. This uncertainty becomes a new state of permanence for individuals in reflexive modernity.

### *Individualization*

Beck defines individualization as a “concept which describes a structural, sociological transformation of social institutions and the relationship of the individual to society” (Beck 2001: 203). In other words, individualization is an explanation for what is happening in society as defined by the relationship between individuals and transforming institutions. It is a concept that describes how people manage their identity, status, and consciousness in this emerging context of reflexive modernization.

If reflexive modernization is the external expression of how to mitigate new risks in a globalized world, the process of *individualization* is the internal, private expression of globalization, where risk is experienced in everyday life. Whereas risks posed by pre-industrial traditional society were typically dealt with at the village or family level, people must now experience risks on their own, and make decisions *individually* on how to best mitigate new risks posed by risk society. Consequently, “People have become compelled to make themselves the centre of the conduct of life, taking on multiple and

mutable subjectivities, and crises are seen as individual problems rather than socially based" (Tulloch and Lupton 2003: 4). This is the transformation of how one lives and experiences industrial life.

Individualization can be both liberating and constraining in reflexive modernization. Individuals are liberated by the de-traditionalization of social class, in which women, for example, are freed from the "'status fate' of compulsory housework and support by a husband" (Beck 2001: 202). However, to escape traditionally prescribed statuses, individuals are constrained by becoming more dependent on the market, thus infiltrating every aspect of one's life. The result is that the individual must cobble together his or her own life and find "biographic solutions" to "systemic contradictions" posed by risk society (Brodie 2007: 159). Put differently, collective social problems are now viewed as individual problems requiring personal responses.

Traditional discourses and cultural practices, nevertheless, live on in the risk society. Although individuals are liberated from social class and assigned statuses, individual choices are still made in the context of "traditional" expectations, ranging from religious values about marriage and family to understandings of a woman's role within public and private spheres of life. So while individuals feel that they are free to make life choices, this freedom is understood in one's consciousness rather than unfettered or unconstrained social behavior. The traditional institution of the family, Beck argues, "is still extremely valued in a very classical sense" (Beck 2001: 204). Although people are free to make choices about their family structure, individuals may still believe traditional family structures are ideal and therefore aspire towards tradition

within the context of reflexive modernity. This tension has some explanatory potential for women who “want it all”: i.e. a successful professional career and multiple children. Beck defines traditional concepts like family and class that linger in this new context of individual risk-taking as “zombie categories” (Beck and Beck-Gernsheim 2001).

Another constraint posed by individualization is the incalculability of risk, in that the individual does not have the expertise and/or time to adequately consider all avenues of action. Life changes thus become probabilistic and uncertain (Lash 2001). Individuals must often choose fast, make quick decisions for which they do not know the outcome – in other words, make ‘reflexive’ decisions that are qualitatively *precarious* and metaphorically *nomadic*. Indeed, decisions about one’s retirement income security are often made in the context of uncertainty, where one’s lack of financial literacy facilitate financial decisions that lead to unintended risks later in life.

Beck’s theory premised on the role of the individual in a second stage of modernity is a critique of structuralism and of class analysis, or collectivist social theory. This is because “...individualization is becoming *the social structure of second modern society itself*” (Beck and Beck-Gernsheim 2001: xxii). Collectivization is now constituted by “reciprocal individualization” (Beck and Beck-Gernsheim 2001). This is not the rejection of class altogether, but a reconceptualization of class that is splintered into small units where inequality is experienced individually. One’s consciousness is determined by individual choices posed by risk society, rather than determined by class affiliation.

Individualization also has implications for social policy. Brodie (2007) argues that individualization—as a discourse and political rationality—has become *embedded* into neoliberal social policy reform in Canada. The turn from a rights-based and redistributive model of social governance to one premised on the management of human capital, social investment, labour force participation and self-sufficiency illustrates the extent to which individualization has informed social policy reform.

*Giddens: 'high modernity' and ontological security*

Anthony Giddens is another prominent social theorist who was a leading figure in the development of social theories of risk, making significant contributions to early debates identifying the rise of the risk society. For this reason, Giddens work is discussed below. However, the remainder of this dissertation will draw primarily from the theoretical concepts of Beck.

Instead of using the term 'reflexive modernity', Giddens (1991) describes 'high modernity' or 'late modernity' as the new post-traditional order that has constituted the distinct social forms present in advanced capitalist societies. Giddens, however, focused more on effect of modernity on the *self*, the ontological reality and the existential dilemmas that are posed by high modernity in a post-traditional society. This is the connecting of the individual to broad social structures of modernity, exploring how new forms of modern social organization and coordination that are shaped by economic development, mass production, mass media and labour market development shape the self. For Giddens, modernity denotes a "risk culture" that is metaphorically

“apocalyptic” because it introduces new risks current generations have not experienced, thus generating a malaise of existential isolation amongst individuals. Similar to Beck’s notion of the risk society as the unplanned and disorderly destruction of the social relations of industrial production, Giddens describes modernity as a “juggernaut” that is unsteerable and escapes control.

There are three main elements of modernity according to Giddens. First, the separation of time and space – time is standardized and coordinates organization. Giddens describes this as the creation of “one world” in which communities are brought together through communication technologies. Second, the disembedding of social institutions – i.e. removing social relations from local contexts. Expert knowledge systems replace localized knowledge systems, bracketing time and space, and deploying technology and knowledge that “penetrate all aspects of life” (Giddens 1991: 16). Third, reflexivity – the need to continuously revise our lifestyle and politics as individuals are confronted with new information and knowledge. These three elements of ‘high modernity’ are thus characterized by a local/global dialectic in which global expert systems are deployed and connect everyday consciousness with the globalized risk society.

Similar to Beck, Giddens describes a modern world that nudges individuals to a precipice of choice in which fate has been replaced by action that is calculable in terms of risk. ‘How shall I live?’ becomes a daily concern that must be reflected upon leading to a ‘calculative attitude’ to the possibilities of action (Giddens 1991: 28). We thus become oriented towards the future. As this awareness of risk seeps into everyone,

Giddens argues that security must be designed by the individual in the form of a 'protective cocoon' from the tribulations posed by late modernity. The result is that our existential selves are altered and our day-to-day lives are "radically altered" as individuals must continually make decisions on how to best live a secure life (Giddens 1991). The personal experiences of 'trust' and 'security' become paramount in a person's life, and must therefore be planned, or what Giddens calls 'reflexively organized life-planning'. It becomes increasingly difficult for moral issues to be pushed to the side. Individuals must develop their own 'life political programme' to mitigate the threats to trust and security that are posed by high modernity, which leads to new forms of political engagement with emerging social movements. This can be observed through the rise of the 'new politics' (Pierson 1996) of welfare state restructuring and the various social movements that organize around campaigning for a specific issue. Examples could include an anti-fracking organization; a pro-life group that dissuades women from accessing new contraceptive technologies and having abortions; or a seniors' lobby organization to protect their defined benefit workplace pension plan. Put differently, lifestyle choices must be continuously made, from voting for a political party to dietary choices based on environmental and animal rights issues. Indeed, these are new decisions that did not exist in pre-modern societies. For Giddens, the 'life political programme' is a continuation of the emancipatory project of the Enlightenment, just in a different guise characterized by an alternate institutional context. (Giddens 1991: 9).

### *Ideas, Institutions, Gender, and Pension Policy Change*

The political process of policymaking, and the institutional context in which this process occurs requires other theoretical tools to explain why policy changes. Thus, the theoretical approaches of historical institutionalism and ideational analysis are considered to theorize *change* within the policymaking process. Furthermore, feminist perspectives on the historical development of pensions systems and welfare states more broadly will be discussed to consider how gender *inequality* shapes policy debates and structures pension systems.

#### *Historical institutionalism*

Historical institutionalism provides a useful lens to conceptualize how historically constructed institutions condition the actions of those involved in the policymaking process. This approach (Amenta 1998; Immergut 1998; Orloff 1993; Skocpol 1992; Pierson 1994; Steinmo, Thelen, and Longstreth 1992; Streek and Thelen 2005) is predominantly the product of American Weberian scholarship beginning in the 1970s that views historically constructed institutions—such as government agencies, political party systems and democracy—as profoundly conditioning the actions of policymakers and interest groups. At a general level, institutions are viewed as both “formal organizations and informal rules and procedures that structure conduct” (Steinmo, Thelen and Longstreth 1992: 2). Institutions are a space of social struggle between rule makers and “rule takers” through which the continual application and enactment of

institutional rules enables “play”, in that rules are challenged, manipulated and interact with exogenous forces (Streek and Thelen 2005). Moreover, power is typically seen as situated within administrative, state and social institutions, thus adopting a Weberian notion of power (Skocpol 1992; Amenta 1998). This differs from Beck and Giddens who view power as dispersing outwards from traditional sites of power such as government into emerging practices of “sub-politics”, or a politics from below characterized by growing activist groups within the public sphere.

Historical institutionalism belongs to a larger theoretical program termed ‘new institutionalism’ that represents a turn back to *institutions* from the ‘behavioral revolution’ in American social sciences during the 1950s and 1960s. This behavioral revolution rejected the ‘deeply normative’ analysis of ‘old institutionalism’ that compared and contrasted analysis of different configurations of administrative, legal, and political structures (Steinmo, Thelen, and Longstreth 1992: 3). During this time, behaviorists argued that one should simply not only examine formal attributes of institutions, but also the informal behaviors of political actors, attitudes, etc. to understand motivations. The intent was to move beyond the formal structures “of old institutionalists and especially the reified structures of Marxist theories of capitalist domination, by looking at the actual, observable beliefs and behaviors of groups and individuals” (Steinmo, Thelen, and Longstreth 1992: 4). This behavioral revolution also reflected the broader trend of positivism that was penetrating the “deep culture” of the American social sciences that sought to quantify social political behavior (Steinmetz 2005).



However, beginning the 1970s and into the 1980s in several American social scientific disciplines—such as political science and comparative historical sociology—‘new institutionalism’ emerged. This new approach embodied a variety of different perspectives (such as rational choice institutionalism, organizational institutionalism and historical institutionalism<sup>9</sup>). These perspectives represented a growing set of approaches that were critical of using observed behavior as the “basic datum of political analysis”, rejecting on methodological grounds that observing behavior is sufficient for explaining the actions of governments (Immergut 1998: 6). “Behavior”, to the new institutionalist is more complicated than the summation of individuals’ preferences: why, for example do political actors choose one definition of their interests over another, and why do some political actors support legislation that does not necessarily maximize their own interests?

Unlike other forms of institutionalism, historical institutionalism emphasizes the historical legacy of past decisions on policymakers. Scholars of this perspective point to the *path dependency* of policies, or the existence of an “institutional rigidity”, where once a policy is institutionalized, it is difficult to change as there are different individuals and organizations whose interests are to defend the ideas behind these institutions. Some depict change as occurring abruptly during moments of *crisis* or significant *policy junctures*. These moments are defined by intense political, economic and/or social crisis, some exogenous force compelling policymakers to break from existing policy and institutionalize a new set of policies (Steinmo, Thelen and Longstreth 1992; Hall 1993).

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<sup>9</sup> For a further discussion on the different types of “institutionalisms”, see Immergut (1998) and Campbell (2004).

In recent years, others view change as *continuous*, pointing to how change often occurs *incrementally* through processes such as *layering*, *drift*, *diffusion* and *conversion* (Campbell 2004; Peters, Pierre and King 2005; Streek and Thelen 2005). These concepts attempt to capture the different ways in which institutions can gradually transform—surreptitious changes that can often go unnoticed over extended periods of time—through various processes of adaptation. These changes can potentially come from endogenous forces, in that change can come from within governance structures of decision makers. This is a place in which historical institutionalism and ideational analysis (discussed below) can overlap.

Some who draw from historical institutionalism (Battle 1997; Hacker 2005) view pension policy change as occurring incrementally, in which policymakers use different strategies depending on the institutional constellation they find themselves. For example, Hacker argues pension policy in the United States has changed through a process of “layering” where conservative politicians pushed for new tax breaks for individualized retirement benefits while advocating for a shift away “from traditional fixed-benefit pension structures toward higher risk investment accounts” (2005: 63). Rather than overhauling existing pension policy (which would have been fraught with political opposition), Hacker illustrates how the Republican Party successfully introduced a new voluntary private pension system that was *layered* on top of existing public pension system. This has resulted in higher income earners being more able to benefit from these changes, while pension coverage for medium to low earners has decreased—a change that Hacker claims has gone mostly unnoticed (2005: 65).

Similarly, Battle (1997) describes Canadian pension reform during the 1980s as occurring by “stealth”, where the Conservative federal government surreptitiously made changes to various policy instruments, such as the move to partial indexing from full indexing of particular taxes, circumventing more contentious attempts to de-index Old Age Security that galvanized Canadian seniors.

Historical institutionalists also point to the timing and character of change in pension policy as contingent on the historical development of governmental structures, typically at the national level. For example, scholars discuss the “fragmented” structure of the American federal government based on the historical development of the state and federal constitutions that has made the introduction of welfare policies difficult due to the multiple “veto” points for oppositional political actors to block new legislation (Skocpol 1992; Orloff 1993; Amenta 1998; Lieberman 2002). This argument is used to explain why the development of the American welfare state has lagged behind countries such as Sweden and England whose governmental structures do not provide similar opportunities for opponents to stop welfare reforms.

### *Ideational analysis*

The development of ideational analysis as a distinct perspective in the field of policy studies has grown largely from critiques of historical institutionalism (Wier 1992; Hall 1993; Lieberman 2002; Campbell 2004; Babich and Béland 2009; Jenson 2014). Various materialist approaches (such as Marxist, rational choice and institutionalist theories) that have dominated the social sciences have ignored the constitutive role of ideas or as

viewing them as epistemologically less important in examining and explaining processes of political and policy change. Béland and Cox (2011) argue in their edited volume, *Ideas and Politics in Social Science Research*: “...as an object of scientific inquiry, ideas have held a beleaguered status often derided as imprecise or placed lower in status than material interests as motives for political and social action” (6). Ideas, beliefs, understandings and other forms of ideation are difficult to examine empirically, therefore often relying on theoretical descriptions. Rather than completely dismissing the veracity of historical institutionalism as a valid analytical approach, proponents use ideational analysis to widen the epistemological lens of their institutional analysis.

Drawing from a constructionist approach, *ideational policy analysis* (Béland and Cox 2011; Hecló 1994; Lieberman 2002; Wier 1992) contends that ideational processes significantly impact the policymaking process, providing novel research opportunities for ideation analysis. For example, ideational analysis examines how specific policy issues are constructed as problematic. It can investigate how ideational processes provide policy alternatives to experts and politicians that are embedded in institutional settings. Finally, this approach can examine how ideas “can take the form of cultural and discursive frames that actors use to challenge or justify existing policy arrangements” (Béland 2009). As such, there is an important interplay between new ideas and existing institutional rules that must be brought under consideration *together* when examining the character and direction of policy change.

Lieberman (2002) discusses how ideas have been brought “back in” beginning in the late 1980s in the study of politics to explain some of the major issues facing the

discipline. The social sciences “utterly failed” to predict major changes in world politics, such as the collapse of communism and the development of the neoliberal paradigm. Consequently, these shortcomings have compelled social scientists to examine the role of ideas and ideology more seriously. Lieberman argues that policy change, which at times can seem puzzling, “...lies at the intersection of ideas and institutions and in the tension between ideological traditions and institutional capacities” (2002: 709). This explains how a policy may outlive the conditions that led to their creation, but will persist although they are dysfunctional. Put differently, this model rejects the conception of policy change as a linear process. Instead, policy change is characterized by a series of political orders that are layered, where institutions and ideas intersect in a disorderly fashion. This approach explains change as a confluence of both the path-dependency of established policies and the extent to which new ideas are able to challenge, circumvent or alter older ideas that have already been codified. It is the ideational process that will catalyze new proposals for policy change. As such, Lieberman claims that new policies do not simply replace old ones, but are “layered” onto existing institutional arrangements and ideological paradigms.

Others also emphasize the relationship between ideas and institutions. Béland and Cox (2011) claim “...ideas are the foundation of institutions” in that it is ideas that give rise to actions that lead to routine, which in turn give rise to institutions (2011: 9). Similarly, Heclo (1994) and Walsh (2000) point to the “interrelationship” between ideas, interests and institutions to provide a broader perspective to better account for change and continuity in political institutions. Hall (1993) stresses Heclo’s (1974) notion of

policymaking as “social learning” to describe how social groups from civil society (such as the media and interest groups) have successfully developed and implemented ideas into policy, challenging some institutionalist state-centric theories about policymaking.

The assertions made by proponents of ideational analysis hark back to earlier debates between idealists and materialists about what drives historical social transformation. However, this dissertation asserts that the study of ideas can be undertaken within in a broader historical materialist approach. In his definition of Marxist political economy, Clement argues: “Ideas have an important place within political-economic accounts, but, unlike idealist approaches, which begin with values, beliefs, or attitudes and from these explain society’s workings, the materialist approach contends that the realm of ideas itself requires explanation” (1997: 4). Indeed, idealist and materialist approaches do not have to be mutually exclusive if ideas are understood as being linked to material conditions. Analysis of ideational processes allows one to consider how notions of risk and individualization enter the pension policymaking process, providing a more nuanced account of the factors that drive policy change.

Arguably, the strength of ideational analysis lies in its critique of institutionalist approaches that treat the role of ideas in an ad hoc way. While it may be difficult to analytically separate the examination of ideas from institutions given their integrated, symbiotic relationship, this does not mean ideas should simply be ignored. If anything, ideational analysis provides more textured analysis of policy change, providing additional attention to the motivations of different competing groups as they work within the constraints posed by governing institutions. When examining workplace

pension policy in Ontario, ideational analysis is useful in inquiring how competing ideas for policy reform motivated different stakeholder groups, from unions to the insurance and finance sectors, and how these ideas intersect with existing institutional structures of policymaking to frame particular issues. How did political actors interpret problems and identify solutions when reforming the *Pension Benefits Act* in the 1980s and again in the 2010s? While it may be true that the material conditions of social reproduction and economic expansion profoundly shape the ideas that emerge within policy debates, these ideas must not be ignored, nor be viewed as epiphenomenal. The political and economic framework outlined in this dissertation dismisses a rigid base/superstructure model of some historical materialism. Rather, although it is argued that the policymaking process is embedded in and conditioned by political economic and material forces, ideas are viewed here as constitutive variable of policy change. As such, this project combines ideational analysis with institutionalist and political economic approaches when examining Ontario's pension policymaking process.

### *Feminist perspectives*

Feminist scholarship identifies the extent to which social policy has historically been developed along gendered lines. While this dissertation does not specifically examine the relationship between gender and the politics of pension policymaking, it does acknowledge the constitutive role gender plays in this relationship. Therefore, the relationship between gender, pension coverage and the rise of feminist critiques of Canada's pension systems will be considered in chapters Four and Five to elucidate the

role of gender on policy reform. This literature is also useful in conceptualizing how inequality is structured in to pension systems, which will be explored in Chapter Seven.

McDonald (1997), Cheal and Kampen (1998), Gaszo (2005) and Kodar (2012) discuss how senior and elderly women are structurally disadvantaged economically (and socially) compared to men during retirement. Reasons relating to social reproduction such as child rearing, caretaking for aging family members and economic reasons such as unequal income compensation and limited labour market participation have been identified as the cause of women's poor pension coverage in the private sector and higher poverty amongst women during retirement. Because women have been and continue to be predominantly responsible for the social reproduction of labour forces in Western advanced industrial countries, they are unable to participate equally in the labour market. Even when they do, they are paid less, often working in occupations with less prestige, with low pay, and poor job security (Kodar 2012).

In light of these issues, unpaid work by women remains a problem revealing how pension systems have been structured to maintain established male-breadwinner ideas of the household that has led to men being more secure than women during retirement (see Gaszo 2005; Kodar 2012, Cheal and Kampen 1998). This has aided in the consolidation of power for older men at the expense of women. McDaniel argues: "The paradox is that the development of public pensions, intended to provide security for all in old age, has had the effect, together with recent social and economic shifts in social and employment policies, of consolidating power bases among men in older generations" (2001: 200). Subsequently, pensions systems can be viewed as systems of



*power* structurally disadvantaging one group at the expense of the other along gendered lines.

Drawing from a feminist and political economic perspective to examine the relationship between gender and shifts in social policy, Porter (2003) argues that gender, "...has to do not only with ideology, meaning, and representation, but also with power, institutional structures, the allocation of material resources, efforts to contest visions of the world and the ways that material resources that shape women's lives have been distributed" (5). Consequently, gender must figure centrally within a political economic analytical framework that draws a direct link between the tension of unpaid domestic labour of social reproduction and participation in the market labour force. This connection therefore has implications for state practices and policy change since gender as a set of social practices is a source of tension between state, family, and work that has played a determining role in the shifts of state policy from Keynesian to neoliberal governing practices.

While this literature has primarily focused on public welfare state policies at the national level, it is useful in the examination of private, employer-sponsored workplace policy at the provincial level in Ontario. For example, the growing participation of women into the workforce in Canada and the role of gender have generated tensions within the policymaking process at the national and provincial level. For example, the Royal Commission on the Status of Women Report tabled in 1970 drew national attention to women living in poverty, highlighting the gendered assumptions of the male-bread winner model structured into social policies such as CPP and UI. In 1999, the

Supreme Court of Canada amended the Charter of Rights that redefined “spouse” from married couple or “man and women” to “two persons”, requiring Ontario to reform the PBA. Also, the nexus between gender, home, education, and work is reflected in patterns of pension coverage. Since the 1970s workplace pension coverage in Canada has declined from 52 percent to 37 percent among men, while among women, coverage has risen from 36 percent to 40 percent (Statistics Canada 2015). In 2012, 33 percent of employed women and 24 percent of employed men aged 25 to 54 were covered by more secure DB plans. This is because a larger percentage of women work in public sector jobs with higher coverage rates, such as educational services, health, and public administration. The types of work men and women engage in are structural factors that drive policy change, giving impetus to current debates about what governments should do to improve coverage. Which industries have better coverage and who works in these industries all factor in government policymaking. These tensions can be observed in current pension debates over market-based government proposals such as the Pool Registered Pension Plan (PRPP) or expanding the CPP/QPP and the Ontario Retirement Pension Plan (ORPP).

Importantly, this analysis of Ontario’s pension system recognizes that institutions are invariably “gendered” and that this is an important factor when examining how risk is individualized. Thus, feminist perspectives on the historical development of social policy vis-à-vis social reproduction inform the analytical lens of this project.

## *Summary*

If one assumes that the current context of modernity can be defined as a risk society characterized by reflexive modernization, and that processes of individualization represent the wider, social-cultural-political context in which policy change occurs, one can use historical institutionalism and ideational analysis to examine these processes. One can use historical institutionalism to consider how institutions can condition the actions of policymakers and stakeholders, and ideational analysis to discern how notions of risk and processes of individualization materialize in policy change. In other words, this is a framework that examines the interaction between ideas, material interests and existing institutional practices at the policymaking level to understand how individualization occurs.

Using this framework, this dissertation draws from Beck in two ways. First, through adopting the ontological perspective of “reflexive modernity” to theorize the institutional context in which Ontario’s workplace pension system is situated. Second, by exploring how reforms to the workplace pension system pose a new set of risks to individual workers in Ontario. Individualization is used to theorize the effect that diminishing pension benefits have had on workers’ sense of security, and how this informs the politics of pension policymaking. As such, Beck will be used to theorize how transformations to retirement income systems as a set of transforming institutions affect the lives of workers.

While the sociological theories of Beck and Giddens are useful in describing the institutional transformations between post-industrial modernity and the individual, these perspectives do not fully capture the political economy of pension policymaking that has occurred since the 1970s. One major limitation of Beck's framework is how Beck eschews the constitutive role of class in his theorization of political change. This dissertation questions the extent that Beck's concept of "sub-politics" can be used in the analysis of pension policy change. As will be elaborated in chapters Four and Five, the changing terrain of class power illustrates the ongoing role that labour unions play in the protection of pension benefits. Given pensions developed historically through the employer/employee wage-labour relation, and given the extensive contribution by the labour movement to policy debates regarding pension reform, the politics of pension policy is not best understood through Beck's notion of "sub-politics". For this, the political economic scholarship of pension systems and welfare states reviewed in chapter two will be used. This means that I examine relationships among risk, individualization and policymaking by considering the wider historical social formation.

The remaining chapters operationalize this framework. The following chapter analyzes the historical material conditions leading to the institutional establishment of pension systems in industrializing countries. Here, new risks posed by industrialization to aged workers will be discussed.

## CHAPTER 4 – OLD-AGE, INDUSTRIALIZATION, AND THE HISTORICAL DEVELOPMENT OF PENSION SYSTEMS

“[T]oday’s politics are rooted in yesterday’s social policy legislation” (Rice and Prince 2013: 41).

“The social relations under which capitalist production takes place embody a structural antagonism between employers and employees” (Panitch and Swartz 2003: 9).

Workplace pension systems are a product of class struggle, gender relations, ideology, institutions, economic markets and the industrial revolution’s transformative effects on the social relations of work and family. In other words, pensions reflect the tensions, struggles and contradictions between an expanding global political economy and the material reproduction of social formations. Pension policy, both public and private, characterizes an institutional response to reconcile social dilemmas historically produced by developing capitalist societies – how does an industrializing society respond to a rapidly growing and urbanizing population, the growth of a wage labour workforce, increased social mobility and the needs of an expanding cohort of pauperized and other exploited workers? The establishment of a pension system, similar to that of growing demands for health care, education and sanitary systems, became an arena of ideological and political struggle over who should provide the resources to meet the changing needs of society. The institutions that emerged to facilitate global

capitalist expansion challenged pre-industrial ideas of economic independence and the role the state should play in providing relief from the material conditions of industrialization. Once these pension systems were established in the mid- twentieth century, extending coverage remained a problem for many disadvantaged groups, particularly women and immigrants due to the single earner model that was embedded in pension design and residency requirements (Bryden 1974; McDonald 1997; Cheal and Kampen 1998; Gaszo 2005; Marier and Skinner 2008; Hum and Simpson 2010; Kodar 2012). Indeed, the historical development of pension systems have been premised on the assumption that the household earner is male, in which women were relegated to the private sphere of social reproductive labour. Immigrants and racialized groups were have also been historically excluded from pension systems, structuring a gender and racial bias into the emergence of these retirement income system. The intent of this chapter is to describe in general terms the historical development of pension policy in Canada and other industrializing countries, and the growth of workplace pension plans in Canada and Ontario. This historical analysis will also serve to illustrate how risk has developed and been conceptualized in industrial society vis-à-vis old age and has been distributed along the public/private axis of social benefits (Béland and Gran 2008). The risks facing retirees and those close to retirement today have been historically constructed through industrial expansion and the post-industrial casualization of the standard employment relationship, a context reflective of reflexive modernization. This chapter will serve to contextualize the historical development of contemporary forms of

risk, and to understand the extent to which risk is individualized in the risk society during the postwar era.

Pension policy can be understood to include both public and private pension systems. While both systems have been designed to provide retirement income, in Canada and elsewhere, each system has a distinct historical trajectory of political, economic and legislative development. As discussed in Chapter Two, public pensions in Canada are administered by federal and provincial governments within the public domain, and include the programs of OAS, GIS, and CPP/QPP<sup>10</sup>. Workplace pensions, on the other hand, are understood as formal arrangements between employee and employer for income during retirement in consideration of past services (Weitz 1992: xxviii), and fall under provincial jurisdiction<sup>11</sup>. This chapter begins by describing how industrialization and the rise of wage labour transformed how communities cared for the elderly. This section also discusses how retirement became legitimized as a life stage. Next, the development of the workplace pension system across Canada and other advanced industrial countries is explored, by considering four distinct periods beginning in the late nineteenth century to the early twenty-first century. The jurisdictional boundaries between public and workplace pension policy in relationship to Canadian state development is also discussed to illuminate the historical institutional context on which current reforms to Ontario's pension policy are taking place. Furthermore,

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<sup>10</sup> There are other supplementary programs belonging to Canada's public pension system, such as the Spouse's Allowance (1975, 1985) for low-income couples where only one person receives OAS/GIS.

<sup>11</sup> The exception are employees with occupational pension plans who work in federally regulated industries in Canada such as transportation, banking, telephone, radio and television broadcasting. The federal *Pension Benefits Standards Act*, 1985, regulates these industries.

throughout this historical narrative, the role of class struggles and the changing degrees of class power are documented, illustrating the extent to which public and private pension benefits were the result of a shifting political economy and balance of class power.

*Pre-Industrial Institutional Care for the Elderly: Elizabethan Poor Laws, Poorhouses*

The impact of industrialization on old age is key to understanding the historical development of pension policies. The effects of industrialization on old age have been the focus of significant scholarship (Burgess 1960; Bryden 1974; Uhlenberg 1978; Graebner 1980; Quadagno 1982; Myles 1989; Weitz 1992; Orloff 1993). It is generally understood that the advent of industrialization transformed the pre-modern model of the extended family home, replacing it with the nuclear family unit, generating new gendered roles between public and private spheres of social life. Freiderich Engels (2010[1884]) describes how the emergence of the nuclear family was consolidated in the class-based society of the 1800s, in which men left the family farm in search for paid labour opportunities, while women were relegated to the private sphere, in which care for the elderly increasingly fell to the hands of women. During the eighteenth century, as subsistent family farms and other forms of home production were replaced with industrial wage-labour production, rapid urbanization occurred. Consequently, the responsibility of caring for old age, which had traditionally been provided by the



extended family home, eventually became the dominion of the modern state (Bryden 1974; Quadagno 1982).

It is important to note, however, that the extent of this thesis can be questioned. As Quadagno (1982) points out, more often than not, the cohesion of extended families in preindustrial Western societies was not contingent on working together as a single economic unit. Rather it was based on local customs of generational exchange of property, where "...children had to care for retired parents in order to gain the right to marry and take over the farm" (1982: 15). Full ownership of a farm sometimes did not occur until the father died, or contractual obligations were designed that promised food, lodging and income to parents or a widow. These arrangements could cause significant tensions between generations, and "when other work opportunities became available, children chose other options" (Quadagno 1982: 15). As such, the transformations of work and the development of different forms of retirement did not occur uniformly across industrializing societies, but varied over time and space, greatly depending on local customs and economic activity. Retirement was not merely a product of industrial capitalism, but also existed in pre-modern times with specific arrangements involved in the passage of property and wealth from fathers to their sons.

Poverty had also existed in pre-modern times, typically in the form of pauperization. In England, the Elizabethan poor law of 1601 (formally known as the *Poor Relief Act*) was established as a set of guiding principles for dealing with the aged poor, bequeathing responsibility to the parish level of local administrators. Rather than simply punish vagrants and paupers, these laws were intended to moralize the needy by

consigning those who were in need of relief to work. The poor were distinguished into two groups: those who were able-bodied and could work, and the impotent, and relief occurred either through out-relief or workhouses. Those deemed able bodied were often sent to workhouses, had work created for them, or were consigned to local employers. The impotent, those physically unable to work, would either receive out-relief (a small stipend) if they had somewhere to live, or be sent to workhouses as a last resort if they lacked any familial support. In both cases, either form of relief was usually humiliating for the recipient and always parsimonious. This was because poverty was viewed as an individual problem – those in need were so because they lacked diligence and foresight with the exception of a small few. Conditions of relief were designed to encourage individuals to avoid asking for help. Workhouses, for example, were made to be, “as bleak and degrading as possible so that a job—any job at any wage—would be attractive by comparison” (Bryden 1974: 21).

Poor laws were administered at the local level and the degree and extent to which these laws practiced varied considerably. In England during the early nineteenth century, there was concern that too many elderly workers were receiving out-relief, thus encouraging certain individuals and their families to shirk the responsibility of working hard and practicing due diligence in saving for their old age. This perspective was influenced by Malthusian theory (that saw poverty as a ‘corrective’ for self-improvement and abstention) and Bentham’s doctrine of utilitarianism (that claimed the success of a policy should be measured as securing the greatest happiness for the greatest number of people, and this balance could only be found in the free market

economy premised on self-interest) (Fraser 2009). Poor laws, therefore, should be reformed to deter individuals from seeking relief so the wages of other workers would not be used to subsidize the poor. The New Poor Law of 1834 concluded that allowance systems “not only demoralized labor and depressed wages but also encouraged idleness”, influencing individuals to leave working classes for pauperism (Quadagno 1982: 97). This new law centralized administration away from local authorities, provided a new universal model of relief administration and deepened the stigmatization of those receiving help to deter others from applying for relief. Out relief became more difficult to acquire and life in workhouses often became so appalling that families avoided sending their elderly members to these places at all costs. For those who did live in poorhouses, these places were described as “human warehouses” where the aged went to die, living in large rooms crammed with beds, where individuals were forced to work and received very little in food rations. Many saw workhouses as the “ultimate disgrace”, where concerns of incarceration and death were feared more than the stigmatizing effects of living in one of these places (Quadagno 1982: 106-107).

Elizabethan poor law was not officially adopted in Canadian colonies during pre-Confederation, with the exception of Nova Scotia and New Brunswick, “where it was only indifferently applied” (Bryden 1974: 22). But Canada did adopt the implicit assumption that being poor was a quality of poor character on behalf of the individual (Rice and Prince 2013). As Bryden points out, “in the ad hoc expedients devised to deal with welfare problems [in Canada], one can detect the influences of the principles both of local responsibility (Elizabethan poor law) and of the efficacy of institutional care

(reform of 1834)" (1974: 22). As urbanization and industrial developed following Canadian confederation, places such as Ontario were slow to respond to the changing social conditions. Relief in Protestant Ontario took the shape of local charities premised on private donations. Institutional responses to growing labour problems in industry during the late nineteenth century assumed a deeply rooted view that government help would encourage slothfulness. As Bryden (1974: 22) notes, "The underlying attitude continued to prevail that only a very few were genuinely incapable of providing for themselves, and in addition the belief in the primacy of family responsibility had if anything been strengthened by pioneer experience".

### *Responses*

This moralizing perspective that stigmatized aged workers receiving relief increasingly came under attack in England, Canada, and elsewhere during the late nineteenth century. Populations in modernizing countries expanded with a growing industrial workforce and social mobility through the nineteenth century. Demographically, more people were living past the age of sixty in the late eighteenth century with declining mortality rates (Uhlenberg 1978: 65, cited from Quadagno 1982: 17). The sheer number of the aged living in poverty subsequently became too large to ignore. This put new pressures on existing Elizabethan poor laws that served old paupers, the destitute and the infirm, and stirred a new ideological debate over who was responsible for providing

relief to the aged. Moreover, the harsh treatment and demoralizing poorhouse conditions in which society's oldest workers were forced to live in took hold of the public's sympathy. Opposition to poor laws also coincided with the extension of the voting rights to working classes and the growth of labour movements who could articulate the travails of older workers in industrial society. Public debate over who should provide for society's oldest and most destitute members pitted poor law philosophy against new demands for better treatment of the elderly.

In England in 1895, a Royal Commission on the Aged Poor was formed to examine the plight of the aged (Quadagno 1982: 103). Similarly, in Canada pressure for political action for a national pension scheme to alleviate poverty for older workers was also growing (see section below). Several countries across the industrializing world, including Germany, New Zealand, and Denmark implemented the first national public pension plans before the turn of the twentieth century, signaling the emergence of the nation-state's role in providing institutional support against the vicissitudes of industrial life. As such, pensions represented a "pivotal transformation of state activities" (Orloff 1993: 22).

### *Establishing Canada's Public Pension System*

The development of Canada's public pension system occurred within a context of emerging social welfare policies following Confederation. Pressured by the social and political action of citizens, provincial governments began to provide new institutions for

the aged, the sick, children and people with mental disabilities (Rice and Prince 2013). Public school boards and libraries were also the norm by 1900, along with new legislation regulating industrial working conditions. Debates between individual responsibility and a growing role for government were prevalent, with social transformation characterized by urbanization and industrialization as its backdrop. However, institutional responses to those in need were slow and uneven across provinces.

Canada can be described as a 'laggard' in the development of a national old age pension system in comparison to the United States and many European countries. This can be linked to Canada's history as first a colony of Britain, then as member of the British dominion, in which the legacy of this colonial history shaped Canadian state formation. Canada, in the nineteenth century, was a vast geographical space, sparsely populated, lacking a strong polity. British and Canadian elites, who were concerned with American annexation of Canadian territory and the spread of American political culture of republicanism, used the Canadian federation as a mechanism to protect Canadian and British interests (Brodie and Jenson 1988).

Local elites adopted the cabinet system and parliamentary government to centralize power into a court-style arrangement of elitism that gave power to colonial governors and local notables (Orloff 1993: 246). The Canadian state became dominated by practices of patronage to serve these political interests that opposed majoritarian democracy and universal-suffrage. Given that Canada's polity was small and underdeveloped, where local relief practices hindered support toward a national

political debate of social welfare, there was little resistance to these governing practices at the time. The result of these arrangements was that state capacities remained undeveloped and political parties unprogrammatic (Orloff 1993: 245), where these early features of Canadian state formation would continue from the late nineteenth century until WWI.

Canada's early social architecture can be traced back to the British North America Act (BNA) of 1867. Matters of social welfare were regarded by the Act as local and private, thus giving provincial governments jurisdiction over social policy (Jenson 2013; Rice and Prince 2013). Poor relief practices did not substantially change after Confederation beyond granting provincial authorities with legal jurisdiction. Canadian relief continued in multiple forms across different provinces through a combination of practices including municipal relief, private charity (typically administered by religious organizations), or institutional care. Private charities were crucial to individuals' survival in the absence of comprehensive redistributive social policies. In Ontario, prior to the 1830s, private charities were the only institutions providing refuge to the infirm and desolate (Maurutto 2004). As government funding grew, charities were funded to provide increasing support. Public welfare in Ontario began with government subsidies and new tax systems that allowed municipalities to collect taxes on ratable property to erect houses of refuge, highlighting the important institutional role charities played in the early administration of public welfare (Maurutto 2004).

As discussed above, relief practices were often premised on local religious beliefs, and those who provided poor relief were not legally obligated. The trajectory of

poor relief development and their respective practices in each of the provinces followed different paths<sup>12</sup>. Although there was some poor relief infrastructure, the dominant underlying attitude continued that saw poor relief as facilitating and promoting slothfulness and profligacy, thus limiting any sustained policy response from provincial government officials. Given that the current patchwork of poor relief was not adequately addressing the hardship of those in need, this philosophy could not prevail indefinitely. Consequently, the material conditions of poverty in old age would eventually challenge the doctrine of individual responsibility codified in Elizabethan poor laws.

By the early twentieth century, provincial governments began to legislate new institutional responses for providing poor relief to the infirm, the aged and others who could no longer work (Bryden 1974; Maurutto 2004; Finkel 2012). The social fabric of Canadian society was changing, resulting with new economic and social realities for older workers. Occupations that could be carried out by breadwinners over the age of 65 had typically included farming and small business. With rapid urbanization in the early twentieth century from the farm to the city, these older occupations decreased in importance. The physical demands of urban industrial jobs made working past the age of 65 more difficult, and many were not suited to work in large bureaucratic establishments that often refused to hire workers past the age of 45 (Bryden 1974). What's more, the 65-69 and 70-and-over age groups were growing as life expectancy expanded. These social and economic conditions of older workers were thus generating

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<sup>12</sup> For a more detailed discussion of each province, see Bryden 1974



a new set of challenges for policymakers. Industrialization, urbanization, demographic changes and the diminishing viability of the three-generation family farm were leaving many older workers behind to live their final years impoverished. With no national pension scheme, coupled with the uneven and unreliable administration of local poor relief distribution that often stigmatized those in need, the hardship of many workers became more conspicuous. In 1903, an act was passed in Ontario that required all counties, or a combination of neighboring counties, to establish homes for the poor (Bryden 1974: 22-23). This legislation was reenacted in 1912 that significantly expanded facilities in 1912, thus consolidating Ontario's charity sector and increasing Ontario's institutional response to the poor (Maurutto 2004).

These problems were not unique to Canada. Beginning in 1889, other industrializing countries had begun establishing various types of national pension systems, including Germany (1889), Denmark (1891), New Zealand (1898), France (1910) and Australia (1911). A campaign had been underway since the 1870s in the United Kingdom to establish an old age pension system. These developments did not go unnoticed, particularly in Anglophone Canada, which drew inspiration from the United Kingdom (Bryden 1974). As other industrial countries established national pension systems, social reformers in Canada were increasingly demanding 'social insurance' in the early twentieth century, including the policy proposal of a universal non-contributory pension system. Pension legislation was eventually introduced into the Canadian House of Commons in the first decade of the twentieth century by several Conservative M.P.'s, some of whom were former presidents of the trade union

federation (Orloff 1993: 256). This produced a series of initial hearings about the need for public action to relieve the needy.

The Trades and Labour Congress of Canada (TLC) and the National Trades and Labour Congress (NTLC) in the early 1900s also took up the cause of public pensions. In 1905, the TLC made its first formal pronouncement on the issue of public pensions and in 1907, "...instructed the executive to increase its efforts to secure enactment of pension legislation" (Bryden 1974: 48). The TLC executive sought to forge a common trade union policy across the country by sending material to its constituent bodies. For the next eight years leading up to WWI, the TLC and NTLC made regular submissions to the federal Cabinet that called for government support for non-contributory public pensions. This strategy was in part motivated by labour's suspicion of the employer pension plans that did exist at this time, where pensions were viewed as, "...company weapons to fight unionization and prevent strike action" (Weitz 1992: 42). The legality of the right to strike was in doubt and for workers who did strike, it was not unusual for strikers to lose their pension rights. For instance, in 1910 striking employees of the Grand Trunk Railway lost their pensions, and in 1919 Prime Minister Robert Borden sent his minister of labour to Winnipeg to suppress postal worker involvement by threatening to take their pensions away (Weitz 1992). The use of private pensions as a weapon against union organization motivated demands by labour organizers to lobby for a government sponsored pension plan.

However, no action came from either the governing Liberal party or the Conservatives following these hearings. Public demand for national public policy was

lacking, and so was interest amongst many Canadian politicians who claimed that any able-bodied industrious man should be able to care for himself and his family if given the chance. Perhaps it was the case in older industrialized societies such as Europe that pensions were needed. But in the vast country of Canada, rich with natural resources, individuals should be able to forge a successful life from early adulthood to old age. Indeed, this ideology had been adopted from British notions of individualism and was a convenient response to social reformers to do nothing, particularly since establishing a national pension scheme cost money. Canada's patronage system still dominated Canadian politics, a characteristic of institutional drift from earlier Canadian state formation. Although labour federations such as the TLC and NTLC invested significant resources to lobby for a national public pension plan, regional differences within the Canadian labour movement hindered this movement. Furthermore, no third political party existed that could successfully focus the interests of the working classes across the federation to apply sustained pressure on the issue of old age pensions.

As Canada became involved with preparing for WWI, debate for a Canadian public pension was shelved. Moreover, the philosophy towards welfare and poor relief that was dominated by a market perspective prevailed, where resistance amongst federal and provincial government officials, including Sir Wilfrid Laurier, was strong (Bryden 1974: 24). The cost of a proposed old age pension was also not attractive to many government officials who felt Canada's economic and social conditions were distinguishable from other countries. What's more, unlike the United Kingdom and

elsewhere, there were no policy innovators within the Canadian state capable of bridging cross-class alliances to negotiate policy reforms at the time.

Before WWI, instead of non-contributory pensions, the Canadian government responded with government annuities. The Liberal administration attempted to fill the gap left by no federal program with the *Government Annuities Act* of 1908. This allowed workers to buy annuities guaranteed by the government at a more favorable rate than was offered by private insurance companies as a means to prepare financially for retirement. As the government of the day saw it, “Annuities would simultaneously allow the working class to practice the virtue of thrift, prevent corrupt business interests from profiting at the expense of the poor, and keep the state from having to initiate large spending programs” (Orloff 1993: 258). Although this program did provide a new mechanism for Canadians to save for retirement, government annuities also served ideological needs of the Liberal federal government that refused to acknowledge the realities facing aging workers who saw public pensions as a “socialistic experiment” (Bryden 1974: 49). Although no pension would be established, government annuities legitimized the notion that government’s role was to help facilitate workers to save within a market economy rather than collect and administer retirement income to workers – as many still believed, institutionalizing help would discourage initiative and resourcefulness while encouraging dependency and slothfulness. But this program did little to help Canadian workers. Only a small percentage of workers bought government annuities, and because this program was voluntary, many who could afford them did not buy them at all. The other option for saving for retirement was through private

savings and participation in private pensions. Yet in the in Canada at this time, Bryden predicted that private pension coverage was only about ten percent of the labour force, although there is no official statistical information for the period before 1936 (1974: 39). Given the lack of viable institutional options of saving for retirement and the voluntary nature of these programs – both annuities and private pensions – Canadian workers had limited options for saving for old age.

It was not until the 1920s that a cross-class political coalition was able to implement Canada's first old age pension. Canada's participation in WWI had a transformative effect on Canadian political culture and democratic participation (Bryden 1974; Brodie and Jenson 1988; Weitz 1992; Orloff 1993). Prior to WWI, the Trades and Labour Congress (TLC) was the leading voice in progressive reform and had unsuccessfully lobbied the federal government to continue discussion of developing an old age pension. In 1906, the TLC changed tactics and called upon provincial executives to support the creation of provincial partisan labour parties across Canada to challenge Canada's political patronage system (Bryden 1974: see ch. 4). These attempts of the TLC ultimately failed, but this sentiment of social reformers found success in electing a number of federal and provincial candidates who continued to insert these demands into public policy debates.

Following WWI, major tensions were exposed within Canadian society from dislocations of war and post-war adjustment (Bryden 1974). Frustration with Canada's two-party system was mounting across different regions in Canada, where many despised what they viewed as central Canadian and business domination of the party

caucuses in Ottawa. This discontent was particularly visible in the western provinces, where prairie farmers began to revolt, organizing the United Farmers Party at the provincial level and the Progressive and Labour parties at the federal level, thus destroying the federal two party system (Macpherson 1953). The radicalization of labour organizing found expression in the emergence of One Big Movement in Western Canada and the Winnipeg General Strike of 1919, symbolizing acute discontent with working conditions, where workers increasingly demanded protection from unemployment and from economic insecurity due to sickness and old age. Politicians took heed, where the effects of these events (and others) served to catalyze new studies and policymakers to reconsider establishing an old age pension system in Canada. This, along with the arrival of a third federal political party and overall expanding democratic participation served in the development of a cross-class political coalition required to establish a government-sponsored pension system.

In 1927, Canada's first national pension scheme was enacted by the federal government with the *Old Age Pensions Act*. The cost of this program was shared between the federal government and provinces, but administered by the provinces due to constitutional responsibility set out in the BNA of 1867. This non-contributory plan was paid to men and women, was means-tested, paying up to \$20 per month based on income and assets to British subjects 70 years and older and who had twenty years of residence in Canada. This new legislation established what is today the first pillar of Canada's retirement income system – a public pension scheme that considerably expanded access to income for many retirees during old age. However, aboriginal

groups and citizens with less than twenty years of residency in Canada were excluded. The eligibility requirements shed light on which individuals and which types of workers were most valued by Canadian society, highlighting the extent to which nation building in Canada was built on racism. Indeed, white, British men were the most valued workers in Canada, where female entitlements were understood through their marital status to a man, often as in the form of a widow during old age. Alternatively, immigration policy (such as the Chinese Head Tax) excluded some who settled in Canada, while blatantly excluding indigenous groups from redistributive social policy. Consequently, pension politics that emerged at this time bolstered the nation building of a “White Canada”.

For those who did meet the criteria, many were discouraged by the means test, which many found degrading. The test undertaken by provincial authorities calculated all aspects of a senior’s income and any “perks” they may receive, such as free room and board. They also had to prove that their children could not support them and did not take into account how much money was spent on basic staples such as food, shelter, clothing, fuel, and utilities. Moralizing and stigmatization was embedded in this system; there are stories of provincial pension officers recommending seniors sue their children if they refused to help their parents financially in old age (Canadian Museum of History). If a senior’s annual income was above \$365, they were not eligible for an old age pension. These calculations were inconsistent across different provincial jurisdictions and a pension could be rescinded once given. For these reasons, workers and other social activists would call on government to dispose of means test practices (Canadian Museum of History).

The harsh economic realities endured by Canadians through the Great Depression of the 1930s and the economic expansion that followed with Canada's involvement in WWII transformed Canada electorate and political party system, leading to a more active state. The dire economic experience of the 1930s fostered a growing belief that government had to provide assistance for those who could not protect themselves against unemployment and other risks (Rice and Prince 2013). The product of these changing political dynamics was a new "social contract" emerged during the Great Depression, where intergovernmental relations evolved to establish more social welfare policies. Policies included the expansion of some old-age pension benefits<sup>13</sup>, grant-in-aid to provinces for unemployment, federal assistance for housing construction for the poor<sup>14</sup>, and new legislation providing action on unemployment insurance and health care<sup>15</sup>.

Politically, the rise of radical socialism, communism, and other progressive left-leaning politics grew during this period. Western farmers, radical trade unionists and a growing population of urban labourers came to represent a new electoral force that demanded new social policies that could be administered by the state. At the same time, more labour forces were integrated into unions and regional differences within the labour movement diminished, with the exception of Quebec (Brodie and Jenson 1988). The labour movement also became increasingly political with a new sense of

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<sup>13</sup> Amendment to the Old Age Pensions Act (1937). This extended pensions to blind persons aged forty and over.

<sup>14</sup> The Dominion Housing Act (1935).

<sup>15</sup> Employment and Social Insurance Act (1935). This legislation was eventually declared unconstitutional in 1937 by the Judicial Committee of the Privy Council in Britain (at that time Canada's final court of appeal) and was never implemented (Rice and Prince 2013).



confidence and power buoyed by the economic demands for war production. The labour surplus of the 1930s turned into a labour shortage in the 1940s and industrial development sharply increased. The Canadian Congress of Labour (CCL) who demanded increased collective bargaining rights and higher wages abandoned the non-partisan approach of the TLC. Labour also found new political expression with the inauguration of the Co-operative Commonwealth Federation (CCF) that provided a third option to the two-party system that had defined Canadian federal politics. The CCL's direct endorsement of the CCF, along with an expanding labour movement and coalition of social reformers demanding security from capitalist expansion threatened the legitimacy of the traditional two party system.

In this postwar context, social democracy grew within industrial countries internationally and became a potent force in Canada with the development of welfare politics. Although the CCF would fail win a federal election, its ascendancy as a "third option" impelled the Liberal and Conservative parties to adopt platforms of social reform acknowledging the need for a postwar settlement between capital and labour.

As Brodie and Jenson claim,

The emergence of the CCF in Canadian politics had clearly broadened the range of political alternatives available to the population. Politics, for a time, was no longer merely a question of growth, or the National Policy, or of being French or English. It now included the possibility of individual benefits to be gained from the state, social responsibility for subordinate classes and regulation of capital. In other words, the politics of the major parties...was under increasing pressure from those who wanted to raise new issues (1988: 204).

The political agitation characterizing this period provided new ideas that fundamentally rethought economic management and social policy making (Rice and Prince 2013). A

new postwar consensus was emerging, where more and more Canadians were demanding a nationwide social security system. From the late 1930s to early 1970s, Canada's welfare state expanded incrementally, implementing new social programs responding to various needs. Social reforms in the United Kingdom were influencing policymakers in Canada, along with recommendations of six key reports published from 1940 to 1945 leading to the establishment of new social policies and standards. These included Unemployment Insurance in 1940 (Rowell-Sirois Commission)<sup>16</sup>, a health and medical insurance scheme (Heagerty Report)<sup>17</sup> in 1943, a universal family allowance program in 1945 (Marsh Report)<sup>18</sup>, a housing and community planning (Curtis Report)<sup>19</sup> in 1944, a Keynesian consensus regarding conduct of public finances (The White Paper)<sup>20</sup>, and establishing national standards for public services (The Green Book)<sup>21</sup> (Prince and Rice 2013).

Indeed, a national pension system was part of a broader implementation of Canada's particular form of welfare state, where the postwar welfare politics led to new legislation in 1951 with the *Old Age Security Act*. Keynesian economics took root amongst Canadian policymakers and, following the Great Depression and WWII, governments across the industrial world were now seen to play a growing role in

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<sup>16</sup> Rowell, Newton Wesley and Joseph Sirois. 1940. *Royal Commission on Dominion-Provincial Relations*.

<sup>17</sup> *Health Insurance Report*. 1943. Advisory Committee on Health Insurance. Chaired by John J. Heagerty. Leonard March was involved as a researcher and editor.

<sup>18</sup> Marsh, Leonard. 1943. *Report on Social Security for Canada*.

<sup>19</sup> *Final Report of the Subcommittee*. 1944. Chaired by C.A Curtis of the Subcommittee of the Housing and Community Planning.

<sup>20</sup> *White Paper on the Budget*. 1939. Department of Finance (Federal).

<sup>21</sup> Submitted to the Dominion-provincial conference by the federal government, 1945.

ensuring social security. The Marsh Report was published in early 1943, categorizing pension benefits as a basic minimum to protect what he termed as “universal risks” posed by modern economic development (Marsh 1943; Bryden 1974: 110). In response to some of these pressures, the BNA Act had been amended to allow the federal government full administration of a new universal pension scheme of \$40 per month that was financed out of federal coffers. Residence requirements were loosened, along with means testing, which many had found humiliating. Payments began in 1952 and were taxable. Also in 1951, in an attempt to lower entitlement age from 70 to 65, the federal government passed the *Old Age Assistance Act* that provided \$40 per month to retirees between the ages of 65-69. The cost of this program was shared fifty-fifty between federal and provincial governments and required an eligibility test.

#### *Quebec/Canada Pension Plan*

Although most Canadians had access to an old age pension by the middle of the twentieth century, many Canadians who lived above subsistence during their working lives encountered a significant decrease in living standards when they retired. This was largely because many of these workers survived through the economic hardships of the Great Depression in the 1930s and then WWII through the early 1940s during their highest earning years. Many still did not have a workplace pension plan, and those who did often lost their benefits if they were terminated or moved jobs before they acquired

vesting rights. Under these conditions, the calls for a public contributory national pension plan grew.

By international standards, Canada was a laggard. By the mid-1960s, many western European countries offered contributory, earnings-related pensions. Consensus was mounting across political parties and civil society, largely motivated by a growing sense of duty to older Canadians, who had endured the Great Depression of the 1930s and six years of “sacrifice and privation” during WWII. Many government officials deemed expanding OAS to address this problem too expensive. Instead, calls grew for a portable, government sponsored contributory plan that expanded coverage to all workers as an alternative remedy. In 1965, the federal and provincial governments introduced the Canada Pension Plan (CPP), Canada’s first national compulsory contributory plan (with the exception of Quebec, which launched its own scheme simultaneously). The CPP covered 92 percent of the workforce and required employee and employer contributions (Little 2008). CPP was designed to supplement other retirement savings, replacing up to only 25 percent of the average industrial wage.

The politics surrounding the establishment of CPP was shaped in part by Canada’s federal political institutional structure, a piece of provincial legislation from Ontario, and regional interests. Quebec and Ontario played important roles in how CPP was structured, albeit for two different reasons. Originally, the minority federal government led by Lester Pearson proposed a pay-as-you-go scheme (also commonly known as “PAYGO”), meaning younger workers paying into the fund would fund older

workers entering retirement. This would help fast-track older workers at the time access decent benefits from the new plan.

In 1968, around the same time Pearson developed his proposal for CPP, the government of Ontario led by Premier John Robarts introduced Canada's first provincial legislation, the *Pension Benefits Act* (PBA) that would regulate workplace pension plans. Before the existence of a national plan, Ontario viewed the PBA as the key piece of pension lawmaking for years to come. Nearby in neighboring Quebec, the Quiet Revolution was in full swing in Quebec fueling separatist sentiments. Within this context, Premier Jean Lesage was exploring policies that could develop Quebec's financial and economic independence. As such, Lesage was interested in Ontario's recent PBA that regulated workplace pension plans, conducting a review of Ontario's legislation. When Lesage caught wind of the federal government's plan to introduce a pay-as-you-go CPP, his government quickly developed their own provincial strategy that called for a Quebec plan to build up a large fund that would use the savings of Quebec's workforce to invest in provincial economic development (Little 2008: 25-26). Ontario, on the other hand, was promoting the expansion of its private pension system as an alternative to CPP. This position was driven in part by Ontario's strong life insurance industry that was vehemently against a public contributory pension plan. The life insurance industry saw the CPP as a threat to an expanding private pension system that would provide decades of work for Bay Street.

When Pearson met with provincial leaders in 1963 and 1964 to discuss the federal government's PAYGO proposal, Quebec rejected the federal plan for their own

vision of a provincial plan that was fully funded and would use capital gains developed by the fund for new social investment in schools, universities, colleges, housing developments, and for investment in provincial infrastructure and other economic projects. Quebec's plan was attractive to other provincial governments, with the exception of Ontario, which was initially cold to the idea of a CPP. Lesage was not opposed to the federal government's plan, but said Quebec was not interested in participating and would only support the constitutional amendment required to establish the federal government's administration of CPP if Quebec was allowed to have its own plan. Without Quebec's support for constitutional reform, Pearson's proposal was dead on arrival. Quebec outlined its proposal at a First Ministers meeting in March 1964 in Quebec City that was clearly stronger than the federal plan, making it obvious that the federal government would have to seriously amend their own plan to meet the demands of Quebec to establish a national public pension plan. At the same time, Robarts hinted that Ontario might establish its own plan if Quebec was not part of CPP (Little 2008). Following the meeting, this expanse between the federal and Quebec governments was significant and brought into question the strength of the Canadian federation, where fears of Quebec separating were palpable. Motivated by these fears, through early April 1964, Pearson organized a quick succession of private meetings between Lesage and his political advisors to hash out a compromise between each government's proposals. The dramatic circumstances under which these meetings were held established the framework for the Canadian Pension Plan and the Quebec Pension Plan through a series of compromises around issues of adopting a partially funded plan

rather than PAYGO, and the level of benefits to be paid to retirees. On April 20, 1964 a plan was finalized between the federal and Quebec governments, creating the legislative framework for the C/QPP, which were essentially identical.

Ontario, for its part, was largely left out of this process. The fears of a faltering federation justified Pearson's decision to not include Ontario in its negotiations with Quebec, where Ontario from the beginning, along with the insurance industry, had been calling for a watered down CPP. The Quebec-Ottawa deal in fact created a national plan that offered much larger benefits. To appease Robarts and Ontario, Pearson agreed that any future changes to CPP would require two thirds of the provinces with two thirds of the population – a rule that still lives today. Due to Ontario's population size, this virtually gave the province a veto on any future amendments (Little 2008: 33).

In hindsight, Quebec's initiative in outlining its own provincial vision was a decisive political tactic that pressured the federal government to amend their proposal to align closer with Quebec's agenda. This served to establish an institutional structure that would appease federalists and presume a degree of economic independence through the management of retirement savings on a provincial scale. Ironically, Ontario's legislative initiative and originality with passing Canada's first pension regulatory framework with the PBA served to propel Quebec's interest in using pension legislation for provincial interests in a context of growing separatist fervor. This example illustrates how provincial legislation and politics informed the institutional shape of the C/QPP.

The CPP was not able to provide full retirement benefits for the first ten years after 1965 since it needed to mature through the collection of contributions from workers and employers before it was financially sound. To offer income support to Canadians already at retirement age, governments established the Guaranteed Income Supplement (GIS), an income-tested supplement to pensioners receiving OAS without other sources of income. It was expected that this program would be phased out once C/QPP began paying full benefits. However, since many workers were ineligible for full C/QPP benefits and since OAS alone was not enough to keep retirees out of poverty, GIS was an important policy measure that kept many elderly Canadians from complete impoverishment. Therefore, the program was maintained and has been indexed to the cost of living. The establishment of the GIS and C/QPP cemented the first and second pillar of Canada's retirement income system. The third pillar – workplace pension plans and other private savings – formed separately from OAS, GIS, and C/QPP, and is the product of Canada's economic growth, postwar welfare politics, unionization, the expansion of collective bargaining, and the development the global economy.

### *The Birth of Workplace Pension Systems: 1800s-WWII*

The development of workplace pension systems took hold alongside the birth of publicly funded government sponsored pension funds beginning in the late nineteenth century. It is important to highlight that in countries such as Canada and the United States, public and private pensions are understood as two separate systems providing security



developed historically in dialogue with one another, as two components of a broader institution of retirement income security.

During the late nineteenth and early twentieth century, workplace pensions developed in hand with the growth of large employers, typically in government, railroads, utilities, hospitals, universities and private manufacturing sectors (Bryden 2015; Kaplan and Frazer 2013; Sass 2006; Weitz 1992). With the expansion of industrial mass production and expanding state bureaucracies, these organizations became the central institutions of industrial societies, and thus led to the development of large corporate business and managerial models of employment. Increasingly, a handful of these employers required a loyal and dedicated workforce. Pensions, beginning in nineteenth century to WWII, served as a mechanism to attract and retain quality workers and as a valuable instrument of personnel management. The size and longevity of these employers enabled them to make a legitimate pension promise to their workers, but could also be used as a weapon to interfere with labour organization and labour disputes.

It was during this time that the relationship between employer and employee began to transform into a standard employment relationship in the form of full time continuous employment (Vosko 2006). Labour movements across industrializing countries took root and the demand for unionized work environments slowly evolved. Employer pensions for 'good service' came to represent an aspect of a social wage model as part of workers' compensation.

Initial employer plans were provided to white-collar workers, typically required employee contributions, and was based on years of service, thus serving “as compensation of the worker’s contribution of this long and diligent service (Sass 2006). The first employment-based retirement scheme in Canada was introduced by in 1821 by the Hudson’s Bay Company (HBC) (Kaplan and Fraser 2013). The earliest publicly sponsored retirement schemes came in 1870 offered by the federal government for civil servants, and in the private sector, the Grand Trunk Rail created a pension plan for its clerks in 1874 (Bryden 1974; Weitz 1992). In Britain, the first workplace plans were offered to Customs and Excise officers, as their competence in tax collection was fundamental to Britain’s emerging imperial power (Clark, Munnell, and Orszag 2006: 18). Employer pensions would eventually be offered to blue-collar occupations as both a means to attract quality workers and as a form of industrial insurance, something that was attractive to workers and families in the case of injury or death. By the end of the 1930s, employer plans covered up to fifteen percent of industrial workers in the UK, US and other industrialized countries including Canada (Sass 2006).

Employer plans, however, only covered a small percentage of the work force during this time, particularly for women who often had little to no labour market participation, limiting their ability to adequately replace income during retirement for the majority of the labour force. Furthermore, it was often the case that employees did not stay with an employer until retirement (or until the acquired vesting rights), or were terminated before retirement and therefore did not receive a pension, even if the worker had spent the majority of their career with one employer, thus making smaller

the number of workers who actually received a pension (Bryden 1974; Sass 2006). There was little government regulation over how employers managed employee pension contributions and a worker's pension was typically paid out as a company expense, rather than from a dedicated pension fund held in good faith. As Carmichael describes, in Canada and elsewhere, "Workplace pension plans were weak because of low coverage rates, mismanagement of pension funds, employer contribution holidays, discriminatory impacts on women, lack of inflation protection, and the paternalism of employers" (2005: 18). It was not unusual for employers to use the promise of a company pension as a leveraging tool to control their workers, threatening to withhold an employee's pension if they were to become involved in labour organizational activities. The employment pension system was in its infancy and was not viewed as an enforceable legal right. The doctrine of individual responsibility that characterized this period of employment left workers with little security against the whims of their employers.

By 1900 there were approximately twelve workplace pension plans in Canada, though this number would grow through the interwar years (Kaplan and Fraser 2013). "Corporate welfarism" replaced the doctrine of individual responsibility that was aided by the introduction of favorable federal income tax legislation that the federal government used to encourage employers to establish new pension funds by making them financially attractive. New income tax legislation such as the *Income War Tax Act, 1917* and further amendments passed in 1928 and 1938 allowed employers to deduct pension plan contributions and exempt investment income funds from being taxed if

the employer agreed to place the fund in trust under separate management (Kaplan and Fraser 2013). Public sector employment pension plans also grew through the 1920s in British Columbia, Alberta, Ontario and Quebec.

However, while employers were encouraged to introduce pension plans for their employees, there was no regulation of the legal relationship between employer and employee vis-à-vis pension schemes. There was no common law principle that could prohibit an employer from withholding pension entitlements from members. As Kaplan and Fraser discuss, “The extent of an employee’s right to enforce retirement income from his or her employer depended almost entirely on the bargain of the parties as expressed in the employment contract” (2013: 39). Employers during this time regarded pension issues as belonging to their own purview with, “...unilateral powers of amendment and termination” (Kaplan and Fraser 2013: 39). What’s more, if a company entered bankruptcy there was no legal protection of employees’ pension contributions. This would change in the early to mid- nineteenth century, where pension arrangements would shift from being viewed as purely a contractual right to an earned right, and an integral aspect of the employment relationship that became legally enforceable.

#### *The Golden Era of Private Pensions: WWII-1965*

The period following WWII to the mid 1960s saw the rapid development of employer pension plans. The context of the postwar settlement was characterized by broad range political cooperation in the development of welfare state policies and full-time

employment across industrial sectors, growing unionization, and rapid industrial economic expansion. Across the industrial world of advanced capitalism, the workplace pension system expanded to cover approximately fifty percent of industrial workers (Sass 2006). In Canada, a 1947 survey for the Dominion Bureau of Statistics found that more than two-thirds of workplace plans began after 1939 (Bryden 1974: 38). Buoyed by post-war peace, increased urbanization, rapid unionization, and collective bargaining rights in the private sector, political alliances of a new middle class, and a quickly expanding global economy, employer pension coverage grew dramatically. The ascendance of the Keynesian welfare state expanded, organized around new norms of postwar labour law, legislation and policy (Vosco 2006). Employer pensions served to further standardize the employment relationship in the form of full time continuous employment, one that was based on a 'gender contract' of male breadwinner and female homemaker and caregiver (McDonald 1997; Cheal and Kampen 1998; McDaniel 2001; Kodar 2012).

Here, it is useful to draw from Esping-Andersen's (1990) typology of welfare-state development to understand the broad structural forces that have shaped different workplace pension systems across Western industrialized societies. Esping-Andersen claims that, "Any discussion of the history of pensions must take into account the radically different structural conditions that prevailed in early industrial capitalism" (1990: 89). Sass draws from the welfare-state typology of Esping-Andersen to compare the economic and historical development of two distinct institutional trajectories of workplace pension systems: the first trajectory occurring in Anglo Saxon countries (or

what Esping-Anderson terms 'liberal welfare states'), that include (UK, US, and Canada); the second occurring in continental Europe (including France, Sweden, Germany, Netherlands). The destruction wrought by WWII was most damaging to the economies in continental Europe, where, along with the Great Depression, the net worth of many private employers and their pension schemes were destroyed. Consequently, there was little to be offered to the aged. Given the comparatively strong tradition of publicly provided welfare in continental Europe, national wage bargaining occurred after WWII, institutionalizing labour-market relations that "became the platform for establishing quasi-public mandatory social insurance arrangements that would cover all workers" (Sass 2006: 82). Subsequently, workplace pension systems became administered through public-private systems.

In Anglo-Saxon countries such as Canada, the US, and UK, employee-sponsored plans became a separate private pillar in a broader public/private retirement income system. A strong Anglo-Saxon corporate-financial culture dominated conservative business perspectives on the role of the state. These countries also exited WWII in a stronger economic position where private pension plans could still be offered to workers (Sass 2006). Collective bargaining systems in these countries were conducted at the company or industry level. For employers, company pension plans provided attractive tax shelters, as well as a means to retain quality workers and contain labour militancy. Many unions in these countries lobbied for universal security for the elderly in the shape of national or industry wide workplace pensions, but found themselves

reluctantly negotiating private pension schemes with single employers through collective bargaining.

The need for reliable sources of labour in war industries led governments in Canada and the United States to establish an institutional framework that would integrate unions into capitalist economic expansion through industrial relations legislation and arbitration. While collective bargaining rights were established, the desire of American and Canadian governments to use collective bargaining to mitigate labour disputes created an opening for employers to establish corporate welfare models of industrial relations. Thus, control over worker's economic security became a key battleground for control of the economy.

In 1935 in the United States, the Wagner Act became a foundational statute that guaranteed the basic rights of private sector employees to organize into unions, to engage in collective bargaining and to strike. During WWII, the National War Labor Board (NWLB) legislated that employers must negotiate sick leave, and that disability wage plans and group insurance must be written into labour management contracts (Klein 2004). In 1948, the National Labour Relations Board (NLRB) concluded in a decision that, "employers were legally obligated to negotiate pension plans" (Weitz 1992: 64), thus making pensions a formal bargainable issue. Although workers in Canada had been granted the right to freely associate into trade unions in 1872 following the Trade Union Act, in 1944, the Privy Council Order 1003 adopted by Wartime Labour Relations Regulations under the Liberal government of Mackenzie King forced employers to negotiate with organized workers (Panitch and Swartz 2003).

Even though the power of labour grew substantially during this period and was able to establish new collective bargaining rights, labour was unsuccessful in realizing a larger role in economic security. For example, immediately following WWII in the United States, labour and health activists proposed community wide health programs where a company would pay a percentage of total employee payroll to an independent health, welfare and retirement program that would be union-run or union-determined social service programs. Labour leaders such as Walter Reuther also sought expanded employment security through industry wide collective bargaining (Gladwell 2006). Employers, however, saw these proposals as European-style corporatism and as a veiled attempt to appropriate power that undercut managerial prerogatives. Instead, employers sought to prevent control of social security through welfare capitalism.

To contain union power, employers used the unilateral purchase of commercial group insurance and attempted to reform labour legislation “to defuse state-backed collective bargaining” (Klein 2004: 48). Another strategy was to establish a system of collective bargaining negotiations at the local or plant level and not at the company or industry level. This atomized the collective bargaining process that gave more power to employers. For instance, union officials at the local level were often “woefully ignorant” regarding pension issues, where their “...lack of sophistication in this very complex area placed the unions at a distinct disadvantage in negotiations” (Weitz 1992: 67). Furthermore, governments were unwilling to step in to labour disputes beyond setting out basic parameters of collective bargaining. By offering new benefits and keeping unions out of the administration of employment benefits along with demanding



collective bargaining happen at the local or plant level, employers were able win advantage over many unions at the bargaining table through defining security with the adoption of welfare capitalism.

In hindsight, while the power of labour did substantially grow, along with increasing wages and social benefits for workers, unions were not able to secure control over economic security. In late 1950s, the Canadian and American states began to develop public policy that served to fill the holes left in private social policy, ultimately siding the with the agenda of employer-sponsored welfare capitalism. This was not the withdrawal of the state from industrial relations, but the facilitation of employers' control of private security through government intervention of supplemental public policy. This solidified the private social security system in Canada and United States. As Klein opined: “[Welfare capitalism] had created islands of security within the economy, with high waters all around” (2004: 58).

As such, unions ideologically accepted workplace pension plans through the end of the 1950s and 1960s. In Canada, many unions reluctantly negotiated for beefed up workplace pension plans “in the absence of a universal pension plan” (Carmichael 2005: 16). Therefore, the labour movement’s intent of pooling risk across a broader group of workers was squashed by the desire of large industrial employers to control the retirement savings of their workers and benefit from the tax exemptions.

As a consequence of these struggles and the broader international political economy, private sector pension coverage rates shot up dramatically in Anglo-Saxon countries, expanding coverage from around only 15 percent during the 1930s to over 40

percent by the 1960s (Sass 2006: 84). In Canada, the 1970s was the pinnacle of pension coverage in the private sector, reaching over 50 percent for male workers, many of whom worked for large industrial companies in manufacturing (Statistics Canada: 2015). This cemented the important function of workplace pensions as a central pillar in retirement income systems, in contrast to the mandatory social insurance arrangements in continental Europe. It is here, in Canada's retirement income structure of employer negotiated pension schemes that one can locate how the risk of saving for retirement has been historically institutionalized between workers and employers. This history is critical in examining the extent to which the risk of saving for retirement today is being individualized in within Ontario's workplace pension system.

*'Minimum Standards': Regulating Workplace Pensions, 1960-1980*

Beginning in the 1960s, many governments in Anglo-Saxon countries enacted 'minimum standards' legislation to protect the solvency of workplace pension plans. Governments recognized the increasing importance of workplace plans as a central pillar of their retirement income system with the rapid development of pension coverage during the post-war era. Although coverage was expanding, many workers still did not gain a pension when they retired. It was not unusual for a company to go bust along with their plan. It was also quite possible for a worker to have no private pension income at retirement after a forty-year career if they had moved employers three or four times during their career (Bryden 1974: 40).

During this time, workplace pension coverage for women did expand, but their benefits were not equal to men's, reflecting the pay inequities and gender discrimination embedded in Canada's workforce. Indeed, this was a period where until 1964, women still required the their husband's signature to obtain a bank account (Public Service Alliance of Canada 2015). Women were also poorly covered by both private and public pension schemes due to their limited time spent in the work force as women's workplace attachment was severely restricted, given women were the primary care givers for child and domestic elderly care. Workplace pensions were most common in remunerative industrial jobs that were usually held by men. Women of colour were even more disadvantaged, working in low paying, domestic care-taking positions. As findings from the *Royal Commission on Women* published in 1970 revealed, only 3.9 percent of managers were women, and although eight out of ten provinces had equal-pay laws, women were still paid less than their male counterparts. Moreover, two thirds of people on welfare in 1970 were women (Public Service Alliance of Canada 2015). Thus, the workplace pension system continued to facilitate the single earner model, and therefore gendered discrimination in the workforce. Due to these conditions, many experienced a sharp decrease in living standards when entering retirement. As the Women's Liberation Movement gained momentum through the 1970s, female labour force participation expanded, in which demands for better access to pensions grew as the impoverishment of women was acknowledged.

Government officials were aware of the growing size of pension tax-expenditures, amounting to an increasing level of foregone tax revenue by governments

due to the special treatment given to workplace pension plans (Sass 2006: 87). To justify the continuation of this special treatment of private pension funds, government officials wanted a larger contribution from these plans to public welfare – i.e. expanded worker coverage by this pillar (Sass 2006: 87). Governments sought to exchange tax benefits for new regulatory rules on employer plans. These new statutes codified pension governance to include new vesting, funding, and fiduciary standards to ensure employers did not abuse plans financially and that the pension promise was indeed kept for retiring workers. In 1943 in the United States, the National War Labour Board ruled that employers who already offered insurance benefits such as sick leave and pension plans could not alter or abolish these existing benefits (Klein 2004). Several years later, the first minimum standards to occur in Canada came under the *Income Tax Act* (ITA) in 1947 that prohibited an employer from reducing or revoking a pension that was already in pay. The Department of National Revenue published a “Blue Book” booklet at the same time that set guidelines for ministries on how to register a pension plan through an independent trust fund (Kaplan and Frazer 2013). This Blue Book provided an initial regulatory framework, and while not mandatory, if employers wished to access tax advantages offered through the ITA, employers had to adopt these new standards. Furthermore, “The Blue Book’s requirement that employer contributions to a trustee pension plan had to be irrevocable set the stage for the high-profile pension surplus litigation of the late 1980s and 1990s” (Kaplan and Frazer 2013: 41). This will be discussed in more detail in Chapter Four.

John Robarts' Liberal government in Ontario was the first Canadian government to enact pension legislation with the *Pension Benefits Act* (PBA) in 1965. The statute established the principle of *vesting*, "whereby workers accrued a right to their pensions during their period of employment" (Carmichael 2005: 17), thus legally guaranteeing an employee's access to their pension entitlement. This new legislation standardized the "10/45" rule: an employee would be entitled to a pension after ten years of service and 45 years of age, regardless of whether they move employers following period of service, thereby securing pensionable income for those who met this criteria. This significantly facilitated worker mobility. This legislation also introduced trust law to govern fiduciary conduct that assumed a "community of interest between the grantor (the employer) and the beneficiary (the worker) and imposed fiduciary requirements only on trustees" (Sass 2006: 88). Until that point, misconduct of pension funds usually happened from either employers or unions. This required one trustee to be independent of the sponsor to protect the interests of workers (Sass 2006). The PBA served as a model for the federal government and other provinces in Canada, providing a minimum standard of pension plan solvency and the legal fiduciary responsibility of employers to protect the solvency of the company plan.

### *Globalization, Neoliberalism, and the Employer Pension Plan: Post-1980*

Transformations within the global political economy substantially weakened employer pension plans following the 1970s across the post-industrialized world. Changes in the

labour force, technological advances in manufacturing, the development of global production systems, and the growing importance of service industries all served to challenge the mid-century ‘social compromise’ of standard employment between state, capital and labour. Full-time employment based on a gendered division of labour and low labour mobility would change, and workplace pension coverage began to diminish in 1984, particularly within the private sector (see Table 4.1). These transformations weakened the bargaining power of labour movements, leading to decreasing levels of unionization, while at the same time consolidating the structural power of capital (Gill and Law 2008).

Table 4.1: Pension plans and members for selected years, 1960-1988

Year	Pension Plans	Members Covered (000)	Total Labour Force (000)**	Labour Force Pension Coverage (percentage)
1960	8,920*	1,815	6,530	27.8
1965	13,660	2,346	7,253	32.3
1970	16,137	2,822	8,466	33.3
1974	15,853	3,424	9,743	35.1
1976	15,625	3,902	10,491	37.2
1978	15,095	4,193	11,155	37.6
1980	14,586	4,475	11,879	37.6
1982	15,232	4,658	12,202	38.2
1984	17,711	4,565	12,748	35.8
1986	21,094	4,668	13,283	35.1
1988	21,239	4,845	13,779	35.2

\*Does not include 651 non-responses where there were indications of an existing plan and registration with National Revenue.

\*\*1960-1974 population data, 14 years of age and older; 1976-1988 population data, 15 years of age and older.

Source: Statistics Canada, *Survey of Pension Plan Coverage 1965 and Pension Plans in Canada*, cited from Weitz 1992: 122 (for pension data); population 1960-1974, Statistics Canada, Series D134-143; population 1976-1988, Statistics Canada, CANSIM table 282-0002. Pension coverage percentages are the author’s calculation.

Global economic growth slowed down in the 1970s, along with corporate profit margins. This was the result of a variety of factors including the oil “shocks” of 1973 and 1979 that almost quadrupled the price of energy, while at the same time economic competition grew from newly industrializing ex-colonies. The United States and Canada alike were confronted with growing government expenditures, decreasing productivity, rising inflation and stagnating wages. ‘Stagflation’ was quickly undermining Keynesian models of economic policy where economies of scale premised on the Bretton Woods system of strict capital controls were no longer viewed as beneficial (Clarkson 2002). Business increasingly looked outwards to international markets to mitigate these effects, where large employers began to offshore manufacturing operations to cheaper labour markets (Panitch and Gindin 2009; 2014). Following the demise of the Bretton Woods agreement in 1971 and the subsequent deregulation of capital controls, international capital mobility intensified, along with technological advances in transportation and telecommunications, facilitating the expansion of global production chains. As such, economic globalization and the rise of neoliberalism transformed the standard employment relationship, and with it workplace pension coverage in advanced industrial countries.

At the same time, service industries grew as consumer tastes of highly urbanized and industrialized societies changed, demanding new services such as tourism, education, financial advice, and other social services (Engelen 2006: 102). This, along with the off shoring of manufacturing industries, catalyzed sectoral shifts in the composition of advanced political economies towards knowledge-based post-industrial

societies (see Jessop 2002). More sophisticated consumer demands led to the upgrading of products and served to professionalize many managerial positions, thus creating new needs for a more educated workforce. The Women's Liberation Movement since the 1960s had demanded greater equality in wages and working conditions, while establishing the right to economic independence, challenging traditional gender roles, expanding female workforce participation from 24 percent in 1954 to 76 percent by 1990 (Statistics Canada 2015b). Women began filling many of the newly created service industry jobs, positions that were typically low paying. These changes in the labour force, along with new technological advances in manufacturing, served to decrease the labour market value of less educated older men working in disappearing remunerative industrial jobs (Sass 2006) as the shift to post-industrial society unfolded.

As Robin Blackburn describes, "Free market economics marginalized during the postwar boom, was becoming respectable again, with first Friedrich von Hayek, and then Milton Friedman, receiving the Nobel Prize for economics" (2002: 11). Keynesian economics was losing legitimacy as economists, business executives, technocrats, and politicians looked to laissez-faire economic theory to mitigate crises of diminishing profit rates. Reducing public expenditure and privatizing public provision and services was becoming fashionable. As capital became more mobile and the corporate sector began to internationalize their operations, nation states increasingly had to compete for capital investment, compelling states to pursue neoliberal programs of tax reduction, trade liberalization, deregulation and cuts to welfare spending (Brenner 2004; Harvey 2005). A new ideological regime of governance emerged in many countries, beginning in



the United Kingdom and United States, and then spreading outwards to places such as Canada, New Zealand and Australia (Harvey 2005). Policymaking embodying neoliberal ideas promoted the individualization of risk of labour force participation, stigmatized welfare recipients, and fostered new institutional forms of governing (Rose 1999; Peck 2001; Blyth 2002; Wacquant 2009). Labour movements were thus under sustained pressure to accept cuts in wages and benefits for their workers. During time capital flight to cheaper labour markets became common practice, leading decreasing levels of unionization, tipping the balance of class forces further towards capital. In this context, Marxist scholars such as Harvey (2005) and Pantich and Gindin (2012) portray neoliberalism as a class project to reestablish domination of the economic elite over working classes and other political movements that threatened capitalist enterprise.

These changing economic conditions diminished the market power of large corporate and union pension sponsors to “underwrite and manage long-term retirement income programs” (Sass 2006: 93). This, along with the diminishing value of an aging male workforce with low education levels, made it more difficult for large employers “to keep such workers gainfully employed at a decent wage until the specified ‘normal retirement age.’” (Sass 2006: 93). As the power of trade unions weakened, the post-war Fordist model of full-time employment was transforming, making way for post-industrial knowledge economies based on precarious labour practices and “flexible” workforces (e.g. Fordism to post-Fordism) (See Jessop 2002). The new norm was shortened job tenures of a more educated and mobile workforce.

In Canada, during this period, workplace pension coverage for men decreased from a high of 52% in 1979 to a low of 37% in 2011. The story for women is different, where pension coverage grew from just over 25% in the early 1960s to 40% in 2011 (Statistics Canada 2015a: 1). This increase was partly due because of women's number in the workforce also grew from the 1960s onwards. Canada's economy and labour market was transforming along gendered lines, in which many large manufacturing jobs—typically held by men—were disappearing along with lower union density. Women entered public sector jobs, such as teachers, healthcare professionals, and government staff, where employer pension coverage remained relatively stable, thus also increasing women's workplace pension coverage (Statistics Canada 2015a).

The extent of this decline of workplace pension coverage in Canada is an expression of changes in the global economy, neoliberalism, the growth of corporate power and declining union power, the casualization of work and the desire of many employers to get out of the business of providing secure, company sponsored defined benefit (DB) pensions to their employees. Increasingly, since the 1980s, as unionization density dropped, defined contribution (DC) plans have been offered in their place, along with other private investment vehicles through private sector insurance companies and banks. The expansion of neoliberal ideology promoted cutting back on public pensions while encouraging citizens to save for their own retirement by investing in commercial pension funds. Congruent with these ideas, in 1994, the World Bank published an influential paper titled, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*, attempting to legitimize the privatization of pensions (Blackburn 2002;

Béland and Gran 2008; Orenstein 2008). It sought to reform the first pillar of retirement income systems across the advanced industrial world through championing the commercialization of retirement provision (Blackburn 2002). But there has been significant push back to these attempts. The American government led by President George W. Bush unsuccessfully attempted to privatize Social Security funds into personal investment funds in 2005. In Canada, attempts to reform CPP and OAS in the 1980s and 1990s also faced stiff resistance (Battle 1997; Béland and Myles 2005; Myles 2013).

Growing worker mobility also placed new pressures on pension systems. Vesting and portability policy leading up to the 1980s were increasingly seen as unfair, where typical vesting periods began after ten years of service and the employee had to be at least 45 years old, and where the right to transfer commuted values of retirement savings in the form of DB plans was often limited. Other factors were making pension legislation outdated, including a wave of regulatory reform across Canadian jurisdictions to address vesting and portability issues, along with other changing working conditions that involved significant layoffs (Dekanic 2001). This wave of reforms included changes to Ontario's PBA in 1987 (Baldwin 2008; Gee and McDaniels 1991; Van Reisen 2008). These reforms contained: "earlier vesting provisions; portability of the pension funds; and the creation of defined contribution pension plans all hoping to improve retirement prospects for workers who, in all likelihood, [would] not enjoy cradle to grave relationship with their employer" (Dekanic 2001: 1). New investment vehicles were introduced as well, such as the life income fund (LIF) that offered considerable

retirement flexibility as a means to transfer the commuted value of pension savings to a different investment vehicle. Other investment vehicles consisted of a shift from purchasing annuities to “programs of self-managed withdrawal of assets from DC plans and RRSP accounts” (Baldwin 2008: 32).

The shift from DB to DC plans is not linear, nor should it be assumed that employers were always pressuring their employees to replace their DB plans with DC plans (this will be examined in further detail in Chapter Seven). Dekanic (2001) describes how during the 1980s workers and employers alike were attracted to DC plans, albeit for different reasons. This was during a time of high interest rates and a global bull market, and many employees thought they could find a better return with a DC plan than their DB plans. Employers also liked them since they lowered administrative costs and were deemed as less risky.

Baldwin (2008) highlights that DC plans are becoming an increasingly important part of Canada’s RIS. DC plans – especially in the private sector – are the plan of choice now for many employers, as the cost associated with traditional DB plans are deemed too expensive and risky<sup>22</sup>. Considering this transformation in the RIS, the impact of DC plans is relatively unknown, particularly around issues of impact on retirement behavior, labour mobility, the allocation of pension assets and financial markets. Baldwin claims that since Canada’s public pension plans provide “reasonably strong minimum income

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<sup>22</sup> It must be noted the pension plan savings today are typically in the form of a hybrid between DB and DC benefits. There is a spectrum that exists between these two poles of pension plans that has developed in response to changes in the global economy and increasing mobility of workers. Many companies reviewed their pension systems beginning in the 1980s through 1990s to form DB to hybrid systems that incorporate DC benefits.

protection,” changes will be felt strongest by middle to upper class workers (2008: 31). These changes, as mentioned earlier, point to how the shift to DC have facilitated worker mobility by freeing DB members not eligible for early retirement to have the option of choosing to “transfer the commuted value of their benefit to an RRSP” (2008: 31). Consequently, for young job changers, “DB promises frequently become DC accumulations” (2008: 31). This means that due to regulatory changes, there is increasing mobility in the RIS system that allows workers to transfer pension benefits from a DB plan to a DC form of accumulation.

In the context of declining union power, collective bargaining is where many of these changes have been negotiated, often creating new two-tier employee systems where older employees have kept their DB plans while new hires are offered less secure DC plans. Recent negotiations between Unifor and General Motors Canada illustrate an emerging trend of unions trading secure pension benefits for new jobs and future plant investments (Gollom 2016). This represents an institutional shift within the third pillar of Canada’s retirement income system during this period as the risk of saving for retirement has been shifted further onto individual workers. Since the mid-2000s, many have called for the expansion of the CPP to address this issue, particularly from those involved in the labour movement. But the federal government led by Stephen Harper rejected this idea and responded instead with PRPPs (Pooled Registered Pension Plans), a voluntary savings system that few see as a substantial remedy to this problem (Townson 2011) – a move similar to the *Government Annuities Act* of 1908 that provided a market based voluntary program instead of establishing a national old age pension

system. Myles describes workplace pension policy in Canada as suffering from a “severe case of ‘policy drift’” (2013: 313) where the federal government has been slow to provide alternatives to mitigate the effects of decreasing pension coverage. However, the establishment of the Ontario Retirement Pension Plan (ORPP) in 2015 and the proposed expansion of CPP benefits in June 2016 point to the emergence of a new period of pension politics, as provincial governments play a more active role in expanding pension coverage (Baldwin 2010 and FitzGerald 2010)(more on this in Chapter Five). The growing role of governments in expanding public pension benefits point to a new period of transition, one in which governments agree to assume new levels of risk as employers exit the provision of pension benefits.

### *Summary*

The intention of this chapter has been to lay out the historical, institutional and material conditions that led to the establishment of pension plans in Canada and other industrializing countries. This was achieved by examining capitalist economic expansion, the development of wage labour, and class tensions that galvanized political demands for security in old age. Similarly, the trajectory of workplace pension plans has been discussed, illustrating its different path from public pension schemes and the major political and economic transformations workplace pension systems have undergone in Canada and elsewhere. As such, this history illuminates the contours of Canada’s current retirement income system and Ontario’s place within this system. Canada’s

public pension system has been contextualized in the development of other social policies and the welfare state during the postwar era. The origins of workplace pensions are traced back to the birth of large industrial employers and the expanding bureaucratic offices of public institutions during the nineteenth century. The need for employers to attract skilled, long term employees created the incentive for some employers to offer workplace pensions. Although public and workplace pension systems have a different institutional history, their development, particularly following WWII, occurred in dialogue as part of a broader institution of retirement income security. In sum, the emergence of public and workplace pensions should be understood not as the product of goodwill and benevolence on the part of policymakers and employers, but rather as the result of a shifting political economy and the growing demands being made by labour movements.

In Ontario, the PBA legislation was reformed in 1987 and 2013 to meet some of the challenges of an increasingly mobile labour market with a shrinking manufacturing industry. This mix of legislative reform, transforming economic and labour market conditions, and struggle between workers and employers to decide who should take on more of the risk in Ontario will be the focus of the remainder of this dissertation. The following chapter discusses the political economy of pension policymaking in Ontario and its connection with policymaking at the federal level, investigating key events and institutional dynamics that led to reforms of the PBA in 1987 and 2013. This analysis will shed light on the political and sociological processes of how the risk of saving for retirement is distributed between employees and employers.

## CHAPTER 5 – THE STRUGGLE FOR RETIREMENT INCOME SECURITY: PENSION POLICYMAKING IN ONTARIO, 1945-2015

“The private pension is one of the great curiosities of modern economic history” – Steven A. Sass, *The Promise of Private Pensions*, 1997.

“It’s a 40-year experiment that didn’t really work” – Union Official 1, May 2015

Chapter Four provided a broad, historical examination of the material and social conditions that led to the establishment of public and private pension systems across industrializing countries with a specific focus on Canada, the United Kingdom and the United States. This chapter builds on this history, focuses on workplace pension policy in Ontario in the post-war period to the present day, analyzing establishment of the *Pension Benefits Act* (PBA) and the major rounds of legislative reform that followed. The intent is to understand the policymaking process through an examination of the social, political, and economic processes, and the institutional dynamics that have led to legislative and regulatory reform. Following the establishment of the PBA in 1965, there have been two major rounds of legislative reform, first in 1987 and second in 2010. What are the political-economic conditions that led to these reforms and why did these reforms occur in intervals of over 20 years?

By taking an historical perspective that adopts a political-economic approach, this chapter characterizes pension policymaking as cyclical and intimately linked to



interest rates, economic cycles, and the balance of class forces. The tensions between employer and employee class interests have remained a constant and central dynamic throughout the history of pension policymaking, including Ontario. Favorable economic conditions and specific tax benefits have compelled employers to sponsor and manage workplace pension funds. Conversely, big ideas that seek to expand pension coverage emerge during economic downturns as unions struggle to protect pension benefits for workers. This is not to say all has remained the same. Canadian economic integration with the United States has deepened along with expanding service based industries characterized by growing precarious employment within a context of expanding economic globalization and decreasing levels of unionization (Arthurs 2000; Vosko 2006; Pupo and Thomas 2010). Since the 1960s, the portfolios of workplace pensions have significantly diversified into real estate and global equity markets. Pension fund consultancy has expanded at the same time overall pension coverage has shrunk (Marmer 1997). And in the long run, employers primarily in private sector industries are exiting the provision of secure pension benefits, successfully demanding unions relinquish secure pension benefits in exchange for new hires, pay raises, and future investments (Gollom 2016). These changes have placed the risk of saving for retirement increasingly on individual workers.

To shed light on these processes, this chapter is organized into six historical sections, beginning in the post war period, through to the 2010s. Four points will be addressed in each time period, including: a) what was occurring politically and economically at the provincial, national, and supranational level; b) federal social policy

developments; c) class forces and other stakeholder groups shaping policy development and their main positions on pensions; and d) how each period was different from previous periods. By examining these dynamics of policy development, the relationship between economic cycles and rounds of legislative design, and the cumulative effect of incremental policy changes on how risk has been distributed in Ontario society will also be considered. This chapter also highlights the linkages between the changing landscape of class forces, ideation and the state, exploring how different policy ideas reflected a particular set of class interests. Drawing from this analysis, an argument is presented that claims the 1990s represents a critical juncture in which the risk of saving for retirement was individualized. Yet, there is a *limit* to how much risk workers are willing to accept, resulting in new political coalitions that demand government play a larger role in providing security to workers.

This chapter draws from historical information gathered through interviews with pension experts. To substantiate the claims made by participants, secondary literature is used, that includes academic literature, major government policy reports, newspaper and pension industry publications, and Hansard parliamentary transcriptions. While both private and public sector workplace pensions will be discussed, changes in the private sector are given more attention. This is because it is in the private sector where processes of risk and individualization have been most acute.

### *1940s to 1960s – The Birth of the PBA*

Canada's economy rapidly expanded following WWII. After WWI, Canada's status as a dominion of the British Empire began to shift from its colonial master across the Atlantic Ocean towards continental integration with the rising hegemony of the United States (Brodie and Jenson 1980; Levitt 2002). These changes became an important structural force shaping workplace pension policy in Ontario. The development of an industrial "branch plant" economy of American subsidiaries operating in Ontario and the expansion of trade between the two countries were the source of key economic events that led to policy change in Ontario. This was also a period in which Canadian governments fundamentally rethought economic management and social policymaking, influenced by Keynesian policy ideas (Bradford 2000; Rice and Prince 2013). Years of social and economic hardship following the Great Depression and WWII sharpened demands that individual risks be mitigated by government policy. Unionization rapidly grew, cementing a new degree of working class power. Consensus emerged in which workers and citizens wanted government to take on more responsibility in providing social security through the provision of services, benefits and rights in areas such as healthcare, housing, education, income support and social services (Rice and Prince 2013: 60). Antiquated economic theories that viewed unemployment as an individual failure were being replaced with the understanding that economic hardships were caused by structural forces requiring government intervention. It was in this context in which policymakers in Ontario established the *Pension Benefits Act* in 1965.

During the late 1930s, it was calculated by several Canadian studies<sup>23</sup> that “considerably less than 30 percent of the labour force...had pension protection” (Weitz 1992: 36). When wage controls were introduced during the early 1940s as part of the war effort, new impetus was created for workplace pensions as a “fringe benefit”. Before then, for the plans that did exist, these plans were not pre-funded and were instead paid from company payroll. This left many employees very vulnerable with little protection if something was to happen to their relationship with their employer, such as being terminated before retirement or company bankruptcy. As one government pension regulator described: “So as far as saving for retirement, if you thought that you would be there forever and until you retired, then you might get a pension, but you couldn’t count on it” (Regulator 1, April 2015).

The *Pension Benefits Act*, first promulgated in 1963 and then enacted in 1965, was pioneering legislation for its time. Ontario was Canada’s largest and most industrialized province and had the highest number of workplace pension plans. Although the total number of pensions was growing at this time, there were simmering problems that made pensions a point of contention within provincial politics in the late 1950s, becoming a key issue in the 1959 provincial election. With pressure from the Liberal party that proposed a province-wide scheme for portable pensions, and from the CCF who demanded immediate vesting rights for all Ontario workers, Conservative Premier Leslie M. Frost established the Ontario Committee on Portable Pensions to examine the workplace pension system on April 7, 1960 (Weitz 1992). Many were

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<sup>23</sup> National Employment Commission survey (1936); *Industrial Retirement Plans in Canada* (1938) produced by the Industrial Relations Section of Queens University (Weitz 1992).

turning to government to resolve these problems, fearful of the effects that economic cycles would have on the security of pension benefits.

The committee represented a spectrum of interests, jointly chaired by University of Toronto (U of T) economic professor D.C. MacGregor and deputy minister of economics for Ontario George E. Gathercole. Representatives from the University of Toronto School of Social Work, the Canadian Life Insurance Officers Association and the Canadian Welfare Council were also present on the committee. The committee submitted its findings to government in two reports: first, with the *Summary Report on Portable Pensions*, submitted 10 February 1961; and then with the *Second Report on the Ontario Committee on Portable Pension*, submitted 1 August 1961.

The committee agreed that maintaining the workplace pension system played a key and continuing role in the economy, while also recognizing major weaknesses with the system. There were four major problems identified by the committee. The first was limited coverage. Too many workers did not have a pension plan, with only two-fifths of workers in Ontario being members of a plan (Weitz 1992). The second was the limited number of pension plans – the majority of workers with a pension plan worked for large employers, while those without pension coverage were typically employed by small businesses (a situation that remains true today). This generated concern around issues of equity between large and small employers when developing regulation to increase pension coverage. To mitigate this issue, the committee recommended that all employers with fifteen or more employees should have to provide pension plans for their employees (Weitz 1992). Third, wastage of pension benefits: workers were missing

out on accruing pension benefits for several reasons, such as by not working with an employer long enough to gain a vested right; or conversely, for employees who had achieved vesting rights, many were leaving before achieving full pension benefits and were withdrawing their pension contributions as a cash payment (Weitz 1992). This meant that many workers who initially began to contribute to a plan were entering retirement with no pension income. This situation highlighted issues of vesting and portability arising from worker mobility, calling for new vesting rules and policy for “locking-in” pension contributions that would be paid out to a worker during retirement instead of when they left the company. And fourth, inconsistent government supervision and inspection: the legislative framework that regulated workplace pension plans in Ontario and across the country consisted of a patchwork of federal and provincial regulation, primarily based on income tax rules. Consistent supervision and inspection located a single regulatory body was required, it was argued by the committee, to assure adequate design and funding of pension plans (Weitz 1992: 75-80).

Given these problems, the PBA was designed to establish “minimum standards” of pension regulation that would encourage the expansion of the pension system, improve solvency to meet best practices, limit the waste of pension contributions while facilitating the needs of a mobile workforce. Importantly, the legislation was also intended to provide security for benefits by establishing funding that was separate from the organization. As one participant described it: “So it was basically at that time you’re saying, ‘you’ve made these promises, now we’re going to make you pay for them and

set them up prefunded so people can rely on receiving the entitlement from the plans” (Regulator 1, April 2015). Government was attempting to limit the level of risk employees were exposed to by the workplace pension system, which until the early 1960s, had developed with minimal regulation.

The report went through three drafts from 1961 to 1963 and included multiple rounds of public feedback. Several obstacles during this legislative process were deciding vesting and cash withdrawal rules for employees and to what extent eligibility and membership should be mandatory. Developing new standards that required plan sponsors to communicate the status of plans to their members were determined to ensure maximum protection. During this process, the Pension Commission of Ontario (PCO) was also instituted to enforce standards set out in the PBA.

As discussed in Chapter Four, the establishment of the PBA stoked Quebec’s interest in pension policy as a tool of national economic sovereignty, leading Quebec to play a foundational role in defining the structure of the Q/CPP that was legislated in 1965. The events of 1965, conversely, led the Ontario provincial government to amend the PBA. The final draft of the PBA tabled in 1963 was impacted by the QPP/CPP in two ways. First, to address the acute problem of low pension coverage, the original PBA draft required a *mandatory* pension plan for employers with fifteen or more employees. If the CPP had not been established in 1965, the Ontario government led by the Conservative party was planning to make workplace plans mandatory for almost every worker in the province. But given that all Canadian workers would be partially covered by a federally administered public plan, this provision was repealed. Second, stricter

vesting rules that would begin at age thirty were replaced by the 45/10 rule, whereby vesting would begin at age 45 after ten years of service to an employer. Once an employee reached this threshold, pension contributions were locked-in until retirement. Hence, workplace plans would voluntarily exist beside the CPP rather than replace it.

The PBA and level of interest rates shaped how employers met new regulatory rules to make retirement provision more secure. When interest rates are low, liabilities of funds go up, and are therefore more likely to threaten the solvency of a fund. During the late 1960s, interest rates were low and so the cost of a fund was more expensive and therefore less attractive to employers. To mitigate this, while at the same time meeting new trust fund standards, many employers bought group annuities from insurance companies to remove liabilities involved with a pension plan off company books. Money was paid to the insurance company and the insurance company guaranteed to pay the pension. There were approximately 7300 pension plans in Ontario in 1965 shortly after the PBA came into force, and the majority of these plans were with group annuity contracts (Regulator 1, April 2015). Only the contribution to the insurance company would remain on annual corporate statements.

This scenario began to change with rising interest rates in the 1970s, which made the administration of company pension more attractive. Rising interest rates meant a company pension plan could be used as an investment opportunity:

And so as interest rates came up, a lot of employers said, 'you know what, why would I pay this money to the insurance company and let them make a profit? Why don't I set up a pension fund, invest it, and I can limit my costs because I can do as well as the insurance company' (Regulator 1, April 2015).



Consequently, many employers moved away from group annuities to establish separate trust funds and hired their own consultants to invest on their behalf to profit from an economic environment in which ten percent or greater on investment returns was not unusual.

Although the PBA had been established during this period to protect workers' vested rights to pension benefits, the structure of Ontario's workplace pension system facilitated by the PBA meant workers' retirement incomes were still exposed to significant levels of risk. Attempts to pool workers' risk had failed, in which the risk of workplace pension plans was not pooled across industrial sectors, or even across local bargaining units for a single firm, compartmentalizing risk into single employer pension plans. Future corporate bankruptcies and insolvency would expose these shortcomings, necessitating further rounds of policy reform, leading Commissioner Harry Arthurs in 2008 to lament, "Ontario's pension system came not to be a 'system' at all, but rather a number of independent plans sponsored by individual employers or groups of employers..." (Ontario Expert Commission on Pensions 2008: 10).

### *1970s – Early 1980s*

The rapid economic expansion that defined the 1950s and early 1960s began to slow by the late 1960s, creating new risks for Ontario pensioners and catalyzing new provincial government regulation in the early 1980s. In the 1970s, the downturn in the global economy led to economic and regulatory crisis that culminated with severe cutbacks of

industrial operations, where plant re-location or closure by domestic, American and other foreign firms became common. As Canada's most industrialized province, Ontario's workers and pensioners acutely felt these economic transformations, through either job loss and/or considerable reductions to benefits built up over years of contributions, bringing into focus the limitations of existing legislation. This led to new pressure on the Ontario government to provide more security to workers through policy reform. At the same time, the Keynesian consensus over Canada's welfare system was unraveling. Ideological debates over the merits of various social policies were growing stronger, in which a "rightward shift in the dominant discourse of politics and policymaking" that promoted markets grew (Rice and Prince 2013: 114). Shrinking faith in the redistributive capacities of the welfare state beginning in the mid-70s onwards was redefining how social policy resources should be allocated. In Ontario, the provincial government attempted for the first time to restrain public sector expenditures, marking the beginning of a new approach to fiscal policy that abandoned the Keynesian "revolution" that had begun in the 1940s (Evans and Shields 2011).

In the economic sphere, Harry Arthurs identifies this period as the "hollowing-out of Canada" (Arthurs 2000; 2009) that had significant implications for private sector pensions and policymaking. Driven by the logic of North American integration, Arthurs describes the shrinking power and importance of Canada's post-war subsidiary corporate structure in the face of expanding economic globalization. To take advantage of the efficiencies offered by new information technologies and economies of scale in the context of globalizing markets, corporate control was being centralized into

American head offices. This directly impacted the autonomy of Canadian firms by moving management functions abroad. Arthurs argues that this shifted the locus of corporate decision making away from Canada, resulting with the loss of Canadian practices and knowledge in corporate governance.

At the same time, neoliberal practices of corporate governance expanded with the growth of economic globalization, while the class power established in the postwar era was diminishing (Brenner 2004; Harvey 2005). Deregulation was adopted to advance corporate interests, where a new consensus developed amongst corporate managers that accepted, "...that the power of unions should be curtailed, that labor standards should be made more flexible, that the cost of pensions and other social entitlements should be reduced, and that workforce discipline should be maintained" (Arthurs 2009: 789). Pensions were now becoming the target of foreign executives seeking to squeeze new profits at the expense of previously established pension obligations<sup>24</sup>. Arthurs (2008) argued that Canadian executives, experts, and policymakers became more committed to the logic of globalization and regional integration, terming it as the "globalization of the mind" (Arthurs 1998), with the effect of reengineering Canadian labour law and industrial relations.

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<sup>24</sup> Indeed, these changes concerned political leaders. 1987 NDP pension critic Ross McClellan introduced an amendment to the PBA that would require the majority of trustees of a multi-employer pension plan to be "Canadian citizens or landed immigrants" (Hansard transcriptions, 1987). This was to ensure that assets from Canadian pension plans were protected by flowing to Canadian workers, rather than parent unions and trustees on pension boards managing the money of Canadian workers. There was cross-party consensus on this amendment and it was passed.

Within this context, as the PBA entered into its second decade, problems arose around issues of liability. Liability of a terminated plan was limited to the assets of a plan, not to the assets of a company as a whole. When a fund terminated, the employer only had to pay contributions to a plan until its wind-up date. Any loss in commitments to members was reduced from their pension benefits: “Thus, plan members rather than the sponsor bore the burden of any shortfall” (Weitz 1992: 98), placing ultimate risk of a failed plan onto workers.

This pressure on the Ontario government culminated in the establishment of the Pension Benefit Guarantee Fund (PBGF) passed into legislation on 12 December 1980. The PBGF was the first fund in Canada (and remains today the only fund of its kind in Canada) to provide a government guarantee to pension beneficiaries against sponsor insolvency, initiating the heightened role of government in providing insurance measures to protect workers against the risk of workplace pension plans. According to Weitz (1992), the PBGF was hastily drafted in a political context of intense media and union pressure following a string of plant closures in early 1980. The NDP demanded the minority government provide workers with insurance if their employer became insolvent and the plan was underfunded. Demands within government were coming from the Ontario Ministry of Labour rather than Pension Commission of Ontario (PCO). The PCO was responsible for the day-to-day regulation of workplace pensions and was the government office with the most expertise in this field. Modeled on the United States Pension Benefit Guarantee Fund as a means to protect vested pension commitments, the PBGF served a political function as a “dramatic move that would give

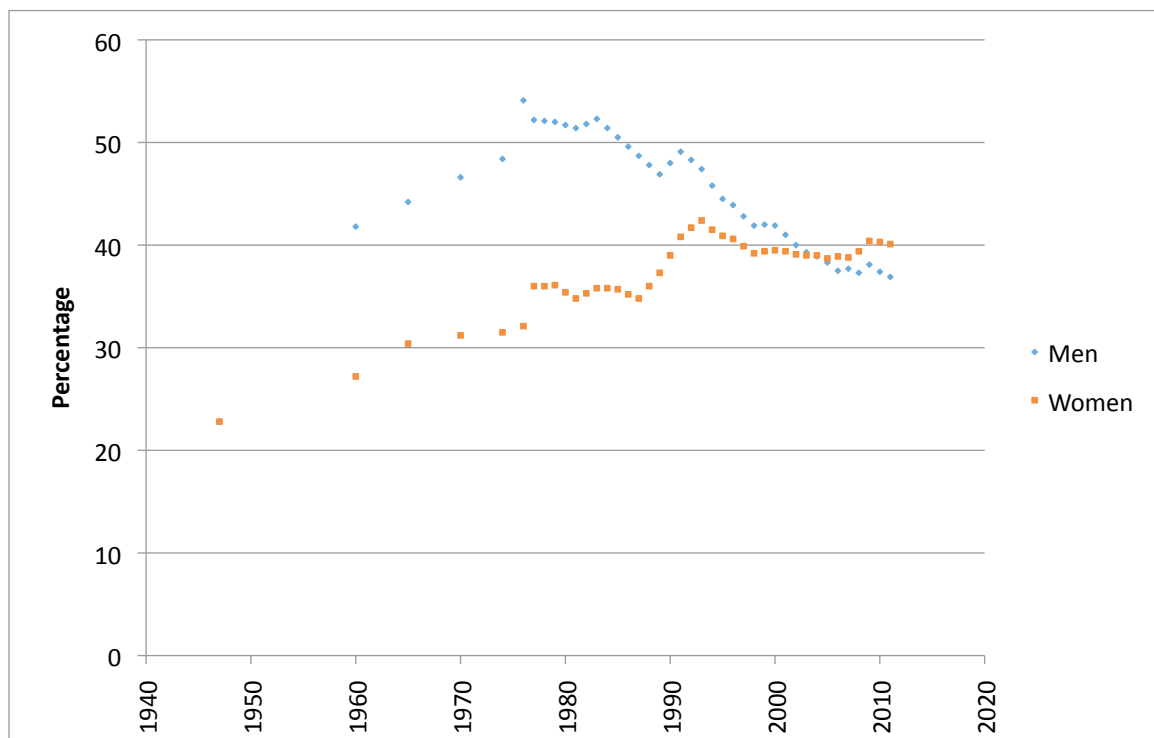
the appearance of government concern and effective action” (Weitz 1992: 99). The PCO at the time claimed a guaranteed fund was not required, given the regulatory tools that already existed, and would create administrative costs to both the PCO and plan administrators. Other provincial jurisdictions also did not support the PBGF, saying they would not create similar guaranteed funds. Provinces at the time were already struggling to establish harmonized regulatory practices and legislative uniformity of workplace pension plans across Canada, which had been a major objective of the Canadian Association of Pension Supervisory Authorities (CAPSA) since its inception in 1965 (Weitz 1992). Furthermore, shortly after the establishment of the PBGF, the Royal Commission on the Status of Pensions in Ontario that was mandated to study Ontario’s pension system (also known as the *Haley Report*) had declared that government funding was not necessary for the durability of province’s pension system.

The reorganization of Canada’s industrial base in the 1970s and the deep economic recession in 1981-2 slowed the expansion of workplace plans, decreasing plan membership amongst workers in Canada for the first time since records had been kept. Unemployment in Ontario between 1976 and 1983 grew from 6.1 to 10.4 percent (Statistics Canada, CANSIM table 282-0086). During the same period, unemployment in Ontario’s manufacturing sector more than doubled from 5.3 to 10.8 (Statistics Canada, CANSIM table 282-0008). Men with lower levels of education most acutely felt these changes, where the total unemployment at its lowest level was 10 percent for men and 9.6 percent for women in 1982 (Statistics Canada, CANSIM table 282-0008). Secure,

fulltime industrial positions began to disappear, along with DB workplace pension plans for many of Ontario's private sector workers.

Conversely, pension coverage for women continued to rise through the early 1980s, albeit at a slower pace, characterized by the growing percentage of women working in public sector occupations that offered secure defined benefit pension plans.

Figure 5.1: Percentage of male and female employees with a registered pension plan, Canada, 1947 - 2011



Note: The 1947 numbers show pension coverage for both sexes.

Source: Pension Plans in Canada, 1977 to 2011, and previous Statistics Canada publications on pension plans. Cited from Statistics Canada, Megatrends (2015), *Pensions: The ups and downs of pension coverage in Canada*.

This put new pressure on the government to ease some of the funding requirements by introducing solvency funding rules based on what a plan would look like today if it were

wound-up. Thus, through the 1980s different funding rules were developed that could exclude certain benefits from solvency funding.

### *1980s – Surplus, Economic Globalization and the Rise of the Pension Professional*

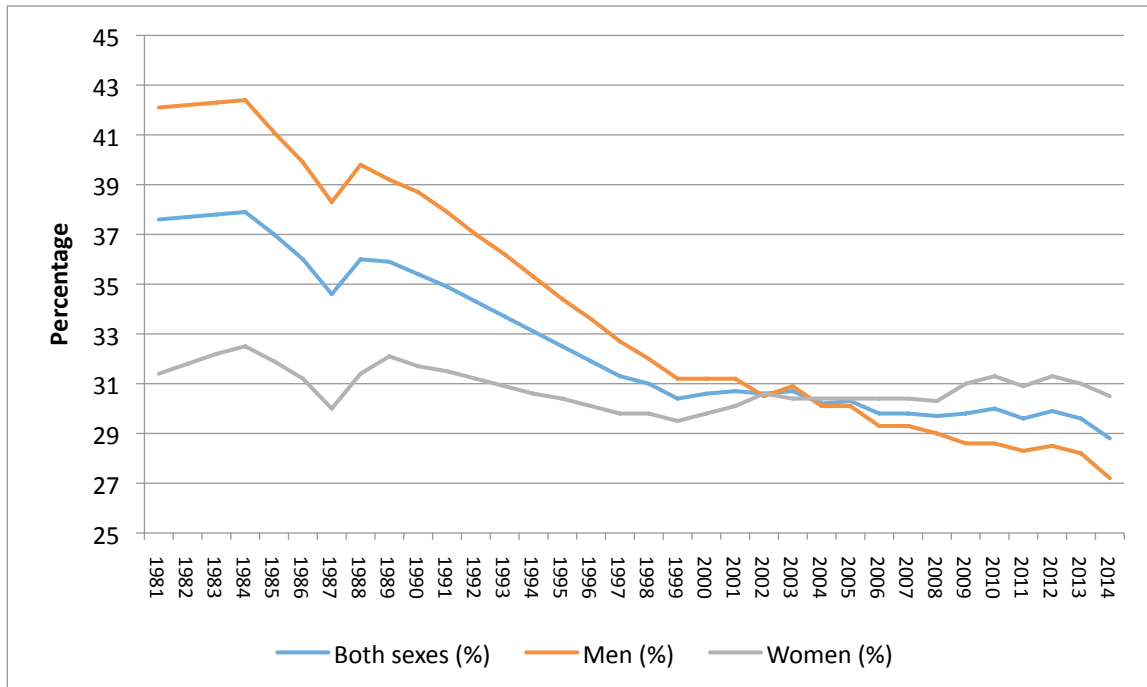
This was the decade in which workplace pensions entered into the fray of economic globalization, linking worker retirement income security to transnational corporate governance practices and global financial markets. Conservative blue-chip investment portfolios were replaced with modern portfolio theory, while professional pension consultancy emerged as a voice of authority over pension governance and decision making (Marmer 1997; Carmichael 2005). While the number of workers covered by a pension plan increased through the 1980s, pension coverage for men and Ontario's total workforce decreased (see Figure 5.1). The traditional employment relationship characterized by long-term work tenure in industries premised on male breadwinner model was eroding. Economic globalization and the corporate restructuring of Ontario's industrial base made way for new service based industries and an expanding educated professional class of workers who were more mobile. Defined contribution (DC) plans grew as a popular alternative to what many deemed as unfair vesting rules in Ontario that allowed workers to profit from high interest rates. Job tenures were shrinking, catalyzing demands for mobile retirement saving vehicles. It is in this context that the risk of saving for retirement became more individualized.

Within the pension world, this was a period that touched upon issues of increasing pension coverage for women, decreasing mortality rates, vitriolic debates over sharing vast surpluses produced by pension funds in a context of high interest rates, inflation protection, new continental accounting standards, and an overall shift in philosophy in how pensions and the role they play within the economy was understood. Also, in 1987, at the age of 24, the PBA underwent its first round of major legislative reform. This occurred shortly after the Liberal government led by David Peterson won a minority government in 1985 (with the support of the NDP), dethroning the Progressive Conservative dynasty after 42 years in power and moving Ontario policymaking “significantly to the left” (Haddow and Klassen 2006: 55).

While Ontario politics were moving left, at the federal level, the Keynesian consensus supporting the Canadian welfare states was faltering (Rice and Prince 2013; Béland and Myles 2005). Canada’s struggling economy and growing government deficits sparked new debate over social policy as the welfare state transitioned from an expansionist phase to a crisis phase (Rice and Prince: 2013). New organizations and alliances were forming, with, for example, the rise of business activist lobby organizations, women’s groups, community groups and retiree groups, generating increasing ideological divides in Canadian civil society over who was responsible for providing social security (Canada 1985; Rice and Prince 2013).



Figure 5.2: Unionization rates of employed individuals aged 17 - 64, Canada, 1982 - 2014



Sources: Statistics Canada, Labour Force Survey, 1997 to 2014; Labour Market Activity Survey, 1986 to 1990; Survey of Union Membership, 1984; Survey of Work History, 1981. Cited from Galarneau and Sohn (2013).

Unionization levels in Canada in the 1980s began to drop dramatically, particularly for men working in private sector industrial jobs. As Figures 5.1 and 5.2 illustrate, the drop in pension coverage for men coincided with in dropping unionization rates beginning in the mid-1980s. As economic integration with the United States deepened, the balance of class forces in the private sector was tipping further in favor of capital, resulting with diminishing pension coverage of remunerative industrial jobs.

These changing economic conditions fueled new ideas on how to remedy growing levels of risk. The pension policy transformations occurring in Ontario were part of a broader national discussion in Canada on retirement income security that involved debates over expanding the C/QPP and the role of workplace pension plans. Due to the

high level of publicity pension policy was receiving at the time, the period from the late 1970s to the early 1980s was termed the “Great Pension Debate” (Béland and Myles 2005; Little 2008; Rice and Prince 2013). Given the economic transformation underway in Canada’s economy, and the reality that the majority of Canadian workers had no workplace pensions, stakeholder groups across civil society, the business community and government produced a corpus of policy reports on how to improve income security for Canadian workers. The C/QPP was just over ten years old in the late 1970s, and according to Little (2008), “...the tenor of the times was such that grand proposals for new social programs were still very much on the agenda” (p. 51). From the labour side, the CLC proposed expanding CPP from a maximum benefit of 25 percent of earnings to 50 percent, which was commensurate to other industrial countries. This proposal gained support from labour, seniors and women’s groups. Even government officials were calling for expanded CPP benefits through the National Council of Welfare (NCW), a federal government advisory group led by Ken Battle that had called for a more modest expansion of CPP benefits to 37.5 percent. The Business Committee on Pension Policy, representing major private sector lobby organizations such as the Business Council on National Issues (BCNI), Canadian Federation of Independent Business (CFIB), and the Canadian Health Life and Insurance Association (CHLIA), produced a policy statement in 1982 stating that solutions could be found without government intervention. Ontario’s Royal Commission on the Status of Pensions was conducted during this time, along with four other major government reports produced in 1982 from B.C., Ontario, the federal government and CAPSA. This was a period in

which national debate on pensions and security had galvanized many groups across Canadian society.

The litany of proposals set forth during this time can be organized into three broad categories: those that called for the expansion of CPP; those that called for the mandatory expansion of workplace pension plans; and those that did not see the need for government intervention (Little 2008). The breadth and intensity of this debate led the federal government to convene the National Pensions Conference in March 1981 with Prime Minister Pierre Trudeau providing the opening remarks with a “promise of major reform during his government’s mandate” (cited from Little 2008). Trudeau’s remarks highlighted the tenor of other pension reformers of the period: reform should occur in Canada’s public pension system, while mandatory pensions as a policy alternative were viewed as inferior and second-best, and thus this option was not aggressively pursued as it had been in other countries (Béland and Myles 2005).

Excitement was high and women’s groups for the first time were heavily involved in national pension debate. In 1970, the *Royal Commission on the Status of Women* outlined the disproportionate level of women living in poverty during retirement, revealing the extent to which pension systems, both public and private, along with other social policies, were structured on a male-breadwinner model of social reproduction (Wilson 1977). Many women claimed that the language and structure of existing social policy marginalized women into traditional gender roles while reifying structures of patriarchy. The commission served to activate a national debate that would continue through the 1980s about improving Canada’s retirement income system

to better help women by doubling CPP benefits and expanding workplace pension coverage. With the rapid entrance of women into the workforce and the acknowledgement of poverty levels amongst elderly women in Canada, the scope and character of the national debate on pension coverage had been transformed with the involvement of women activist organizations.

However, the eighteen-month recession of 1981-2 that began later in the year thwarted the momentum and hopes that had been present during the National Pensions Conference. After the recession, federal and provincial governments were reluctant to introduce sweeping changes, resulting in what Rice and Prince (2013) termed a “social policy failure [with] marginal results” (p. 113), ultimately leading to a period of crisis for the legitimacy of the welfare state.

Through the remainder of the decade in Ontario, following the implementation of the PBGF in 1980 and the economic recession, incremental change to the PBA continued. During this period, several participants describe a shift in philosophy from understanding workplace pensions as reward for *long service* to being viewed as *deferred wages*. This shift had broad implications for how employers and members viewed negotiated pension benefits leading to new regulations that shortened vesting rules (Regulator1, April 2015). The enactment of the PBA in 1965 implemented the 45/10 rule, introducing accrual rights for workers over 45 years old with ten years of service or more, protecting workers with long service from losing their pensions if they were laid off or changed jobs later in their career. During this time, pensions were thus viewed as reward for long service. Employers were agreeable to this rule since pension

funds were relatively affordable to administer and provided strong investment returns and could be used to secure a long-term loyal workforce. Moreover, high interest rates, strong markets, and loose accounting standards made pensions attractive to employers (Regulator 1, April 2015). This continued in Ontario and elsewhere through the 1960s and early 1970s.

But this understanding was challenged in the 1980s by emerging economic and labour conditions, including increasing worker mobility and the recognition that workers, unlike their parents' generation, were less likely to work with a single employer for the duration of their career (Ambachtsheer and Ezra 1998; Dekanic 2001). Many began to view the 45/10 as unfair. Ontario's workforce was rapidly changing. The service sector was growing and Ontario's industrial base, characterized by regular plant closures and relocations, was proof for workers and their unions that pension regulations had to change. More women were entering the workforce. The battle over who was entitled to large pension fund surpluses in the 1980s and 1990s (discussed below) sparked a debate over the ownership of investment returns produced by worker contributions (Finlayson 1988). And perspectives on jointly sponsored pension plans changed as pension funds increased in cost in the late 1980s. Within this context, workplace pensions increasingly were viewed as *deferred wages* as opposed to *reward* for years of service.

Following the 1981-2 recession, pension coverage began to grow again through the mid-1980s along with rising interest rates. The continuing rise of interest rates led to the production of large pension fund surpluses to the extent that "surplus sharing"

became a definitive issue (Finlayson 1988). Funds were earning large sums of profit, leading to class struggle between employers and employees over who was entitled to pension fund surpluses. Private sector employers who funded, administered and assumed the risk of providing pension income for members saw the surplus as their entitlement and began applying to the PCO to withdraw surplus that was typically worth millions. Workers and retirees, on the other hand, saw surplus as belonging to members given that the pension fund had been set up for the provision of retirement income. At the time, high inflation was seriously eating into the value of pensions that had little or no inflation indexation and many argued that pension fund surpluses should be used for inflation protection (Regulator 1, April 2015).

These issues spilled into parliamentary debate. When debating reforms to the PBA in 1987 in parliament, the NDP vocally opposed surplus sharing, arguing that pension funds represented “deferred wages” and were the “sole” property of workers, not sponsors (McClelland, Hansard transcription, June 1987). NDP pension critic Ross McClellan called for the PBA to be amended to define pension plans as the property of workers. McClellan also wanted an amendment that would stop the Pension Commission of Ontario (PCO) from giving surplus money to an employer, which it had previously done in the Dominion Stores case, allowing Conrad Black access to \$39 million in pension surplus funds, which to many symbolized the “legalized theft of surplus pension funds” by corporations, “sticking the money in their own pockets” (McClellan, Hansard transcription, June 1987). The Liberal Party, led by David Peterson

disagreed, claiming that employers take on the risk of DB plans and therefore are entitled to any surplus during health economic periods.

Nevertheless, the Dominion Stores case became highly publicized, and the class struggle over ownership of pension surpluses in Ontario became so heated that the provincial government implemented a moratorium on surplus withdrawal, convening a task force on inflation and surplus sharing. As a result, the PCO became more conservative in its regulatory practices (Finlayson 1988; Lawyer 4, July 2014). These events helped lead to a series court cases on how to divide fund surpluses.

In December 1986, the minority Liberal government led by David Peterson introduced Bill 170 to the Ontario Legislature for first reading, which later became the first major legislative reform to the PBA in late 1987. “Grow-in” rights that made workers eligible for retirement arrangements, the establishment of the PBGF in 1980 and increased powers for the pension regulator were all issues consolidated in the revised PBA. Also, the funding controversies that dominated the policy agenda through the 1980s, including ownership of surplus funds, contribution holidays (i.e. how long an employer could take a break from contributing to a plan if there was a surplus), and acceptable funding deficits levels were partially resolved with ad hoc amendments to the *Pension Benefits Act, 1987* (Arthurs 2008). Many of these funding issues, however, would persist through to the 2000s

Inflation protection, on the other hand, was left out of the 1987 PBA reforms. Instead, on December 9, 1986, the conditions of high inflation and surplus sharing issues led to the Minister of Financial Institutions, Monte Kwinter, to appoint the Task Force on

Inflation Protection for Employment Pension Plans. This occurred at the same time as Bill 170 (which became the PBA, 1987) was introduced to the Ontario Legislature for first reading. Given the political contentiousness of pension inflation protection and the regulatory difficulties of implementing new indexing rules, the Liberal government used the Task Force delay decision on indexing rules. Published January 1988, what became commonly known as the “Friedland Report” named after the Task Force’s chair, Martin Friedland, professor of Law at the University of Toronto, concluded that the provincial government should legislate a minimum standard inflation protection that adopted the formula of 75% of the Consumer Price Index (CPI). These indexing rules never materialized.

Another defining event of the 1980s was the introduction of new accounting standards that placed pension liabilities onto company balance sheets. Many participants claimed the adoption of these new accounting standards made administering DB plans much more undesirable for many employers. Canada began to adopt American accounting standards as the two economies became more integrated. According to Gaa (2007), this occurred for several reasons. Canada’s proximity to the United States facilitated capital investment in Canada’s economy, whereby the 1960s over 80 percent of foreign capital was American. The expansion of the “branch plant” economy characterized by American firms operating subsidiaries in Canada deepened economic integration and corporate practices. The need of Canadian firms to access American financial markets and intensified trade between both countries led many Canadian companies to harmonize accounting standards. Moreover, the size of pension



funds and respective commitments in recent years had many accountants concerned about how pension fund liabilities and assets were measured and reported in financial statements (Friedland et al. 1988). In December 1986, new standards required Canadian companies to systematize recognition of the cost of pension plans when reporting corporate expenses and liabilities. These new practices aimed to enhance comparability between companies and to improve consistency between different reporting periods. Prior to this time, when reporting pension fund costs, companies only had to report annual contributions to the plan, not the unfunded future liabilities that were defined by demographic factors of plan members and future economic conditions premised on changing interest rates that were unknown. With the introduction of these new accounting standards, the level of liabilities grew dramatically since they were now on company books, with the effect of diminishing the apparent financial standing of the organization. Suddenly, the perceived cost of administering a pension fund substantially increased.

#### *Entering capital markets and the rise of the pension consultant*

In the twenty years between the early 1960s and early 1980s, pension funds in Canada and the United States had remodeled their investment strategies, linking pension fund capital to global markets. This transformed the managerial practices of fund administration and the desire and level of involvement of corporate management in providing plans. Pension fund investment portfolios before the 1970s were characterized by conservative investments such as government bonds and blue-chip

stocks. By the 1980s, funds were being invested in new asset classes such as international stocks and private equity. This had been facilitated by the size of pension assets during the time that had substantially grown. In Canada, between 1960 and 1980, pension fund assets grew from \$4.8 billion to \$65.5 billion, thus becoming the fastest growing financial institution in the country (Deaton 1989; Carmichael 2005). Furthermore, new regulatory frameworks, modern portfolio theory (MPT) and technology were driving factors in the financial behavior of workplace pension funds (Marmer 1997). In the United States, the implementation of the Employee Retirement Income Security Act (ERISA) outlined new prudent practices and fiduciary responsibilities that required investment diversification. The consultancy industry rapidly grew as fund managers hired consultants to set investment policies and goals and to allocate long-term assets (Marmer 1997). These consultants brought with them a new economic rationale of modern portfolio theory to educate pension funds on how to improve the fund's portfolio efficiency without being exposed to more risk by investing in new asset classes. At the same time, in 1971, the demise of the Bretton-Woods system opened global financial markets up to institutional investors. The contributions of working class citizens were now entering global stock markets and by the mid-80s, and plans began to make more money off investments compared to contributions.

Beyond portfolio holdings, these changes impacted the management culture of pension funds. First, the business of administering a plan became more volatile due to increased exposure to global financial market fluctuations. Before, when plans were primarily reliant on contributions with a conservative investment portfolio, plans

experienced less volatility. Second, the stature of investment professionals and related knowledge became more paramount compared to local managerial practices that had previously been developed through human resources expertise. The “hollowing out” of corporate Canada had begun by the 1980s with American and other foreign subsidiaries in Ontario merging or shutting operation was commonplace. Globalization, trade liberalization and emerging communications technology were making redundant foreign-owned subsidiaries, centralizing managerial control within transnational parent corporate headquarters, with many national corporate head offices moving abroad (Arthurs 2000). Portfolios with blue-chip stocks and government bonds that could be handled by in-house management were in decline. As assets and liabilities grew, along with new accounting standards and exposure to global financial markets, pensions were becoming an object of financial management expertise, a concern for chief financial officers and VPs of finance (Lawyer 4, July 2014). As such, international professional bodies and standards, as opposed to localized management practices, more and more influenced the knowledge used to manage these funds.

### *1990s – The Exit of Provision*

While economic globalization and corporate restructuring during the 1980s began to unhinge the post-war industrial employment relationship, employers seeking to exit the provision of retirement income *en masse* characterized the 1990s. Growing regulatory and accounting standards, unfavorable court rulings and deteriorating economic

conditions highlighted the “asymmetry of risk” involved with plan administration from an employer and plan sponsor perspective (Actuary, April 2015). Also, decreasing unionization levels that had begun in the 1980s continued to decline during 1990s, particularly for men, allowing more employers to diminish pension benefits with less resistance from workers (see Figure 5.2)(Garlarneau and Sohn 2013). An economic recession began in 1990, resulting with more plant closures, displacing thousands of industrial workers. Unemployment levels in Ontario rose to 10.2 percent by 1992, representing the loss of 250,000 jobs (Evans and Smith 2015). Given these conditions, the 1990s represent a critical juncture in which risk of saving for retirement become increasingly individualized amongst the provincial workforce, reflected through transforming economic conditions and the expanding use of DC plans and overall decreasing pension coverage.

At the political level, the brokerage politics of the post-war era with the Progressive Conservatives at the helm had ended. Haddow and Klassen (2006) describe Ontario’s party system as becoming more “polarized” during this time, following the election of a minority Liberal party in mid 1980s with the support of the NDP. This trend continued when the NDP won in 1990, led by Bob Rae, who attempted to formalize dialogue between labour and business during his tenure. The NDP’s desire to establish a labour-business dialogue, and their attempt codify new labour rights into labour market policy had failed, in part due to their adoption of austerity measures that alienated their own supporters (Evans and Smith 2015). Conversely, The Conservative Harris government of the late 1990s adopted a “distinctively neo-liberal policy agenda”

(Haddow and Kalsen 2006), reversing most of the NDP's labour laws, while introducing an extensive series of business-friendly legislation during the "Common Sense Revolution" (Peck 2001; Evans and Smith 2015). This legislation diminished collective bargaining rights, limiting labour's ability to organize and strike and introduced market-oriented "workfare" (Peck 2001; Panitch and Schwartz 2003; Haddow and Klassen 2006; Evans and Smith 2015). Indeed, the rise of neoliberal ideology during this time heightened the connection between the state and the interests of capital, changing the landscape of class relations (Harvey 2005). Consequently, while economic restructuring and neoliberal policy initiatives were introduced, workplace pension policy remained a contentious policy field, increasingly viewed as toxic by government officials.

When David Peterson's Liberal minority government was defeated at the hands of the NDP, the NDP had promised to introduce new legislation that would make surpluses the property of plan members, or at least develop a clear policy on the issue (Brett 1991). As the official opposition during the late 1980s, the NDP had been vocal supporters of labour and retiree groups in their attempt to block employers from withdrawing pension surpluses. But as the 1990s carried on, surplus sharing continued to simmer away with no new rules following the moratorium on surplus withdrawal introduced by the Liberals in 1987 (Policy Analyst 3, December 2014). Furthermore, recommendations on inflation protection presented by the Friedland Task Force in 1988 were unsuccessful, with no new rules on mandatory indexing of DB plans.

In the absence of new pension legislation around surplus sharing and pension indexation, recourse to court rulings increased to determine pension rights, changing

the legal landscape for pension law in Ontario (Kaplan and Frazer 2013). Many of the rulings during this period were viewed to be labour friendly<sup>25</sup>, frustrating many employers and their professional consultants. On the other hand, labour lawyers realized they could be paid from pension funds rather than the union, revealing an extensive source of business. Pension law thus emerged as an expanding legal field, where a growing cadre of labour lawyers were setting forth arguments in labour's favour over surplus entitlement (Lawyer 4, July 2014). At the same time, Eillen Gillese, Pension Commissioner of Ontario from 1988 to 1998, was seen to be friendly to arguments set forth by labour lawyers (Lawyer4, July 2014). Employers' rights to pension surplus were diminished with rulings such as the Supreme Court of Canada's decision on *Schmidt v. Air Products Canada Ltd.* (1994) that put stringent restrictions on

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<sup>25</sup> Under the new 1987 PBA legislation, the Pension Commission of Ontario's (PCO) Superintendent's jurisdiction (i.e. regulator, adjudicator and administrator of the PBA) was significantly expanded from an advisory and record-keeping role to principal "first-instance" decision maker role from 1987-1998. Consequently "virtually all initial decisions under the PBA were made by the Superintendent" (Kaplan and Frazer 2013: 62). In this post-1987 regulatory regime, an attempt was made to level the playing field in terms of "access to justice" and "procedural reciprocity" between employees, members, and employers and plan sponsors. This shift drew from recommendations presented in the *Haley Report* published in 1980 that called for the overhaul of Ontario's pension regulatory framework. Under the new legislation employees were offered new hearing and participation rights to arbitrate and protect benefits, rather than only being available to employers or administrators (that had been the case before 1987). Given individual members and employees often did not have independent legal counsel, the PCO represented their interests during appeals made by employers. The result of these changes amounted to a series of rulings that limited employers' and sponsors' ability to independently undertake partial wind up of a plan, withdraw surplus on a plan wind up, and transfer assets between plans without employee and member consultation. According to Kaplan and Frazer (2013) this represented an "evolution of Ontario pension regulation and adjudication" (p. 66), in which regulators adopted the "normative sense that employee litigants were owed elevated protections" (p. 70). One participant described these ruling favorable to employees as contributing to the general sense amongst employers during the 1990s of the expanding regulatory burden involved with administering workplace DB pension plans. For examples, see rulings *CUPE v Ontario Hospital Assn* (1992); *CUPE, Locals 1144 & 1590 v Ontario (Superintendent of Pensions)* (1998); and *Maynard v Ontario (Superintendent of Pensions)* (1998).

employer entitlement to surplus, becoming the leading statement of the law on pension plan surpluses (Litner 2011). This insertion of workers' rights in pension law broadened tension between employers and members, who until then had more control over surpluses.

Although employers in Ontario were losing some legal battles over surpluses, by the late 1990s a bull market was underway, interest rates remained high, and money was still awash in the pension system, keeping pension costs low, while contributing to expanding surpluses. These conditions ended abruptly with the bursting of the dot-com bubble in 1999. By the early 2000s, funds invested in tech stocks were hit hard, leading to what one participant called a “complaint discourse” amongst plan administrators (Lawyer 4, July 2014) (to be discussed further in the following section).

During this time, Ontario's pension regulator underwent institutional reform. In 1998, the PCO was replaced with the Financial Services Commission of Ontario (FSCO). The Conservative Harris government—which took power from the NDP in 1995—consolidated financial service regulation, moving the regulatory powers from the PCO to FSCO which was also mandated to regulate other financial institutions, including credit unions, cooperatives, and insurance, loan and mortgage companies under one superintendent<sup>26</sup>.

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<sup>26</sup> Following this institutional change, FSCO became primarily responsible for regulation—ensuring pension plan administrators prudently followed rules contained with the *Pension Benefits Act*. Policy advisory moved to the Ministry of Finance. Following reforms to the PBA in 1987, the PCO had played an important policy function in the development of pension policy in Ontario. However, the PCO and Ministry of Finance were seen to be overlapping in pension policy work during the late 1980s and early 1990s, resulting with the Ministry of Finance taking over policy requirements, leaving the PCO and then FSCO to become strictly responsible for

New accounting standards and decreasing interest rates meant more organizations were exposed to more liabilities while pension fund surpluses were disappearing, inducing rising costs. This combination of factors escalated through the 1990s to the global financial crisis leading to what one participant called a “perfect storm”: “...interest rates had declined to what was very painful. Their investments tanked. Mortality started to show up on the balance sheets of pension funds. All of these things happened” (Regulator 1, April 2015). This combination of factors resulted with a range of governmental policy responses, including temporary solvency relief measures and initiatives to facilitate joint sharing of risks and costs associated with pension funds through the establishment of jointly sponsored pension plans.

This issue of rising costs became a new battleground between employers and employees in the negotiation of risk involved with structuring pension benefits (Actuary 1, April 2015). While many employers during the postwar period sought to offer company plans to benefit from favorable economic conditions and tax regulations, employers during the 1990s and 2000s sought to exit the provision of retirement income, exposing the limitations of the voluntary workplace pension system. The desire of many employers, mostly in the private sector<sup>27</sup>, to exit from the provision of

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regulatory duties. When the PCO was replaced with FSCO in 1998, adjudicative functions were transferred to Financial Services Tribunal (FST), whose mandate is to track the work of FSCO. According to some in the pension community, the result of these changes was that, “...pension law, policy and adjudication now reside within a regime whose primary focus is the regulation of financial markets” (Ontario Expert Commission on Pensions 2008: 11), rather than pension funds.

<sup>27</sup> There are a variety of governance structures amongst workplace pension plans that shape the type of risk a plan is exposed to. The majority of private sector pension plans are single-employer pension plans (SEPPs), in which there is only one sponsor that is solely responsible for



retirement income during this time, suggests that the risk of saving for retirement was being increasingly pushed onto individual workers.

With the increase in cost, many employers claimed they were bearing too much of the risk without immediate reward. Many interview participants drew a direct link between accounting standards and rising costs of pension funds to the desire of employers to move away from DB plans and pension funds in general. As one interview participant states:

I think the most significant change that impacted the thinking on pensions would have to be the accounting changes, because before that, it might not have been appended as an index to your financial corporate financial statements that you have this huge pension liability. And after that they had to report it and it started showing up on the financial statements and had a direct impact on the bottom line of the company. Then there was a lot of opportunities to look for – a lot of pressure – to look for ways to change the exposure of the company with respect to the pension plan. Looking for opportunities to limit the risk, which is why you have all these de-risking initiatives today (Regulator 1, 2015).

Employers began to demand that members should assume more of the cost if they were to continue to offer the benefit<sup>28</sup>. Or conversely, move to a DC plan where members bore more or all of the investment risk. Where once the economic

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ensuring the fund meets solvency requirements. Most public sector plans are multi-employer pension plans (MEPPs) or jointly sponsored pension plans (JSPPs) that have a board of trustees that include employee and sponsor representatives. Given SEPPs have only one sponsor and are usually much smaller in scale compared to MEPPs and JSPPs, SEPPs involve higher levels of risk for the sponsor (and for members). In this context, many employers with a SEPP were seeking to exit their involvement in retirement provision. See Chapter Seven for a more detailed discussion of risk and pension plan governance structure.

<sup>28</sup> It should be noted that plans are structured in different way with respect to contribution rates. Some plans are fully funded by the employer (typically SEPPs), whereas others are funded equally by both employer and employee (typically MEPPs and JSPPs), or some other combination. During the 1950s, the hostility of unions towards employer-sponsored plans diminished when offered non-contributory plans where all costs were borne by the employer (in a form of a SEPP) (Weitz 1992: 63). Since the 1950s, pensions and contributions rates have been part of the collective bargaining process.

environment of high interest rates and high rates of returns were coupled with lax accounting and surplus sharing rules, now pension funds were coming to be viewed as more work with little reward. At the same time, pensions were no longer being used as reward for long service. Another interview participant describes the change in tone of how employers viewed pensions, and how this would come to alter actuarial practice and investment strategies:

When I was on the pension consulting side, pension plans were actually income generating to the plans. So from a balance sheet perspective, they were positive, they were like the wine of business adding value to shareholders. But as soon as the tides turned and interest rates went down to become a cost item, rather than a revenue item. So I think that really zoned in the focus on stock price. Accounting rules changed to make it more visible on the statements and everything else. So we put a microscope on it (Actuary 1, April 2015).

These trends elevated the role of pension actuaries within the management of funds. Emphasis on investment grew as attempts to maximize investment returns in a tougher economic environment became commonplace. Rising costs of funds would fuel anti-pension discourse, feeding into a new debate over who is responsible for income security during retirement.

The division between public and private sector pension plans in Ontario also figured centrally as a key theme in interviews. Public sector plans began to grow with the establishment of new joint-sharing governance structures. In 1987, Ontario Premier David Peterson organized a task force chaired by Malcolm Rowan to address the low funding status facing the government agencies administering public sector pension funds in Ontario. Later that year, the task force published *In Whose Interest? Report of the Task Force on the Investment of Public Sector Pension Funds*. This report, commonly

known as the “Rowan Report”, argued that public pension plans should be subject to the same financial and disclosure standards as corporate plans. These plans should become independent legal entities that reflect industry best practices and should not be used to further government public policy aims, as only stakeholder interests should be considered. The Rowan Report laid groundwork for joint-sponsorship model in public sector plans, which famously helped establish the Ontario Teachers’ Pension Plan (OTPP), turning it from an underfunded “arcane” government agency to one of the largest and most successful public sector workplace pension funds in the world (Ambachtsheer 2007). Other plans, such as OPTrust, OMERS, and HOOPP have followed a similar trajectory, where today Ontario’s public sector pension funds are major institutional investors in the global economy and have grown to become a leading model of fund governance internationally.

### *2000s – Workplace Pensions Limp into the 21st Century*

Pension policy became increasingly contentious at both the provincial and national levels during this time. An anti-pension discourse had taken root amongst different groups across Canada attempting to privatize Canada’s public pension system, led by groups such as the C.D. Howe Institute, Fraser Institute, the ACMP and Reform and Alliance political parties (Townson 2000). This discourse was linked to a transnational neoliberal project that sought to privatize public pension systems around the world (Orenstein 2008). Leading the way was the World Bank, in which advocates justified

their ideas through claims of an impending “demographic time bomb” that would be disastrous for national economies (Townson 2000; Blackburn 2002; Béland and Gran 2008). The Reform Party (in which Stephen Harper was a MP at the time) had been advocating for the abolishment of the CPP to be replaced with “Super-RRSPs”, while the Alliance Party led by Stockwell Day threatened to take Alberta out of the CPP unless other finance ministers agreed to allow people to opt out of a CPP and set up individual savings accounts (Townson 2000).

In Ontario, during the five years of Harris’ Conservative neoliberal policy agenda, unionization rates had sunk to 27 percent in 2002, making Ontario ninth in union density amongst Canada’s ten provinces (Haddow and Klassen 2006). The “new economy” that emerged from the restructuring of Ontario’s economy fueled by economic globalization fostered a labour market characterized by “heightened insecurity” (Pupo and Thomas 2010). Workfare policies had been introduced, attempting to push more workers into low-paying jobs following changes to the Unemployment Insurance program (Peck 2001). Many full-time, industrialized workers that had lost their jobs in the 1990s struggled to find permanent employment (Evans and Smith 2015). Accordingly, the number of part-time jobs grew, while replacing the number of full-time jobs, leading to an expanding service sector and growth in “precarious” employment, thus transforming labour-market policies, employment relations and collective organizing and bargaining, particularly following the global financial crisis in 2008 (Vosko 2005; Thomas 2009; Pupo and Thomas 2010). Significant demographic changes were also underway, as the first baby-boomers were turning 65. It

was during this time when long-service workers in Ontario's traditional industries were leaving the workforce, while younger workers were not being offered the same level of employment protection. DB coverage in the private sector was dropping significantly in Ontario and across the country.

As such, in the 2000s, adequate pension coverage was a "crucial public policy objective" (Kaplan and Frazer 2013: 74). The Ontario government became embroiled in a series of high profile corporate restructurings in the steel, automotive and tech industries<sup>29</sup>, negotiating with unions and corporate employers who had become insolvent and faced bankruptcy, threatening the security of private sector DB plans for tens of thousands of workers and retirees across the province. Pension jurisprudence continued to play a leading role in defining pension policy in the absence of new legislation. Funding concerns replaced discord over surplus entitlements. And plan management and professional practices modified as pension fund administrators sought new ways to optimize investment returns to maintain healthy funding levels. The decade ended with the largest global recession in economic history. Long awaited government action on Ontario's pension file was initiated with the establishment of the Ontario Expert Commission on Pensions (OECPE). How to save DB plans and expand pension coverage was the major concern that defined the 2000s.

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<sup>29</sup> These negotiations included Algoma Steel, Stelco, General Motors and Nortel.

### *Actuarial practice*

The intersection between economic conditions, plan management, and the degree of risk sharing between members and managers facilitated actuaries playing a more prominent role in pension management. The tone of actuarial consultation changed during this period from how to spend surpluses to sustainability, as surpluses disappeared and were replaced with funding shortfalls in the 2000s. This was primarily in the private sector, but also in the public sector to a lesser extent. Investment strategies had become more elaborate with an emphasis on, for example, portfolio diversification and further entry into private equity markets.

During the era of surpluses, "trapped capital" was the big issue, specifically how employers could avoid this since surplus sharing rules were put in place during the 1980s led to what actuaries were calling "asymmetry of risk". The moratorium on surplus withdrawal implemented in 1987, and the difficulty employers faced in accessing pension surplus, led many employers to feel they were shouldering too much risk. For example, if there was a funding deficit in a DB plan, employers were solely liable for funding the deficit, while having to share surplus with employees. To limit this risk, employers underfunded their plans during years of surplus:

Because you can fund a deficit over fifteen years, they would just do the bare minimum required. So it went from trying to define a target of how to keep a plan healthy and sustainable over the long term to how do we minimally fund the plan to reduce the risk of trapped capital (Actuary 1, April 2015).

As surpluses disappeared, the issue moved to sustainability in the mid-2000s.

Questions began to include, "What do we have to do for plan design? What about investment risk management? What about our asset mix? What are some of the tools

we have to improve the plan?" (Actuary 1, April 2015). Consequently, this led to an increased focus on "liability-driven investing" (LDI) amongst plan administrators seeking to keep the plan sustainable in a context of deteriorating economic conditions.

Actuaries were thus spending more time developing investment strategies designed to fund future liabilities of plans, rather than simply focusing on achieving better investment returns (also known as "benchmark-driven" investing). LDI became a new moniker in the pension management community, elevating the role of actuaries.

### *Bankruptcies*

In the early 2000s, several large private sector DB plans in Ontario were in serious trouble and required government intervention for protection from insolvent employers. Several large corporate operations located in Ontario were facing insolvency and seeking bankruptcy protection. These companies employed thousands of workers with high industrial wages and administered massive single employer pension plans (SEPPs) that had thousands of members and pensioners who were facing the prospect that their company pension plan may be severely cut. The PBGF, which had been set up to insure workers' pensions up to the first \$1000 of their monthly pension, was being depleted by companies such as Algoma Steel, Stelco and GM. Winding up pension funds with insufficient assets became a key political issue.

These problems were linked to decisions made by the Rae government during an economic recession in the early 1990s (Policy Analyst 1, December 2014). At the time, the Bank of Canada was hiking interest rates to combat inflation, exports were down,

and manufacturing industries were struggling. To mitigate these financial conditions, six companies—Canadian divisions of Ford, Chrysler, and IBM, Sears Canada and Stelco—wanted permission to cut contributions to their pensions until economic conditions improved (Reguly 2004). This would allow these companies to be exempt from solvency tests for their pension plans, or in other words, to take a “contribution holiday” from funding their respective plans. These companies argued that they were “too big to fail”: the scale of their operations was insurance against bankruptcy, extinguishing any pension fund insolvency risks. Believing this would help large employers weather the recession, Bob Rae introduced so-called “too big to fail” legislation. In return, these companies were required to make higher annual contributions to the PBGF.

Ironically, most of these companies did “fail”, in that they sought bankruptcy protection by the 2000s. The size of the PBGF was grossly inadequate to mitigate pension shortfalls, which for GM alone was estimated in 2007 to be \$4.9 billion (Talaga 2008). The provincial government, for its part, was dragged into the centre of these bankruptcies and corporate restructurings. Although the government was not legally required to top-up the PBGF, or to protect companies from bankruptcy, the social, political and economic fallout if these employers did go bankrupt along with their pensions was deemed by many to be disastrous. Subsequently, bureaucrats in the Ministry of Finance and political leaders in the provincial government were consumed in restructuring negotiations throughout much of the 2000s. One participant familiar with these negotiations said the Liberal government saw itself as playing the role of “mediator” between corporate headquarters, unions, bondholders and the general



public (Lawyer 2, November 2014). This participant and several others claimed this was less about protecting pensions per se, but rather about protecting jobs in geographically concentrated areas that were highly unionized. One government official involved in these negotiations claimed it was in the provincial government's interest to prop up an insolvent pension fund rather than have thousands of workers lose their jobs and pensions, and therefore be on the hook in other ways (Policy Analyst 1, December 2014). As a consequence, the government assumed a role in shouldering the risk of ensuring workers received part of their pension through negotiation, and when necessary, purchasing shares in the company to steer the plan and company towards solvency.

The government's role in these corporate restructurings also fueled anti-pension discourse, particularly regarding private sector DB plans. Newspaper headlines at the time claimed the Ontario government's role in these negotiations could put taxpayers on the hook for "billions" of dollars. Many blamed Bob Rae's NDP government for allowing these employers to ignore their pension plans. And others saw government bailouts as taxpayer dollars being spent on private pensions that the majority workers in Ontario did not have. Furthermore, the PBGF only covered DB plans that were five years or older, with no protection for those with DC plans. Conservative MPP Rob Runciman claimed that the government was not bailing out the sinking value of RRSPs at the time, so why should DB plans be protected (Talaga 2008). Consequently, these corporate restructurings during the 2000s became another factor in the "stew" of variables that led to the organization of the Ontario Expert Commission on Pensions (OECPC).

*Ontario Expert Commission on Pensions – time for change.*

By the mid-2000s, pension policy in Ontario was in disarray. The events of the early 1990s and early 2000s made political leaders apprehensive to touch the “third rail” of pension policy (Leech and McNish 2013). Furthermore, the PBA was becoming an impediment for doing business, making corporate restructurings more difficult around items such as asset transfers. Given these issues, pensions were viewed as toxic—politically contentious with little public interest. And letting the courts decide pension policy was problematic for many members of the pension community. As one participant pointed out, Ontario had been a leader during the 1980s, the first of the provinces to reform pension legislation and regulation. But then it did nothing, and by the mid-2000s other provinces<sup>30</sup> were already underway with their own reviews once Ontario got around to it with the OECP (Policy Analyst 2, December 2014). Given that almost half the country's pension plans are registered in Ontario, this was a problem requiring legislative reform.

Bureaucrats within the Ministry of Finance who were not satisfied with the state of pension policy were actively pushing for policy change. There was the general sense that workplace pension policy not working as well, that legislation was vague on a series of issues that resulted with unintended consequences via court rulings. As one government official recalled: “You know, 20 years of no pension legislation, letting courts decide was from the bureaucrat’s point of view not a good thing. So we were

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<sup>30</sup> Joint Expert Panel on Pension Standards (2008). *Report of the Joint Expert Panel on Pension Standards: Getting Our Act Together: Pension Reform in Alberta and British Columbia.*; Régie des Rentes du Québec (2008). *Working Paper: Towards a Stronger and Fairer Québec Pension Plan.*

keen to get a commission” (Policy Analyst 3, December 2014). Calls for a commission began in the early 2000s during the tenure of the Eves government. Under pressure from government officials and others in the pension community, Finance Minister Janet Ecker agreed that a review was in order, but claimed due to current political conditions, the time was not opportune to organize a commission. In late 2002, the Eves government suffered severe political backlash on Bill 198, *Keeping the Promise for a Strong Economy Act*. Embedded in what was a budget bill, the bill’s pension provisions were interpreted by workers and unions as removing surplus rights of pensioners and members retroactive to 1988, igniting the collective ire of workers, unions and pensioners across the province. A recent court ruling<sup>31</sup> had just asserted employee rights to surpluses during a partial wind-up. Ecker’s legislation was seen as supplanting this decision, leading to a mass rally at Queen’s Park of angry pensioners. Within a month of tabling Bill 198, Ecker, who had been the architect of the bill, and Premier Eves promised to excise the pension provisions from the bill, embarrassing the provincial government. Smelling defeat leading up to a provincial election, oppositional parties heightened political rhetoric on the government’s approach to pension policy.

The victory of the Liberal party in 2003 led by Dalton McGuinty provided a new opportunity for officials in the Ministry of Finance to establish an independent review of pension policy in Ontario. The extended duration of no legislative reform, the perceived toxicity of the pension file, and the new Liberal government in 2003 were ingredients that made the wheels of a new round of pension reform begin to turn. During the first

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<sup>31</sup> *Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services)*

years of the Liberal government, the pension file was not “at the top of the pile”, and the government was consumed with other issues (Lawyer 2, November 2014). Moreover, the major corporate restructurings meant public opinion on pensions was tense. One participant familiar with the political atmosphere claimed they had to “tread carefully around public opinion” on pension issues (Lawyer 2, November 2014). Given the complex nature of pension policy and all the different variables involved, the media and public opinion was easily stoked into vitriolic debate. Indeed, “pension envy” was high, pitting workers with DB plans against those without pension coverage. This tension also pitted private sector pensions that were waning against so-called “gold plated” public sector pensions of workers who were seen to have more job security sustained by taxpayer dollars.

In 2006, nearing the end of McGuinty’s first term in office, Finance Minister Greg Sorbara agreed to move forward on what would become the Ontario Expert Commission on Pensions (OECPE). Solvency, contributions, appetite to move from DB to DC, and availability of pensions were issues that were not seen to be resolvable independently, but instead required a broad overview of the pension file as a whole. The McGuinty government saw this an opportune time to commence an independent review, since it indicated to the public the government was taking action on pending pension issues. But given that this was close to a provincial election period, a commission could be used to “bunt” this issue forward into the next election cycle. One participant maintained, “I didn’t want pension issues to become part of the 2007 [election]” (Lawyer 2, November 2014). In support of this claim, referring to election

cycles, another participant described how governments “want to do big changes early in their mandate”, while the year before an election, “nothing happens that isn’t going to be good news” (Policy Analyst 2, December 2014). To remove pensions from the immediate agenda, the OECP was organized so someone outside of government could look at the mix of simmering issues. Sorbara appointed law professor Dr. Harry Arthurs. Sorbara had been a student of Arthurs at Osgoode Law School in the 1970s and had worked with Arthurs as Minister of Colleges and Universities and Minister of Skills Development from 1985 to 1987 when Arthurs was President of York University. Although well respected in the pension community, many saw Arthurs as labour friendly (Policy Analyst 4, October 2014).

Several participants described how the Ministry of Finance was intent on limiting the scope of the commission’s mandate from asking bigger questions about Ontario’s pension system that included exploring an expanded CPP and/or developing a mandatory provincial pension system. In the end, the OECP was mandated to examine *only* voluntary workplace pensions in Ontario to develop new strategies to protect and expand DB plans.

The OECP was presented to the Ontario government October 31, 2008, shortly after the most dramatic events of the global financial crisis of 2007/08. The new Minister of Finance, Dwight Duncan, became entrenched in managing the impact of the global recession on Ontario’s economy. Consequently, the government had to look at both the long terms proposals of the OECP and provide short-term responses to mitigate the effects of the recession. It became a matter of how was the government

going to frame their response to the report given the short-term implications of the recession.

There are competing perspectives regarding how government officials received the final report<sup>32</sup>. One participant described Conservative opposition pension critic, MPP Tim Hudak, as not taking an “active interest in this subject” (Lawyer 3, November 2014). Another participant alleged that the OECF was “...a challenging report for the government to get its head around because we basically had 20 years of very little reform. A complex topic” (Lawyer 1, March 2015). When the 250 paged technical report on a complex policy file landed on their table, the government took some time to process the OECF's findings. This, coupled with the financial crisis, the collapsing auto and steel sectors, and the Department of Finance having to organize an economic stimulus, siphoned much of the government’s attention from responding to the report.

I just think people really didn't know what to do. I think it was received as pensions is often received, which is, you know, this is complicated and I'm worried it might be contentious and I don't really know whether the public cares all that much about it (Lawyer 1, March 2015).

Another participant claimed that government did not agree with much of the report. There had been tensions between the commissioner and some government officials over the scope of the mandate, where Arthurs decided independently to include an extra chapter in the OECF on issues that were outside of the mandate, but that were central issues with stakeholders during consultations for the report. There was fear by some within government that the OECF would produce recommendations

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<sup>32</sup> It is not clear from the accounts received by participants whether there was a division between policy and political staff within the Ministry of Finance in how they viewed the mandate and the findings of the OECF.

that would be too large in scope for the government to respond to. This tension was viewed by one participant as the Ministry of Finance attempting to protect its interests by sidestepping initiatives that would dramatically broaden the scope of their policy work (Lawyer 3, November 2014).

When the government did begin to mull through the report, they heard from constituents and stakeholders who were concerned about the effects of the recent crisis on their retirement savings. It is perhaps the case that the crisis increased the profile of the pension file, where public fears regarding their financial security was being stoked. Given low interest rate levels and the proximity of baby boomers to retirement, DB plans were viewed as important by more members of the public.

As for stakeholders, the pension community saw the OECF as labour friendly, "and coming up with some ideas that wouldn't necessarily fly. But he was trying to stir the pot and get things done" (Policy Analyst 4, October 2014). As a result, stakeholders were pleased that there was movement finally on some of these issues, particularly around issues of asset transfers, which had generated a lot of problems in the early 2000s with large corporate and public sector restructurings. Some of the OECF's recommendations informed Bill 236<sup>33</sup> and Bill 120<sup>34</sup>, which came into effect in 2010, reforming aspects of the PBA for the first time in over twenty years. These bills updated the PBA on issues including: partial windups of pension plans; grow-in rights for all members involuntarily terminated (under old rules members had to have a combined age and service of at least 55); immediate vesting (under old rules members who were

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<sup>33</sup> Bill 236, *Pension Benefits Amendment Act, 2010*.

<sup>34</sup> Bill 120, *Securing Pension Benefits Now and for the Future Act, 2010*.

terminated with less than two years of service received only a refund on contributions); simplified asset transfers rules; improved member communications for plan amendments; and clearer surplus entitlement rules (Faba 2011). Although the pension community welcomed these changes, many became frustrated with the pace at which reforms were occurring, since the drafting of regulations for these bills was not completed until 2012, almost five years after the OECP was published. What's more, many of the OECP's recommendations were shelved. For example, Arthur's called for the development of a "Pension Community Advisory Council", providing an inclusive forum for stakeholder groups across the spectrum to communicate and advise on policy initiatives (Recommendation 10-2). He also called for the creation of a "Pension Champion", streamlining policy development, consultation, promotion and facilitation of Ontario's pension system into a single agency or unit of government, increasing the government's ability to respond efficiently to policy issues (Recommendation 10-5). Neither of these recommendations became policy.

### *2010s – The Return of Big Ideas*

With the slow recovery from the global financial crisis, along with the downward trend in pension coverage in the private sector, and the belief that many workers would not have access to workplace pensions, big ideas on how to expand coverage began to take precedence in Canada once again, with Ontario playing a leading role. The national pension debate during this decade centered on calls by some provinces to expand CPP.



Dwight Duncan, who replaced Greg Sorbara as Finance Minister in 2007, wanted to expand CPP to address Ontario's beleaguered private sector workplace pension system. Manufacturing jobs had been severely hit by the global financial crisis and some plans had become insolvent. The value of RRSPs had decreased, and many workers were suddenly contemplating delaying retirement. Workplace pension coverage had dropped from 45 percent in 1992 to 39 percent in 2009 (Townson 2011) and unionization levels had dropped to historic lows below 30 percent (Galarneau and Sohn 2013). Policymakers around the country believed a pension crisis was unfolding in Canada, questioning the capacity of workplace pension systems to adequately provide security for the majority of Canadian workers. Consequently, the simmering problems located in the workplace pension system were spilling over into the realm of public pension policymaking.

In May 2009, Federal-Provincial-Territorial Ministers of Finance created the Researching Working Group on Retirement Income Adequacy. Although governments across the country had been concerned with decreasing pension coverage before 2008, the dramatic events of the global financial crisis made clear the importance of addressing Canada's second pillar of retirement income savings. A Ministerial Steering Committee, chaired by Alberta MP Ted Menzies on behalf of federal Finance Minister Jim Flaherty, hired Jack Mintz, a University of Calgary economist, as research director overseeing a commission that produced several reports on income adequacy in Canada. On December 18, 2009, Mintz submitted the *Summary Report on Retirement Income Adequacy Research*, summarizing the findings of these reports.

Just a month earlier, Bob Baldwin, former policy director of the Canadian Labour Congress, had submitted a report to the Ontario government also on the adequacy of Canada's retirement income system. Although Ontario was involved with the Federal-Provincial-Territorial Minister of Finance Research Working Group on Retirement Income Adequacy, the Ministry of Finance had decided to hire Bob Baldwin to conduct a separate report that would not be under the purview of Jack Mintz. Mintz was viewed by some pension officials in Ontario as business friendly and wanted to conduct an independent report produced by a specialist with a labour background. Both Mintz's and Baldwin's reports were presented at an "Experts Day" conference on pension policy in October 2009, attended by professionals and experts involved with Canadian pension policy. Both reports received feedback from leading researchers such as U of T sociologist John Myles and McMaster economist Byron Spencer (Baldwin 2009; Mintz 2009).

The reports submitted by Mintz and Baldwin provided different conclusions on the adequacy of Canada's retirement income system. Baldwin estimated that approximately one-third of Canadians in the latter stage of their careers would likely have inadequate income to maintain their current standard of living in retirement. The Mintz report, on the other hand, denied that there was a crisis, requiring only minor changes to improve the system. Different groups on the political spectrum cited these reports over the coming year.

Ontario finance minister Dwight Duncan had communicated to his federal and provincial colleagues that expanding CPP was the best means to address Canada's

decreasing pension coverage. Although CPP is federally administered, to make changes requires the support of two-thirds of the provinces with two-thirds of the population (a compromise made in 1963 by Prime Minister Lester Pearson with Ontario premier John Robarts during the establishment of the CPP that gave Ontario a veto on any future CPP reforms as Canada's most populous province). Because of this, Duncan had to lobby federal and provincial leaders on this issue. The CLC was also actively lobbying the Harper government and provinces to double CPP from 25 percent to 50 percent of average adjusted pensionable earnings that would be phased in over a period of several years (Townson 2011). Initially, federal Finance Minister Jim Flaherty had been receptive to the idea, agreeing to discuss incremental expansion of the CPP. Hassan Yussuff (now current CLC president) was organizing meetings with various finance ministers and others, where the CLC's campaign had begun to develop some traction, garnering widespread support from various organizations, including the Canadian Federation of Municipalities.

Other experts came out in support of expanding CPP, including SFU economist J. Rhys Kesselman, (who was also former assistant to chief statistician Michael Wolfson) and Jack Horner, former finance department official, both producing reports that identified a problem and indicated that fundamental reform was required. Baldwin's report was also cited in support of expanding CPP. On the other side, business lobby organizations such as the Canadian Life and Health Insurance Association (CLHIA), the Canadian Federation of Independent Business (CFIB) and think tank C.D. Howe came out in favour of Pooled Registered Pension Plans (PRPPs), a market based voluntary

investment vehicle (similar to DC plan) that would allow workers without an employer pension plan to pool their retirement savings with other workers. Also, Alberta Finance Minister Ted Morton had made clear he did not support any expansion of CPP.

According to one participant, some in the federal government were citing the Mintz report, saying government action was not required (Union Official 1, August 2014). A new national pension debate was emerging, one that fell along similar ideological lines as previous national pension debates<sup>35</sup>. Different governments were hiring different experts to analyze Canada's retirement income system, drawing different conclusions that supported their ideological positions on how government should respond.

Several participants said Flaherty was initially open to the idea of expanding CPP and that there was a general sense of commitment by governments across Canada. But at a finance ministers meeting in December 2010, the federal government changed its tone, refusing to expand CPP, instead indicating it would move ahead with PRPP legislation (Townson 2011; Union Official 1, August 2014; Lawyer 1, March 2015). The federal government had chosen a private sector solution to address Canada's "pension crisis".

The federal government was not interested in requiring workers and employers to increase their contributions to CPP, concerned this would alienate the government's business constituency. Moreover, given Harper's track record of criticizing CPP as a

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<sup>35</sup> This downplaying of the extent to which there was a retirement savings crisis and using PRPPs as a market-based solution is similar to the 1908 *Government Annuities Act* (see chapter 3), which was used by the Liberal Party to address growing calls for government action for impoverished seniors. Rather than requiring employees and employers to contribute to a national plan and pool risk across Canada's workforce, the Liberal in 1907 chose a voluntary remedy, providing a savings vehicle for workers who could afford to purchase an annuity.

Reform Party MP and member of the National Citizens Coalition in the mid-1990s, Harper had staked an ideological claim against CPP, a position he did not equivocate from as Prime Minister (Townson 2001). Harper's position indicated that saving for retirement was an individual responsibility and it was government's role to provide new saving mechanisms—such as PRPPs and Tax Free Savings Accounts—that would facilitate workers to pool their money if they were so inclined.

Several participants said this announcement on PRPPs had come as a shock to the CLC and others who perceived some form of CPP expansion would occur (Union Official 1, August 2014; Lawyer 1, March 2015). According to Monica Townson, veteran policy critic for the CCPA, the CLC were so taken aback that they, "...launched an Access to Information request to try to find out who had torpedoed the attempt to expand the public system" (2011: 12). The official response from the federal government was that the economy was too fragile and expanding CPP would hinder Canada's economic recovery following the financial crisis. Several participants interviewed, along with public critics of Harper, speculated that business interest groups such as the CHLIA and CFIB had extensively lobbied the federal government and won the ear of Harper (Townson 2011; Policy Analyst 4, May 2014). Another participant claimed the PRPP federal legislation was drafted with close consultation of the CHLIA, who stood to gain new business from PRPP legislation (Lawyer 4, July 2014).

The federal government's position on CPP deeply frustrated the Ontario government (and some other provincial governments) (Artuso 2012). Although most provinces supported PRPP legislation, many hoped the federal government would also

move forward with CPP expansion at the same time as a form of political compromise. As it came clear that this would not happen, in protest, Dwight Duncan was the only provincial finance minister who refused to meet with Ted Menzies to discuss the PRPP the following summer. Duncan said his government would only introduce complementary provincial PRPP legislation if the federal government would agree to incremental increases to the CPP. Critics of the PRPP proposal, including Duncan, argued that providing another voluntary system would not mitigate the largest problems facing Canada's retirement income system. Canada's \$900-billion in unused RRSP contribution space suggested workers do not take advantage of voluntary savings options (MacFarland 2011). These events deepened federal-provincial tensions between Ontario and Ottawa, providing justification for Ontario's ambition to develop its own provincial public pension system – the Ontario Retirement Pension Plan (ORPP).

The ORPP can be viewed partially as the product of poor federal provincial relations between Ontario and the federal government, largely premised on ideological differences regarding fiscal management and the extent to which government should provide income security for workers. Ontario desperately wanted to expand CPP as economic conditions pushed pension coverage lower in the province. But they could not do so unilaterally. Although the majority of provinces supported expanding CPP to some extent, there was not consensus among the provinces, allowing Harper to refuse to take action, thus eliminating a major policy mechanism from Ontario's toolkit. When Kathleen Wynne replaced McGuinty as premier in 2013, she continued to support Duncan's ideas and responded politically with the ORPP to apply pressure on the federal

government: if the federal government was not going to budge on CPP, the Ontario government would go it alone.

In the absence of a federal commitment, Wynne established the ORPP as a central policy of her party's platform leading up to the 2014 provincial election. With a surprising majority victory, Wynne had been handed a mandate to move forward on the pension file. Initially, shortly following the election, Wynne had let it be known that door was open if the federal government changed its mind, hoping the ORPP would pressure the federal government to reconsider. But at a meeting in December 2014, junior Minister of State Kevin Sorenson shut down any conversation on CPP. Sorenson went on the offensive with an op-ed in the *Financial Post*, calling plans to expand CPP as a "job-killer" that would cost Canada's economy between 17,000 to 50,000 jobs. Sorenson defined raising CPP contributions as a "tax" on employers and cited a CFIB report that claimed small businesses would reduce investments in their businesses and decrease the number of employees if CPP was expanded (Sorenson 2014). In the same piece, he also described the Ontario government's proposed ORPP as a job-killer and criticized their unwillingness to set up PRPP legislation. Not only was expanding the CPP completely out of the question, the Conservative federal government had publically castigated the Ontario government's pension policy objective as imprudent. Ontario/Ottawa relations were at an all-time low.

One participant describes these events in December 2014 as "tipping point" for the Wynne government (Policy Analyst 5, May 2014). Through 2015, the Wynne government began to move forward with the ORPP by organizing an expert task force

that included ex-Prime Minister Paul Martin and Bill Morneau, a Bay Street executive who would become federal Finance Minister under the new Liberal government led by Justin Trudeau. Similar to the establishment of the CPP in early 1960s, political/federal relations have played an important role in structuring the level of government provision of retirement income. And also similar to the 1960s and 1970s, the big policy ideas presented by the Ontario government led to the proposed expansion of CPP in June 2016 (McFarland McGugan 2016).

### *Summary*

The intent of this chapter has been to explore the historical development of pension policy in Ontario as one means to examine the extent to which saving for retirement has been individualized from employers onto workers. The shifting contours between private and public pension policy was highlighted, illustrating how provincial pension politics are connected to changes at the federal level. The approach to pension policymaking in Ontario has changed between successive periods, linked to key items that include the economy, federal social policy, and the involvement of different policy actors. It is important to note that this chapter highlights the struggle over risk primarily between workers with a workplace pension plan and employers. The story has been different for public and private sector workers, where it has been private sector workers that have experienced the largest loss of security over the past 70 years. Importantly,



the majority of workers in Ontario during this period have *not* had any workplace pension plan.

Throughout the postwar period and into the twenty first century, workers and governments have shouldered the ultimate risk of workplace pensions, while employers have used workplace pensions for financial gain and to limit the power of Ontario's working class. While it is true that the PBA and other insurance mechanisms such as the PBGF and the Ontario Government's willingness to negotiate corporate bailouts have partially protected workplace pensions institutionally, there are limits to these mechanisms. The PBGF was hastily organized in 1980 in response to intense political pressure to insure against corporate restructuring and lost pension benefits. But the PBGF is not large enough to insure against large-scale corporate bankruptcies. Conversely, the PBA has been reformed because protection of pension benefits was not satisfactory. Corporate liability in plan wind-ups in the 1970s left many pensioners out of pocket, while pension indexing and long-term vesting periods undercut the security of many pension plans. And while successive rounds of reform have been made to the PBA to address some of these issues, overall pension coverage has continued to drop.

At the structural level, the PBA has legitimized a system that gave more leverage to employers over workers (Shilton 2016). This is because the PBA regulates a system that is *voluntary*. It is the employer's prerogative to decide whether to provide a workplace pension to their employees or not. For many years, particularly during the postwar economic boom of the late 1940s, 1950s early 1960s, workplace pensions were good business, providing tax shelters and hefty plan surpluses. But when these

conditions changed—as they did in the early the 1970s through to the twenty first century—many employers sought ways to exit the provision of DB pensions, or at a minimum, limit their pension liabilities. Also, the PBA sustained a system that enabled employers to control labour interests through the single employer pension plan. Rather than develop a mandatory pension system that would pool retirement savings across the province (that had been originally proposed in early drafts of the PBA), the PBA facilitated the agenda of large employers to limit workplace pension plans to small bargaining units. This was a victory for capital over labour, pressuring unions to negotiate pension benefits often at the branch level.

In the current period, following the economic restructuring of Ontario's economy through the 1970s and 1980s and the expansion of economic globalization, the 1990s became a critical juncture in which many employers sought to end their voluntary participation in Ontario's workplace system. The historical structure of Ontario's pension system generated problems that compelled many employers to exit provision as administering pension plans became more expensive. Labour was winning court battles over surplus sharing. Accounting standards ended the days in which businesses did not have to account for pension liabilities on their annual balance sheets. Pension plans were maturing while interest rates began to decrease, leading to growing funding problems and liability issues. The "asymmetry of risk" involved with administering a company pension plan was deemed to be too much by many employers. As corporate governance was moved away from Canada to the U.S., union density shrunk and corporate decision makers aimed to deregulate labour markets and offload

DB pension benefits. Secure DB plans in the private sector continue to diminish today, leaving policymakers and individual workers responsible for the collective security of Ontario's labour force.

Public sector workers, on the other hand, are the "success stories", in that their DB pensions have remained relatively stable, successfully pooling risk across occupational and government sectors. Public sector DB plans in Ontario that emerged in the 1990s built on joint-sponsorship models of risk sharing (such as the Ontario Teachers' Pension Plan and Healthcare of Ontario Pension Plan) have not only weathered economic cycles, but have become global leaders on how to manage a successful public sector DB plan.

Through this analysis, this chapter has also described the cyclical nature of pension debates and their close connection to economic cycles. These debates centre around who is responsible for the security of workers: government, employers, unions, or individual workers. The degree to which each respective group shoulders responsibility for retirement provision continuously shifts and is contingent on economic, political and institutional factors. For example, in the early twentieth century, to respond to demands for a national pension system, the federal government provided government annuities that workers could purchase if they wished to prepare for retirement. Amongst other reasons, this legislation was a political mechanism to avoid establishing a contributory national public pension plan. Over 60 years later, in a context of sustained economic restructuring and decreasing pension coverage, the "Great Pension Debate" of the late 1970s and early 1980s also saw many groups demand CPP

expansion to provide more security for workers, many of whom were living in poverty in their final years. The level of workplace pension coverage in Ontario has informed the current national pension policy debate, where today, in the face of decreasing pension coverage, CPP benefits have been expanded. Throughout these debates, group interests have remained the same: on one side, business groups such as the CHLIA and CFIB calling for voluntary market-based solutions, and at the other, labour groups such as the CLC calling for government policy that mandates retirement savings.

While ideological positions have remained entrenched, Canada's labour market and economy have changed, tipping the balance of class forces as unionization levels declined. The hollowing-out of Canada's traditional industries diminished Ontario's largest employers, who typically provided secure DB plans to a lesser-educated male dominated workforce. In this changing landscape of class relations, neoliberal ideas tightened the connection between the state and the interests of capital most acutely in 1990s. Employers, therefore, faced less resistance from unions as they exited the provision of secure pension benefits.

Increased education levels and entry of women into the workplace along with more worker mobility has occurred with expanding service-based professional occupations. DC plans have grown to facilitate these changes, but at the same time shifted risk of retirement onto the individual. Canada's economic integration with the United States and global economy established new accounting standards while turning pension fund capital into a major institutional investor in global stock markets. The managerial domain of pension funds has thus shifted from local managers to the

purview of an expanding cadre of pension professionals that includes investment, legal and actuarial consultation.

While this chapter has explored the political-economic conditions at the structural level that have informed legislative reform in Ontario since the 1940s, the following chapter will explore in closer detail the dynamics of policymaking and drivers of policy change at the ideational, interest and institutional level.

## CHAPTER 6 – DRIVING POLICY CHANGE: IDEAS, INTERESTS AND INSTITUTIONS

“It rapidly became clear to me that while lots of pension professionals knew a great deal about pension plans in a technical sense, very few of them knew much about the pension system. In fact, no one knew very much about it, not even the government. Most of the data that were floating around were inaccurate” (Commissioner, Harry Arthurs 2009).

The intent of this chapter is to examine the major drivers of pension policy in Ontario as described by pension experts interviewed for this project. As the interview data gathered for this dissertation illustrates, pension policymaking is a multifaceted process characterized by the interaction between ideas, institutions and group interests. It is a process that is influenced by socioeconomic relations, cultural patterns, state and party structures, ideological apparatuses and politicized social identities (Skocpol 1992). As such, how ideas mobilize and enter the policymaking process from different locations within and outside of government is explored, and how group interests shape the demands of stakeholders over particular policy issues, understood within a broader institutional context.

The chapter is broken into three substantive sections. The first section begins with a theoretical sketch of different variables that drive the policymaking process. A diagram is introduced that conceptually depicts the different levels of variables and the relationship between these variables to sketch in abstract terms drivers of the pension

policy process. This section also discusses the technical process of drafting legislation and regulations, highlighting why and when government decides to develop new legislation and regulations and who in government participates in specific stages of research, drafting and implementing workplace pension law in Ontario. Throughout this section, ideation (see Chapter Three) will also be considered to explore the relationship between ideas, ideological apparatuses, and governing institutions of policymaking, describing different entry points for ideas into government policymaking. Other items of discussion will include the impact of election cycles and brokerage politics.

In the second section, group interests are examined as a key dynamic to understanding workplace pension policymaking. The rising role of pension professionals through their appropriation and control of technical knowledge required for pension management is considered, arguing that these professional groups have become powerful stakeholders in the pension community. Indeed, pension experts represent both management and employer interests, often adopting a set of ideological assumptions and anecdotal critiques of the pension system that serve the interests of their clients, which at times has led to vitriolic debate. At the same time, contending perspectives within the expert community are contained within professional associations that establish professional standards of conduct and produce policy recommendations for government officials.

The third section empirically grounds discussion in sections one and two using the Ontario Expert Commission on Pensions (OECF) as a case study. Here, the policymaking process leading up to and following the OECF is analyzed, outlining the

socioeconomic, institutional and ideational factors that led to the establishment of the OECD. The extent to which policymaking is neither linear nor deterministic is underlined, showing how this policymaking is contingent on the presence of a multitude of political, economic and institutional factors that facilitate particular ideational processes, resulting with particular policy outcomes.

This chapter does not claim to be exhaustive, attempting to describe every possible variable that impacts policymaking. This is because pension policymaking is determined by a myriad of intersecting factors that include historical, institutional, social, economic, political and cultural variables. Documenting every facet and dynamic of the process is beyond the scope of this chapter. Rather, attention is drawn to the variables that were discussed by pension experts who were interviewed to provide a clearer understanding of key drivers of the policymaking process in the field of pensions. These perspectives are used to develop a clearer understanding of the relationship between broad factors such as class interests, ideology, ideation and the politics of pension policymaking. This model of investigation rejects evolutionary or linear models of policy change that depict government activities as straightforwardly addressing social demands, instead viewing the relationship between politics and policies as mutually constitutive. For this reason, “We must make social policies the starting points as well as the end points of analysis: As politics creates policies, policies also remake politics” (Skocpol 1992: 58). Accordingly, this chapter will examine the role of ideas, institutions and interests *in terms of their interaction*, while not prioritizing one set of variables over another.



## *Institutions and Ideation*

### *Drivers of policy change and the policymaking process*

To provide a clearer sense of the variables that drive the pension policymaking process, and the relationship between these variables, Table and Figure 6.1 are each used for hermeneutic purposes to further understand policy change. First, Table 6.1 separates the policymaking process into three distinct levels, each level containing a series of variables that *drive* policy change<sup>36</sup>.

Table 6.1: Drivers of pension policy change

<b>Level 1 (macro)</b>	<ul style="list-style-type: none"><li>• Global economy</li><li>• Socioeconomic relations of production</li><li>• Class interests</li><li>• Economic cycles</li><li>• Historical state formation</li><li>• Institutional structures of governance (i.e. interplay between federal and provincial jurisdictions of policymaking; parliamentary party system);</li></ul>
<b>Level 2 (meso)</b>	<ul style="list-style-type: none"><li>• Temporal factors (e.g. cyclical periods of legislative reform);</li><li>• Ideation</li><li>• Ideology</li><li>• Group interests (i.e. employer/sponsor/professional)</li><li>• Public opinion</li></ul>
<b>Level 3 (micro)</b>	<ul style="list-style-type: none"><li>• Stakeholder debate</li><li>• Media</li><li>• Discourse</li></ul>

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<sup>36</sup> While these variables are separated into different levels, these levels are interrelated, in which drivers can occur at multiple levels.

This table depicts variables at the structural level of economic production and class relations, to the institutional level within the state, to political level outside of government at the level of civil society.

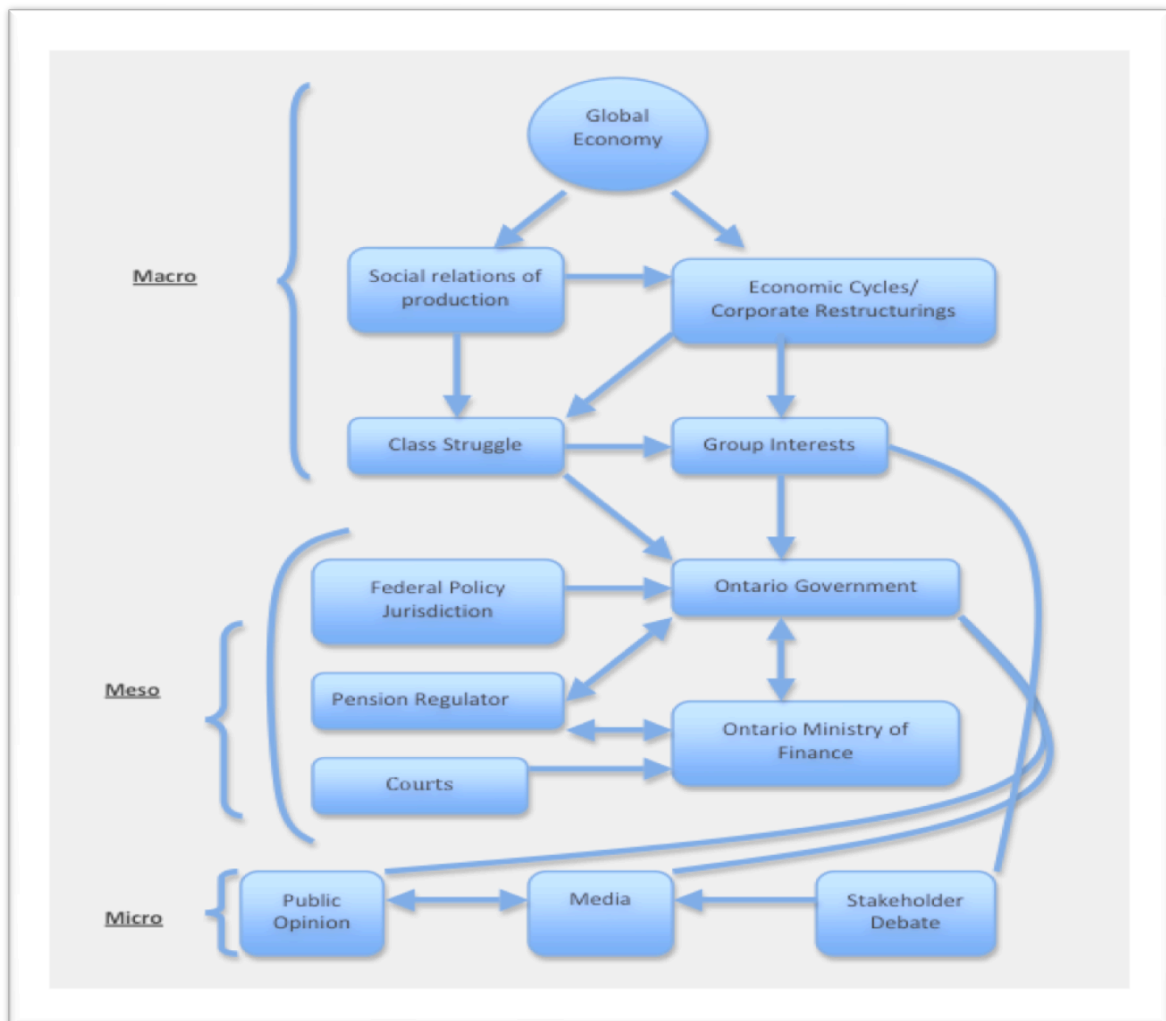
To further explain this table, Figure 6.1 illustrates the abstract relationship among these variables, to more clearly explicate the ideational process and the inter-relationships between different variables at different levels. This figure highlights how institutions at the meso level lie at the centre of the policymaking process. Governing institutions are mandated to develop, reform and regulate pension policy, to ensure legislation and regulation is responding appropriately to the needs of the pension community. The state therefore must respond to both socioeconomic structures of material reproduction from “above”, and to discursive forces and ideation from non-governmental actors in civil society from “below”.

At the macro level, transformations within the global economy, and Ontario’s increasing participation in processes of economic globalization generate new economic and social conditions that require policy responses. New technological advances in production, the openings of new labour markets, changing employment patterns and relationships, and expanding financial markets are factors that transform the employment relationship in Ontario and how workplace pensions are negotiated as part of the employment contract. These changes alter the social relations of production, stoking class struggles between workers attempting to protect their employment security and benefits, while employers seek to cut costs to increase productivity and remain competitive within evolving economic conditions. These are the macro-

structural variables that drive policymaking through the establishment of social formations, class relations and the material conditions of economic production.

The group interests that form from the macro level apply pressure on governing institutions to respond to the demands of class struggles over pension rights and the protection of pension plan solvency. It is at the meso level that policymaking occurs within the state apparatus to produce statutory law. This level is comprised of political parties, a regulator, policy advisory staff in the Ministry of Finance, the Finance Minister and her/his political staff, Legislative Counsel, the court system, the Premier and Cabinet. These different groups within the state are heterogeneous, having their own particular set of institutional interests, sometimes working together, sometimes competing to establish or limit ideational processes that inform the policymaking process (Abrams 1977). Other items at this level include temporal factors, such as the duration of time between rounds of legislative reform and the institutional governing structures of provincial and federal governments.

Figure 6.1: Flow chart of the inter-relationship between macro, meso and micro level factors that drive pension policy change



The micro level is understood here primarily as a source of discourse “below” or outside of government, located in civil society that is an expression of class divisions and group interests produced by political-economic conditions. This is the level in which civil society debates the legitimacy of the pension system as a whole, or certain sections. Pension professionals, unions, business and retiree associations, think tanks, activists and academics engage in debate through different platforms that include conferences,

policy papers, government consultations, and in the media over different issues relating to pension policy. These debates and political engagements feed into the policymaking process at the ground level, shaping the direction of policy reform proposals and policy *change*. Ideology reflecting particular class interests is embedded within the micro level as individuals, stakeholders and the media interpret economic, social policy and political events through different ideological lenses, thus shaping their understanding and critiques of pension policy.

Importantly, ideation occurs at both the meso and micro levels. Bureaucrats, regulators and political leaders can be sources of new ideas as officials observe changes within the workplace pension system and economy in Ontario and elsewhere. In this context, ideas will find either success or perish, contingent on political dynamics between different institutional groups. At the same time, bureaucrats have their own group interest dynamics, ideological perspective and interpretation of economic and political conditions. It is also true that existing pension policy can facilitate class tension through policy *drift*, in which the failure of pension reform to respond to the needs of workers, or conversely, the interests of employers, generates political responses from stakeholder groups, exhibiting another source of ideation.

Indeed, Figure 6.1 illustrates the extent to which policymaking is *not* unidirectional. While the state does sit at the centre of this model, the state is impacted by variables at the macro and micro levels, while also a source itself of ideation and political struggle.

## *Legislation*

While there are many variables that drive the policymaking process as a whole, the governmental process of drafting legislation and regulations is defined by a specific institutional protocol. The variables outlined in Table 6.1 and Figure 6.1, and the dynamics between these variables, feed into the institutional process of policymaking. The remainder of this section provides a description of this process, illustrating how institutional protocol is open or limited to responding to particular issues.

When a “problem” arises<sup>37</sup> that government feels it should respond to, the public service will sometimes put out a consultation paper, or green paper, to address a perceived problem. The government receives feedback from stakeholders from all sides of the spectrum. From here, policy staff in the public service develops policy.

For large changes that require legislative reform, stakeholder groups must be consulted. In the case of smaller issues, changes can be achieved through regulative reform often without consultation with all stakeholder groups. From here, legislation and/or regulations are drafted. Once drafted, the bill is published and another round of consultations takes place for more feedback.

Because that's the feedback that is most critical for the regulation and legislation. Because then, all the expert stakeholders, the lawyers, the actuaries, the pension fund, you know the people, the pension plan administrators, they comment on the technical details because that's what's of interest to them because they have to apply it (Lawyer 5, April 2015).

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<sup>37</sup> For a government to recognize something as a ‘problem’ is dependent on a series of factors, including changing political-economic context, pressure from specific interest groups, and institutional dynamics within the state. This will be discussed further in section three.

After this round of consultation, Legislative Counsel (i.e. government lawyers) turn instructions from the policy staff into legal language. Typically, the bill draft is sent between Legislative Council and policy staff, with each party commenting on the document. At the end of this process, the bill is passed to Legislative Council who is last to edit the document before it goes to the House or Cabinet.

In the case of legislative reform, the bill is sent to the legislature for debate. According to one participant, “sometimes it gets debated well, other times not” (Policy Analyst 1, April 2015). Regulations, on the other hand, do not go through the Legislature, but are passed by the Minister after she/he consults other Cabinet Ministers. Then regulation takes effect. Generally speaking, the media pays less attention to changes to regulations compared to legislative changes (Lawyer 5, April 2015).

There are different “levers” available to policymakers when responding to a “problem” that government thinks it must respond to. For example, when a pension issue arises, a team within government will expand to include policy advisors and a lawyer with substantive expertise in pension law. This team will have to decide whether this problem requires new legislation or can be addressed with some other mechanism, such as launching a public education program or influencing public behavior through a government procurement process. According to one government official, “The time that you need legislation is when there's a gap in law, or an impediment in law to doing what you want to do. The legislation doesn't tell the whole story, it just fills the gap, or gets rid of the impediment” (Lawyer 5, April 2015).

This participant identified two types of legislative drafting: 1) "big tent" drafting "which encompasses the entire process from identifying that there's an issue or problem that you want to deal with, concluding that legislation might be part of the mix"; and 2) the technical process of writing legislation, which is a small part of the larger process (Lawyer 5, April 2015). The same participant described drafting legislation as analogous to architecture – i.e. there is “big picture stuff, and nuts and bolts stuff”. If it is decided that legislation is required, only elected officials can carry out “lawmaking”. Any new piece of legislation or “rulebook” will consist of the statute, regulations and some policy documents that are typically released by the regulator. This will be discussed in further detail below.

There is an important distinction between legislation and the regulations contained within a statute. Regulations are the details of the legislation. For example,

...the Act [i.e. the PBA] tells plan administrators and plan sponsors that a pension plan has to provide sufficient funding. The regulations will tell you what the sufficient funding looks like. So you'll find many pages dealing with how much money and what form of investments and things like that. The regulations is where the action is usually (Lawyer 5, April 2015).

In other words, legislation establishes a standard, or the "what". But as the broader environment changes, and, for example, new investment vehicles are developed in the financial sector, new regulations will have to be established to ensure that certain standards set out by the PBA are satisfied.

Regulations serve an important function in that the government does not have to debate changes to regulations in the legislature. Rather, reforms to regulations are made confidentially and need only to be given approval by Cabinet; members of the



public do not participate in the process. Drafting of regulations is similar to drafting legislation in that the public service develops that text of proposed regulations. In Ontario, all new regulations are published in the *Ontario Gazette* and Ontario's *e-Laws* website.

### *Regulations and legislative reform*

If Ontario is going through a period of considerable change dictated by transforming economic conditions, for example, many new regulations will have to be written. This is where one can find the major driver of policy change in the PBA. The PBA can remain the same through this period of economic change, but new regulations will have to be added, or “duct taped” onto the Act. One pension lawyer describes this process as follows:

Then there will be times when the world changes in a way that requires changes to the rules. During the period where the stock markets doing really badly, pension funds will all of a sudden find themselves underfunded because the value of their investments shrinks. And when a pension plan is underfunded, the law requires certain steps to be taken, increased contributions like having a second mortgage on your home where you have to make payments over a certain amount of years. And employers may at that point get in touch with the government and say, ‘if you make us do this, we will go out of business.’ So the government may make a choice to change the payment period for fully funding your pension plan once again. And in order to do that, the regs will have to be changed (Lawyer 5, April 2015).

Put differently, while the legislation lays out the overall rules of the game and can only be changed through parliamentary debate, the regulations allow for smaller incremental changes to address new problems that arise in the short-term more immediately in the

absence of parliamentary debate. Legislative reform will typically attract some degree of media and public attention, whereas many regulatory changes will not.

It is in the regulations where exemptions will be conferred for different pension funds. If a company faces bankruptcy, government will have to decide whether to make an exception. This is not unusual and within the regulations of the PBA there is a list of different funds and companies that are exempt from different rules contained within the PBA. One example is the Ontario Municipal Employees Retirement System (OMERS)—one of Canada's largest public sector occupational pension plans and institutional investors. OMERS was reconfigured in 2006 that led to a new regulation specifically for that plan to exempt it from certain clauses in the PBA. Also during the 2000s, in the private sector, the restructuring of Algoma and Stelco in the steel industry, Ford and General Motors (GM) in the auto manufacturing industry, and Abitibi in the pulp and paper industry, led to the creation of specific regulations to enable these companies to remain solvent. There are public policy considerations when these regulations are made, such as "how can we best protect workers' pension entitlements while keeping them employed"?

Over time, many regulations will be amended and new regulations introduced. And this is what makes the PBA unique compared to other provincial statutes, in that there are more pages of regulations than actual legislation, given the varying conditions that different funds face. But as a different participant points out, it can become problematic if there are,

...too many one-off laws for special circumstances. And so there's a powerful countervailing force. And it's also the case that if you create a special rule for someone, we'll call them GM because that's just a name, and another corporation can look at that situation and say, 'hold on a minute, I'm in the same position'. Then rule of law would suggest that that other corporation should get the same treatment. And so there will come a time at which it makes more sense just to reform the law as it applies to everybody (Lawyer 3, April 2015).

In this type of environment, the accumulation of new regulations over a period of time that have been “duct taped” onto the PBA can generate demand for legislative reform. There comes a point in time in which legislation is deemed by the pension community as incapable in its ability to address changes in the economy and labour market, where more regulations cannot mitigate these challenges. This is what happened leading up to the Ontario Expert Commission on Pensions (OECPE) led by Harry Arthurs that commenced in 2006, where no legislative reform had occurred since 1987. Many participants interviewed for this project discussed this long period of little change to the PBA as an important driver of policy change in 2012.

Some of these participants described the end of this period as a "stew" of different issues simmering away, where the number of new regulations was posing other problems that were best addressed by legislative reform. This dynamic illustrates how the interplay between the institutional structure of a statute (i.e. legislation and regulations), transforming material conditions (of an economy and labour market) and *time* serve as important drivers of policy change and represent a cycle of legislative reform.

### *Case law*

Between periods of major reform, legislative change can occur incrementally through case law. For instance, a legal ruling on a particular issue outside of the PBA can create gaps in legislation that the government has to respond to. One example is when the Supreme Court of Canada amended the Charter of Rights in May 1999 that redefined “spouse” from a married couple or a “man and a woman” to “two persons”. The Supreme Court gave the Ontario government one year to amend its Family Law Act. In October of the same year, Attorney General Jim Flaherty introduced Bill 5 that amended more than 60 other provincial laws, including the PBA to replace “spouse” with “spouse and same-sex partner” in the Act (CBC 2012). One impact of changing the definition of “spouse” was that it became more expensive for employers administering DB plans since they were now responsible to a new group of people who were entitled to pensions. This created a situation where some plans became underfunded overnight.

In this environment, case law can be a driver of policy change that expands over federal and provincial jurisdictions. Moreover, a court case can catalyze a chain reaction of events through government in the form of legislative change to stakeholders, such as employers who find the funding status of their pension negatively impacted. For instance, the Supreme Court of Canada’s ruling on the definition of spouse generated a gap in the PBA, which affected the solvency of plans and the individuals entitled to these plans. The public service in the Ministry of Finance then had to examine how this ruling would impact the PBA and related stakeholders, then consult the Finance Minister and political staff on how best to move forward, from which point the Minister will have

to make a decision. In response, some employers may decide these changes put too much risk on them, negatively impacting their view on providing a DB pension plan. As a result, this tension could potentially find its way to the collective bargaining table, where the discussion shifts to introducing a DC plan.

One case that was often cited by participants as an example of the contentiousness that court ruling could incite was *Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services)*. One government official described this ruling as: "...the poster child for employer concerns about courts sort of running amok". As discussed in Chapter Five, many court rulings during the 1990s and early 2000s were often seen as labour friendly, leading to the disgruntlement of many employers. Another government official described how the, "legislation was loose on a lot of things...so you had a lot of lobbying, especially on the employer's side to remedy court decisions" (Policy Analyst 3, December 2014). As more case rulings were delivered in the absence of legislative reform, case law became the main driver of pension policy change. This trend was increasingly worrisome for policymakers. The same government official reflected: "You know, 20 years of no pension legislation, letting courts decide was from the bureaucrats' point of view not a good thing" (Policy Analyst 3, December 2014). Consequently, the accumulation of case law rulings led to growing tension between jurisprudence and legislation, thus fueling the call for legislative reform.

## *Ideology*

Economic variables produced in the global economy do not drive policy reform alone; rather these factors pass through an ideological lens adopted by various governing parties and policymakers, that are in turn linked to pre-existing, path-dependent institutional practices (Brenner, Peck and Theodore 2009). Chapter Four discussed the gradual shift from Victorian notions of individual responsibility of the late nineteenth century, to the emergence of corporate welfarism of the mid-twentieth century. These shifting philosophical doctrines, embedded in state apparatuses, identified who was responsible for caring for the elderly and provided justification to particular policy decisions. Subsequently, the conceptual apparatus adopted by a state provides the ideological lens through which policymakers decide who should provide retirement income. It is sometimes the case that the ideological position of a governing party can often differ from its own bureaucracy or between ministries. Government is constituted by a collection of different ministries with their own legal jurisdiction, bureaucracy and institutional memory (Abrams 1977). As such, the ideological perspective of those who manage the bureaucracy of a ministry can generate tension with a minister with a different perspective.

Ideology is also linked to class interests. Policies that arise in an era of neoliberalism heighten the connection between capital and the state, in which the state adopts the interests of capital over labour. Harvey (2005) characterizes neoliberal ideology as a class project that is used by economic elites to reestablish domination over working classes and other political movements that threaten capitalist enterprise.

Neoliberal ideology, therefore, establishes a conceptual apparatus, whose ideas originate from economic elite, but is adopted by governing institutions. Policymakers embedded in these state apparatuses produce “policy experiments” that embody and “stumble” towards neoliberal ideals of governance (Harvey 2005: 9). This does not mean, however, that these policy experiments will be successful (Béland and Myles 2005).

There have been successive rounds of pension debates in which neoliberal ideology has attempted to claw back benefits or steer pension policy towards market-based reforms, at both provincial and federal levels. One round occurred during the 1980s when the federal government attempted to de-index Old Age Security (OAS) benefits (Gee and McDaniel 1993; Battle 1997; Béland and Myles 2005). Neoliberal ideology has also informed recent pension debates in Ontario and Canada since 2010. For example, as concern grew over shrinking pension coverage in Canada following the global financial crisis in 2008, a campaign for expanding CPP took shape led by the Canadian Labour Congress (CLC). The federal government led by Stephen Harper refused to expand CPP since he claimed Canada’s economy was “too weak” to support an increase to payroll deductions. Furthermore, powerful private sector lobby groups that included the Canadian Federation of Independent Business (CFIB) and the Canadian Health and Life Insurance Association (CHLIA) vehemently rejected CPP expansion, calling the proposal a “new tax” on business. Harper’s introduction of Pooled Registered Pension Plans (PRPPs) as an alternative to expanding CPP was understood by many as a choice based on the ideological principle that workers are responsible for saving for

retirement, not government or employers (Townson 2011). Indeed, the claim that individuals should be responsible for saving for retirement without the aid of employers or government represent an ideological position that reflect a particular class interest, thus shaping the character of policy proposals.

Ideological positions also resonate in debates on the viability and importance of DB and DC plans and the use of Retirement Registered Saving Plans (RRSPs) and Tax-Free Savings Accounts (TFSA). One participant discusses the role of ideology in policymaking as follows: "So you take it out of an employment context and make it possible for individuals to save more, which would contribute to shutting down DB plans and would instead divert the savings to RRSPs and TFSA, or to DC plans. And that's where the risk is - deliberately moved as a matter of the ideological position, or the values of the people running the show" (Lawyer 5, April 2015). Ideological and economic factors drive particular issues into the view of governments and policymakers. It is the ideological lens that limits which types of remedies are considered to mitigate particular policy issues. Consequently, due to the federal Conservative's neoliberal position that government should only provide individual retirement savings vehicles rather than expand social policy, this established the parameters of the national pension debate between 2010 and 2015. What ensued was the rancorous struggle between various provincial and federal governments and interest groups over public pension policy in a post-global financial crisis context. The role of ideology will be further elaborated upon in section three.



### *Ideation*

How do ideas enter the policymaking process? According to various participants, this question is contingent on the source, size, and content of an idea. There are multiple entry points for ideas to enter the policymaking process, which typically come from stakeholders or the bureaucracy. Moreover, there are different streams of policymaking, where ideas, interests and ideology interact differently contingent of the scope of the issue. As such, ideational processes is shaped by the political party in power, the expertise of the bureaucracy and of the Finance Minister (i.e. the extent to which the Minister is familiar with pension law and the historical and institutional politics surrounding the pension file), the party platform, and what stakeholders lobby for at any given time.

One government official describes ideas as generally moving upwards, often originating from stakeholder groups and the bureaucracy towards the Finance Minister and Cabinet rather than top down. Several participants have pointed out that many finance ministers do not have a strong grasp of pension issues (given the technical aspects of this file), generally giving the bureaucracy more impetus. For example, the Ontario Expert Commission on Pensions (OECPC) led by Harry Arthurs from 2006 to 2008 was an item policy staff in the Ministry of Finance's public service had been pushing for years (to be discussed further in section three).

Ideas also come from stakeholders who will lobby the minister on particular issues that the Finance Minister might respond to and direct bureaucrats to work on. But ideas and work directive can also come from the top with the Finance Minister

and/or Premier, whose ideas are in turn shaped by class relations, professional training, personal ties to other ruling elites and socioeconomic background (Miliband 1969). For example, one participant describes how the current Ontario Registered Pension Plan (ORPP) proposal is an idea that came from the premier, given its central place on the Liberal Party's platform during the 2014 provincial election.

The size, content and entry point of an idea will affect how this idea moves through the Ministry of Finance, thus characterizing different trajectories of policymaking. For instance, the public service's desire to initiate a review of pension policy led by an independent commissioner was a large idea that would impact the whole pension community. The Commissioner undertook multiple rounds of consultations and the OECP had a clear mandate that had been developed by ministry bureaucrats (in negotiation with Commissioner Harry Arthurs), in which bureaucrats were pressuring the finance minister to organize a commission. Furthermore, as part of the Commissioner's work, multiple rounds of extensive consultations took place with stakeholder groups across the province. This gave different stakeholder groups the opportunity to mobilize and transfer policy ideas on how to mitigate the shortcomings of the PBA through the Commissioner.

Then there are smaller matters, such as, for example, when several Multiple Employer Pension Plans (MEPPs) in 2007 requested temporary relief from funding requirements outlined in the PBA. Many of these MEPPs (primarily located in construction and supermarket industries) were allowed to transfer their plan into a new category called the Specified Ontario Multi-Employer Pension Plan (SOMEPP) that

temporarily excluded them from particular funding deficiencies (Coughlin 2007). Here, the scale of the problem is more localized, where a policy idea comes from a stakeholder source, enters the bureaucracy, is discussed by policy advisors and political staff, and then a decision is made.

The receptiveness of the bureaucracy to discussing the issue is partly contingent on the ideological disposition of the bureaucrats, Minister, and their political staff and the political economic context in which they find themselves. Conservative political leaders will have more of an ear for the interests of employers (such as been the case regarding CPP expansion), and vice versa for employee groups if the Liberals or NDP is in power (such as been the case with the Ontario Liberal Party establishing the ORPP), given material conditions of production at the time permit this approach. However, if Ontario is in an economic crisis, for example, this may change. It is in this space where ideas interact with ideological perspectives of bureaucrats, political staff and the broader conditions of Ontario's political economy.

Stakeholder groups will strategize with whom they contact in government, often lobbying different contact points to insert their ideas and interests into the policymaking process. Sometimes stakeholders will write the Minister, or they will approach staff at various levels, and depending on which party is in office, the reception they receive will be different. The status, along with political and economic capital of any given stakeholder will influence who in government responds to an issue – a CEO of a large pension fund is much more likely to have the ear of the Minister compared to a small group of retirees who will interact with junior policy advisors. For example, in 2005,

several CEOs of large public sector occupational funds in Ontario (including OMERS and the Ontario Teachers' Pension Plan) and the government of Ontario entertained the idea of using pension fund capital for investment in Ontario infrastructure projects (Howlett 2005). This idea was initiated by CEOs of these large public sector funds and met with Finance Minister Greg Sorbara to explore the possibility of a private/public partnership (also referred to as "P3s"). In this case, the CEO communicated directly with the Finance Minister, meeting in the Minister's boardroom along with the Deputy Minister and senior advisors.

### *Legislative jurisdictions*

To what extent does federal minimum standards pension legislation interact with provincial minimum standards pension legislation and policymaking? Very little, according to interview participants who had worked as officials in the Ontario government. While it is true that the federal government must work closely with their provincial colleagues when contemplating changes to the CPP, in the case of workplace pension policy, what happens federally does not directly affect the work of policymaking in Ontario: "...in terms of pension legislation, the federal government is a minor player", asserts one government official. Federal and provincial pension regulators do meet on a regular basis through the Canadian Association of Pension Supervisory Authorities (CAPSA) to discuss harmonization and efficiency within Canada's pension regulatory system. But there is not a forum on the government side similar to the likes of CAPSA. Sometimes discussion occurs at the Finance Ministers meetings between federal and

provincial governments. However, as another government official claims, it is the federal *Income Tax Act* (ITA) that "fuses everything in the pension world" (Policy Analyst 3, December 2014).

The relationship between the ITA and minimum standards in Ontario was discussed in Chapter Four. The establishment of tax law catalyzed trustee and pension law and also shaped collective bargaining practices. The ITA facilitated the creation of pension law since tax law allowed pension funds to be used as a tax shelter for employers, incentivizing employers to set up their own funds. However, as large pools of money began to accumulate, trust law developed to deal with custodianship of these pools of money. To make certain trustees were behaving properly government implemented a pension regulator. It is during this time that pensions become viewed as deferred wages and, consequently, negotiators at the collective bargaining table started to define the placement of money into a pension plan as part of the employment relationship. It is in this context that that minimum standards were established that set the ground rules to protect the interests of the people who would eventually benefit from the money in the pension fund. Minimum standard pension legislation (such as the PBA) ensures that the money is administered appropriately and inappropriate investment risks are avoided. In sum, the federal government most directly shapes Ontario's provincial pension policymaking process through federal tax legislation.

### *Bureaucratic imperative*

To what extent is there a bureaucratic imperative? According to participants who have worked in government, this does not exist, and if it did, would violate their duty as public servants. While it is true that bureaucrats can (and sometime do) attempt to shape the options presented to their minister and other political staff, the policy analysts interviewed for this project saw their job in very clear terms: it is their duty to identify the options to a policy issue and then communicate these options to political staff. It is not uncommon for policy staff to emphasize which options they think are the best. But it is up to the political side to decide, and the bureaucrat's job to provide all the options available. It is sometimes the case that a bureaucrat will leave out certain options if they know their political superiors are not going to like it; but this would be the extent of the bureaucrat exerting their influence on the policymaking, according to participants.

This is not to say that bureaucrats do not have priorities or ideological assumptions that impact the policymaking process. For instance, during the 2000s, bureaucrats in the Ministry of Finance had pushed hard for an independent commission of Ontario's pension system and hired an independent consultant to examine Canada's retirement income system. Both reports served as an important source of ideation from stakeholders and consultants into the policymaking process. Bureaucrats were largely responsible for establishment of these reports. Ideologically, what is revealing is whom the Ministry of Finance chose to conduct these two reports: Harry Arthurs and Bob Baldwin. Each consultant has widely recognized labour credentials: Harry Arthurs is a

law professor specializing in labour relations and Bob Baldwin is the former Director of Social and Economic Policy Department of the Canadian Labour Congress. Looking at these choices, one can argue that Ministry of Finance's pension division, at that point, held an ideological perspective that was labour friendly. These are factors that impact the policymaking process that challenge the notion of the bureaucrat as objective observer of policy options.

### *Election cycles, brokerage politics, and confusion*

Similar to other policy domains, election cycles significantly impact the work of bureaucrats. Governments, "want to do big changes early in their mandate..." says one participant, so bureaucrats "try to instigate their priorities" during this time (Policy Analyst 2, December 2014). The year before an election, political parties spend much of their time preparing for the election and the governing party will not embark on new policy programs, particularly a file that is deemed contentious. Therefore, election cycles, "[compress] the whole period that is available for initiatives" (Policy Analyst 2, December 2014). For example, as was discussed in Chapter Five, the *Ontario Expert Commission on Pensions* was formed just before a provincial election to—in the words of a former political official—"bunt" the pension to the next election cycle (Lawyer 2, November 2014).

When government is interested in addressing the pension file, one of the limitations posed by a voluntary pension system is that government cannot unilaterally tighten rules for sponsors without risk of sponsors exiting the provision of retirement

income. Since the enactment of the PBA in 1965, no government has been willing to make workplace pensions mandatory, including the NDP during the 1990s. This is because any change to pension policy comes with political risk. Several participants spoke of the “toxicity” of the pension file in Ontario that grew during the 1990s and 2000s, defined by issues such as control over surplus, rising interest rates, and particular case rulings. Pensions became known as the “p-word”, meaning political leaders often saw pension policy as a “political nightmare”. Commissioner Harry Arthurs asserts that: “The politics of pension reform...have been so bitter that they had effectively stymied pension reform in Ontario for 20 years or more” (Arthurs 2009). As a result, pension policymaking was increasingly characterized by a dynamic of governments trying “...to find the shifting coalition that satisfies a variety of interests” (Policy Analyst 3, December 2014), espousing practices of “brokerage politics”. But given the contentious political environment, if government could not establish a coalition, pension policy was ignored, which is what happened during this time.

One pension lawyer who had worked in government during the 2000s claimed that confusion was a major driver of pension policy change. This participant depicted the policymaking process as very unpredictable and irrational, where government would try to do what they thought was right, but was often “screamed at” by employers or unions (Policy Analyst 4, October 2014). There was a sense of intransigence, confusion, and trust issues that ground the policymaking process to a slow pace. Given the complexity of pension issues (that include technical knowledge and jurisdictional dimensions), this participant described how many groups were misinformed and felt



very threatened regarding the security of their retirement income. This dynamic of fear, confusion and political contentiousness has been documented in *The Third Rail: Confronting Our Pension Failures*, authored by former president of the Ontario Teachers' Pension Plan Jim Leech and business reporter Jacquie McNish (2013). The authors argued Canada (and internationally) had entered an era of "the third rail", a term used to describe the reluctance of politicians to tackle the enormous challenge of repairing the pension system, making the state of pension policy dire. Given these dynamics, confusion, public opinion and brokerage politics reflect how the political environment surrounding pension policymaking drives or hinders pension policy change.

### *Group Interests*

Pension policy can broadly be defined by the class interests of employers attempting to control the level and type of provision they provide to employees against the demands of employees who seek to protect established coverage or minimize the degree of risk involved with the introduction of new retirement benefit plans. However, as mentioned in Chapter Five, the role of pension professionals<sup>38</sup> since the 1980s has also grown, becoming a source of ideation stemming from their possession of specialized knowledge and informed by broader professional practices.

Clients who procure the services of these consultants typically represent employer/management interests, or member/employee interests. It is not unusual for

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<sup>38</sup> I use the term "pension professional" to refer primarily to professionals with backgrounds in law or actuarial sciences.

companies and firms providing actuarial and legal services to work exclusively with one type of client group (i.e. employer or employee clients). As a consequence, pension professionals often share ideological affinities with their clients regarding assumptions of who should be responsible for providing retirement income provision, particularly in the context of labour negotiations.

Yet professionals have a separate class position with their own set of interests. Geographically and occupationally, professionals are separate from the group interests of employers and employees. In Ontario, pension professionals are centralized in Toronto's downtown financial district. Lawyers, actuaries, investment firms and corporate head offices of large workplace pension funds all make their place in the towers of Toronto's financial district. These professionals work in this financial district apart from the hundreds of thousands of Ontarians who work across the province, tasked with the fiduciary duty to invest contributions and maintain the solvency of pension plans.

Just north of the financial district lies Queen's Park, headquarters of the Government of Ontario. Pension policymakers are thus in close geographic proximity with the pension professional community. As one former government official claimed: "...the regulator hangs out more with the industry it's supposed to regulate than with the people it's supposed to be protecting...they're influenced by the people they hang out with, even if they're very skeptical" (Policy Analyst 1, December 2014). This community of white-collar workers makes their livings, develop their careers, and build professional communities in downtown Toronto. As a stakeholder group that regularly

contributes to pension policy debates, professionals working in pension consultancy exist in a unique position within the broader social formation of pension policy in Ontario.

### *The rising role of professionals*

The growing influence of pension professionals is explained by the expanding economic power of Canada's workplace pension plans. Canadian pension plans are worth over a trillion dollars and have grown to become key institutional investors in Canadian and global financial markets. In the private sector, due to their growing size and demographic pressures, pension plans have become a major factor in corporate restructurings in Canada, where the size of pension liabilities have threatened the solvency of some companies requiring government bailouts.

As corporate transactions and restructuring increasingly center on pension fund issues, the demand for actuarial and legal consultation has spiked. Corporate and labour law firms vigorously compete for new clients in this expanding legal field that include unions, creditors and investors requiring legal advice. As one professional magazine for lawyers, claims: "It is becoming clear that given their control of massive pools of capital, pension funds are a current and future engine of Canadian economic well-being...There is little doubt as to the direct, and indirect, financial importance of pension-related work to major law firms" (Melnitzer 2004: 4-5). During the 2000s, pension law moved from being viewed as a peripheral specialization to a growth area in the corporate and labour

legal fields. Furthermore, class action pension litigation has become a growing legal field as disgruntled retirees fear companies defaulting on their pension promise.

The growth of these massive pools of pension capital in turn has expanded the power of pension professionals who make a living consulting, managing and investing this capital. Part of this power stems from the complexity of managing and maintaining a healthy pension plan necessitating the skills and knowledge of a small group of pension experts. For instance, pension lawyers are involved in pension jurisprudence, working with regulators, lobbying for legislative and regulative reform and resolving disputes over issues such as surplus sharing and “contribution holidays” (i.e. a fund sponsor take a break from funding a plan if there is a surplus). Pension lawyers are also involved in establishing new funds and winding up mature funds, corporate restructuring, mergers, acquisitions and developing public/private partnerships (P3s). Actuaries, on the other hand, are employed by fund managers to provide valuation reports. Their job is to determine expenses, forecast interest rates and contributions and calculate how much funding a plan will need over the long run to stay at a particular level of funding, usually over a fifteen-year period.

Due to the esoteric nature of this knowledge, corporate and trustee boards that have the fiduciary responsibility to manage pension assets in the best interests of members rely heavily on the expertise and consultancy of these professional groups. Control of this knowledge places considerable power in the hands of pension professionals who can use their knowledge of pension law and actuarial practice to

persuade their clients in one direction of the other. As one fund manager with experience in private and public sector funds describes:

All those clients, even the large sophisticated clients out there did not - they weren't pension experts, they were experts at running their business, or they were HR experts. So the role of the actuary was pretty powerful in that they would walk into a pension committee meeting or Board, and nobody had the knowledge to challenge or maybe to ask the right questions around 'what if interest rates continued to decline, or what if people continue to live long.' They hadn't asked from my view the right questions. So the role of the actuary was actually very powerful (Actuary, April 2015).

As this participant highlights, the complexity of managing a pension fund and the technical proficiency required to provide legal advice or write a valuation report decreases the ability of their clients to question the legal and actuarial advice they receive. Drawing from the Weberian notion of rational-legal authority, this possession of technical knowledge serves as basis of domination, in which professional practices are legitimated as a source of authority (Weber 1978). Domination, according to Weber is the, "...probability that certain specific commands...will be obeyed by a given group of persons" (Weber 1978: 53). In the context of pension consultancy, as described by this participant, experts can successfully garner the deference of their clients depending on the ability (or inability) of their clients to ask appropriate questions.

Across a professional industry, common practices develop and can become standardized. Pension professionals as an interest group assert their collective voice through organizations such as the Canadian Institute of Actuaries (CIA), the Association of Canadian Pension Management (ACPM) and the Ontario Bar Association (OBA). These organizations provide a forum for Canadian pension experts to develop policy

recommendation reports that represent the interests of professionals as a stakeholder in the pension community.

*Professional practices and representing client interests*

Several participants opined the extent to which professional consultants have adopted their client's interests as their own, generating a narrow perspective that limits their ability to analyze pension issues from a "big picture" perspective. Commissioner Harry Arthurs claimed that: "Pension professionals – lawyers and actuaries – become by default spokespersons for the clientele community they represent" (Arthurs 2009: 7). Often professionals had distorted knowledge that stemmed from their clients who employ them, providing ideological and financial affinities. This dynamic hindered their ability, according to one participant, "...to think about system issues", in which professionals often framed contentious pension policy issues in anecdotal terms (Lawyer 3, November 2014). This participant provided two examples. First, several professionals whose clients were employers argued DB pension plan coverage was decreasing because of over-regulation and the financial burdens they produced on employers. In fact, only a small set of industries have DB pensions, such as manufacturing, unionized workers and the public sector. This participant pointed out that there is a strong correlation between union density and DB coverage, with 80% of DB members belonging to a union: "As manufacturing shrunk, pension coverage shrunk. So, ok that's one case where this tendency to analyze anecdotally on the basis of advice you're giving to a client obscured a fundamental systemic development" (Lawyer 3,

November 2014). The other example involved Ontario's Pension Benefit Guarantee Fund (PBGF), a government run insurance fund in Ontario that can be used to protect the pensions of workers of a company that has become insolvent. Many actuaries claimed the PBGF promoted risky behavior since it would bailout bad pension investment behavior. When looking at how many companies actually had to draw from the PBGF since the early 1990s, the fund had only been used a handful of times, contradicting what many actuaries were claiming.

Another participant that works for a large public sector plan critiques the actuarial profession by arguing that when writing valuation reports, actuaries tend to analyze issues facing a pension fund from a math perspective rather than contextualizing more broadly some of the social dimensions into the pension problems.

So there are bigger social issues... So even though I would say actuaries are pension experts, they don't, all of them don't always see the large picture. I'm not trying to be hard on the profession that I studied on, but like any profession, you need facts to make an informed decision. If your facts are all private sector based, and because accounting rules and low interest rates, a lot of private sector companies are shutting down their DB programs (Actuary, April 2015).

These actuaries often adopt the same positivistic perspective as investment professionals when looking at how to cut costs, such as erasing the early retirement provision of a plan. Given that most actuaries work for private sector employer sponsored plans, their perspectives dominate mainstream actuarial practices. These practices have been used in writing valuation reports for public sector plans that function under a different set of regulatory and social circumstances. According to this participant, this is a problem, since bigger social issues are best discussed with labour,

government, the actuarial community, and plan sponsors together. The economist mathematics used by many actuaries with private sector clients will not adequately address problems in the public sector, for example, losing sight of the broader social implications and function that workplace pension plans play in labour markets and society.

These practices can also discount the importance of local knowledge on workforce composition and economic conditions. Before the 2000s, one participant describes how employer pension decisions were typically under the purview of human resource (HR) management that was intimately familiar with a company's workforce, their union, and the community in which this workforce was embedded. However, as interest rates increased, pension surpluses disappeared and accounting standards tightened, forcing pension liabilities onto the balance sheets of companies for the first time, pension issues became a concern of accountants and chief financial officers (CFO):

So then who are the decision makers [of pension funds]? Well, for traditional corporate GM type plan you got your head of HR who used to be the head of the plan, because he was the head of human resources. But increasingly it becomes a financial object, right. This big massive liability shows up on the balance sheet, the big assets pay for it, it all needs investing somewhere, it all needs hedging, it all needs constant maintenance. It becomes kind of a CFO type function (Lawyer 4, July 2014).

This is one example in which changes occurring in the global economy at the macro level shape stakeholder debate at the micro level. This participant noted how heads of office move abroad to compete on a more global level, where many CFOs are no longer Canadian, do not have an adequate understanding of labour relations and are more likely to talk to other financial professionals rather than labour lawyers for example, who represent local union interests. As corporate management practices shift away



from local decision-making structures, perspectives on the value of DB plans and how to manage these plans in a context of corporate restructurings occurs, changing the character of stakeholder debate at the micro level.

To summarize, pension debates are informed by professional practices through the control of specialist technical knowledge. The extent to which pension professionals impact the policymaking process is a matter of conjecture. However, to be sure, transformations within the workplace pension industry have elevated the role of the pension expert as another source of opinion in pension debates. Industry practices that are espoused by central professional bodies such as the Canadian Institute of Actuaries legitimate particular perspectives on specific issues, such as the viability of DB plans. Organizations representing the interests of pension professionals regularly produce policy recommendation reports and are present during consultation processes conducted by government policymakers.

#### *Case Study – Ontario Expert Commission on Pensions*

The first two sections of this chapter have discussed mostly in abstract terms variables that drive pension policy in Ontario. To ground this discussion empirically, the Ontario Expert Commission on Pensions (OECF) is examined as a case study to contextualize the interaction between the factors outlined through Sections 1 and 2. What factors and conditions prompted the commission? What processes and actors fed into its development? And what were the outcomes in terms of policy, discourse, and public

opinion? Using this case study, the interaction between ideas, interests, institutions, and material conditions is explored.

### *Ontario Expert Commission on Pensions*

The political-economic conditions that prompted the OECP in 2006 was driven by a multitude of ideational, institutional and group interest factors, producing the second major round of reform the PBA since its enactment in 1965. By the mid-2000s, workplace pension policy in Ontario was perceived to be in disarray, following two tumultuous decades of pension policymaking characterized by corporate restructurings and a shrinking manufacturing sector that eliminated many high-value fulltime jobs in the private sector. Corporate restructurings were producing asset transfer problems regarding pension savings for workers and employers, becoming an impediment to business (Policy Analyst 2, December 2014). While Ontario's economy deepened its participation within global chains of economic production, vitriolic class struggles over ownership of fund surpluses between workers and employers ensued. This tinderbox of tension engendered a political culture of inertia and avoidance amongst political leaders who feared severe political backlash (Leech and McNish 2013; Myles 2013). In the absence of political action, case law became a major source of pension policymaking in the 1990s, playing arbiter in disputes over pension surplus that were producing unintended consequences for stakeholders and policymakers (Kaplan and Fraser 2013).

The result of these events was an institutional response from Ontario's Ministry of Finance, inspiring new thinking on how to mitigate Ontario's pension file. By the early

2000s, pension officials in Ontario's Ministry of Finance were deeply concerned about the state of pension policy. In their opinion, the PBA had become deficient in dealing with Ontario's changing economic and labour force context. Letting the courts decide was not deemed as a long-term solution. Within this institutional context, pension officials at the Ministry of Finance were the first to voice the idea of forming an independent expert commission to examine the workplace pension system to provide policy recommendations that could be used to reform the PBA. Some officials claimed that they had been "lobbying furiously" (Policy Analyst 3, December 2014) for a commission to address a system that "was very long in the tooth" (Policy Analyst 2, December 2014).

The contentious political culture that had been produced by class struggles to determine ownership of pension surplus also shaped the initial parameters for new ideas to come to life. Officials first approached Conservative Finance Minister Janet Ecker in the early 2000s about forming a commission, trying to convince Ecker that reforms could be made that would not be politically controversial. While sympathetic to the idea, Ecker rejected their proposal due to the current political climate, claiming she could not take their proposal to her colleagues in Cabinet. At the time, the Eves Conservative government was embroiled in the fallout of Bill 198 that forced Ecker and Eves to rescind pension legislation from the bill one month later, contributing to their political defeat during the provincial election the following. It would take several more years and a change of government for the idea of a pension commission to come to life.

During the first years of the McGuinty government's mandate, while pension officials continued to lobby for an independent commission, the perception of pensions as being toxic remained, and for the majority of their first term in office the Liberals were reluctant to touch the pension file (Lawyer 2, November 2014). But this changed towards the end of their first term. Finance Minister Greg Sorbara, with the support of Premier McGuinty, agreed that issues such as solvency, contributions and the shrinking percentage of workers in DB plans required the work of an independent commissioner to examine the workplace pension system as a whole. Concern, too, was growing in other jurisdictions over the sustainability of the workplace pension system (including B.C., Alberta and Quebec).

The timing in which the Liberal government formally initiated the OECPC highlights the extent to which Sorbara and the Liberal government viewed the commission as a useful political tool to manage public opinion between election cycles. On the one hand, initiating a commission symbolized the government's intent to address simmering pension issues, while on the other hand it postponed the government having to make any controversial decisions leading up to an election period. Indeed, temporal and political factors facilitated the ideational process of establishing an expert pension commission. The commissioner would be busy conducting work while the government campaigned, allowing the government to "bunt" pension issues from election cycle to the next (Lawyer 2, November 2014).

As such, the idea of forming an independent commission found success through the formation of a set of institutional conditions. This included: the establishment of a

new provincial government that was not directly embroiled in a pension political crisis; the actions of other provincial governments that sought to reform their respective pension legislation; and the timing of an upcoming election that generated a political opportunity to conduct an independent commission. All were factors facilitating the birth of the OECP.

### *Analysis*

Ultimately, at the macro structural level, it was the levers of expanding economic globalization and the transforming conditions of production in Ontario that drove new ideas into the pension policymaking process in Ontario. Shifts in Ontario's economic structure fueled corporate restructuring, contracted the province's manufacturing sector, and galvanized class conflict over the ownership of pension surplus, exposing the inadequacies of existing legislative and regulatory frameworks. It was at this juncture that institutional, ideational and group interests intersected to produce the OECP.

The PBA had been last reformed in the mid-1980s to address economic conditions of that period, in which cradle to grave employment remained an economic reality for millions of private sector employees, for whom pension coverage had yet to drop dramatically. But as these circumstances changed, this version of the PBA had become antiquated, unable to sufficiently address emerging political-economic conditions presented by economic globalization. As well, pension policymaking became the de facto responsibility of the courts through case law, whereby rulings were passed down that incrementally changed the PBA.

Structural changes at the macro level shifted ideation occurring at the institutional level. As discussed in section one, ideas can enter the policymaking process at multiple points. In the case of the OECP, the initial idea for a commission to mitigate the toxic conditions of Ontario's pension file came from the bureaucracy within the Ministry of Finance, moving upwards, fueled by the constant lobbying efforts of bureaucratic officials whose mandate was to monitor Ontario's pension system. One government official described this process as follows:

...we had at that point [in the early 2000s] begun to develop the idea for a pension commission, then we brought that forward with the new government. And so that was, this was an effort to find ways to smooth the way for pension reform on a go-forward basis. This is bottom up now, and just us trying to make these things possible. And it was actually very neat that you could have Sorbara who had the confidence of the premier and he saw that and he was prepared to support this endeavor (Policy Analyst 2, December 2014).

Indeed, the control of technical knowledge and proximity of pension officials and regulators within the provincial government to the structural issues facing the pension system as a whole facilitated the bureaucracy as a key site of ideation.

At this juncture, one can observe the interaction between ideology and ideation, in which the former provides the institutional parameters for the latter. The ideological disposition and commitment to a particular interest group within a governing party and bureaucracy shaped the boundaries of the OECP's mandate and preemptively charted the direction of the OECP by choosing Arthurs as its commissioner. This nod towards labour by the Liberal Party exemplified the continuation of a longer-term pattern that had begun in the 1980s, which saw political leaders respond to some of the collective demands of labour groups. For example, through the 1980s and 1990s, regulators,

political leaders, and bureaucrats were embracing a larger role in protecting the interests of employees. As discussed in Chapter Five, during the 1990s, the Pension Commission of Ontario (PCO) had been given increased regulatory powers to ensure employee interests were provided a level playing field during arbitration and appeals made by employers, who typically could afford independent legal counsel (Kaplan and Frazer 2013). Secondly, the class struggle over ownership of pension surplus and the moratorium placed on surplus withdrawal reflected the effective impact of labour and public opinion on political leaders. The Liberal party in 1980 had also introduced Canada's only workplace pension government sponsored pension insurance system with the establishment of the Pension Benefits Guarantee Fund (PBGF). Moreover, the Liberal party had witnessed the severe political backlash endured by the Conservative Party led by Premier Ernie Eves with Bill 198 in 2002. A commissioner with labour credentials fit the political climate and ideological position of the Liberal party and pension bureaucracy.

At the micro level, in the case of the establishment of the OECP, the media and public opinion played less of an influence in establishing a direct impact on the policymaking process. This differed, for example, from changes to Bill 198, when Premier Eves and Finance Minister Ecker were compelled to rescind pension legislation from their 2002 Budget Bill as public opinion erupted over wording that was interpreted as limiting workers' rights to pension surplus. In this case, intense media coverage, along with damning public opinion and worker activism shaped policy changes to Bill 198, something that was largely absent during the formation of the OECP.

Once the OECP had been established, institutional dynamics between different groups within government competed to define the ideational parameters of the OECP's mandate. Several participants familiar with the OECP discussed how officials in the Ministry of Finance were adamant that Arthurs *not* use the OECP to make recommendations for CPP expansion, or propose a provincial public pension plan. One participant speculated that it was to "protect the Ministry" (Lawyer 3, November 2014). Officials at the Ministry of Finance were seeking technical solutions to the PBA's problems, rather than reforming the pension system as a whole, which would significantly reshape the work conducted within their office. However, as the commission conducted initial consultations during the development a White Paper outlining the major issues facing the pension system as a whole, Arthurs reported back to government that many stakeholders were discussing these larger ideas, and it was incumbent upon the commissioner to report these ideas, even if they did move beyond the OECP's mandate. Conflict between the commissioner and staff at the Ministry of Finance ensued; however, it was noted by one participant that the commissioner had the unflinching support of the Finance Minister to pursue an expanded mandate. On this account, the OECP's mandate became a point of contention embedded within an institutional nexus between the Minister, members of his staff, and the commissioner, in which different groups sought to control ideational processes, limiting the reach of particular ideas. The product of these struggles came to determine the broader contours of pension policymaking in this context.



Once the commission had formed with a secure mandate, the ideation process also changed. Now stakeholders outside the institutional level become an important source of ideas. The OECP systematically consulted *all* pension stakeholders, from large lobby associations representing employer and employee interests, to retiree groups, academics, professional associations, and individual concerned citizens. At the same time, a broader mandate facilitated entry of bigger ideas into the OECP. In this context, the commission provided more opportunity for ideas from the “bottom” to enter the policymaking process. These ideas from stakeholder groups found their way into the OECP’s recommendations that were then used to draft Bills 236 and 120, which reformed the PBA in 2010. These bills updated the PBA on issues including: partial windups of pension plans; grow-in rights; immediate vesting rules; simplified asset transfers rules; improved member communications for plan amendments; and clearer surplus entitlement rules (Faba 2011) (see Chapter Five).

Indeed, the stage leading up to the establishment of the OECP, the struggle to define its mandate, and the ideational space the commission created once it began stakeholder consultations, exemplifies the different combinations in which institutions, ideas and interests interact, driving pension policymaking. To be sure, “ideas are always and necessarily tied to particular interests and enciphered in particular relations of power, and tied to particular power/knowledge configurations (McLaren 2016: xxv). For ideas to mobilize and enter the policymaking process certain institutional conditions premised on group interests and political dynamics must be present. Finally, these

conditions are driven by the machinations of global economic expansion and the impact this has on social formations within Ontario's labour force.

### *Summary*

This chapter has presented a series of variables that inform the policymaking process and drive policy change, as described by pension experts in Ontario interviewed for this project. Furthermore, the political, economic, and institutional context that led to the OECP was examined to provide an empirical example of how different variables intersect to shape the pension policymaking process. The multitude of variables discussed is not ordered in their degree of importance nor does this chapter claim to provide an exhaustive analysis of every category of variables that informs policy change. In fact, the model presented here rejects linear models of policy change premised on the ordering of variables that can be analyzed for their predictive capabilities. Instead, by exploring the interrelationships between interest groups, ideas and institutions, a wider perspective is provided that does not rely on a single theoretical account of policy change (Skocpol 1992; Helco 1994; Lieberman 2002). Put differently, the relationship between these variables must be examined as a whole. By using the model presented in section one, one can better understand how the broader political-economic context shapes the actions of interest groups, the pressure these interests puts on governing institutions, and the ideas that circulate to change political processes: "In trying to account for change and continuity, these are categories that need each other [ideas,

interests and institutions], and it is largely arbitrary at which point we cut into the chain” (Helco 1994: 380).

Drawing from this perspective, a model was introduced defining three qualitative levels that drive policy change and a figure that illustrated the relationship between these variables and their respective qualitative level. This model considers the interrelationships between political-economic structures such as globalization and economic cycles, mid-level variables that include temporal, institutional, ideational, and interest groups factors, along with micro level factors such as stakeholder debate. An account of the legislative process was then described, providing the reader with a general understanding of the formal governmental process of drafting new legislation and regulation. From here, other institutional factors were considered, such as the role of case law, election cycles and jurisdictional dynamics that can shape the timing and direction of pension policy.

Simultaneously, the role and movement of ideas is examined in this section. Ideological apparatuses of government and interest groups provide opportunities for particular groups or cause struggles for others, impacting the extent to which particular policy ideas are considered. By considering ideational processes, this chapter illustrated how the size and scope of an idea will enter the policymaking process differently.

The second section examined the growing role of pension professionals who have profited from the expanding economic power of some pension plans. Their command of technical knowledge around legal, actuarial and investment dimensions of fund management has bestowed new authority to this group, increasing their presence

in policy debates. Pension professionals, as an interest group, are both united through professional associations, but also fundamentally divided by their financial and ideological affinities to their clients' interests, who are either employers or employees. As a consequence, pension professionals can adopt narrow perspectives that can lead to anecdotal analyses of important social aspects of the pension system, feeding political discourse over the merits of the workplace pension system in Ontario.

To ground the abstract analysis provided in section one and the description of the role and power of interest groups in section two, section three examined the OECP as a case study of pension policymaking in Ontario to illustrate the interrelationship between variables. The OECP was the product of policy reforms made to the PBA in the 1980s, in which class struggle over pension surplus ownership was not resolved, where two decades of acrimonious debate and court rulings compelled risk adverse political leaders to avoid the minefield the province's pension file. It was through a combination of variables, including economic, temporal, bureaucratic, political and interpersonal factors that to the formation of the OECP in 2006.

What is clear is the complexity of factors that impact the policymaking process. By recognizing the mutually conditioning relationship between this mix of factors, one can begin to unravel why particular ideas become policy and the variables that have affected the character and direction of pension policy in Ontario.

## CHAPTER 7 – RISK, INDIVIDUALIZATION, AND RETIREMENT INCOME SYSTEMS

“So this shared-risk thing is more or less about the abandonment of the defined benefit”  
(Lawyer 4, July 2014)

“In DC [defined contribution], everybody is doing their own thing. How much do I save? You're either going to save too much or too little. Usually you're going to save too little because not only do you not know your life expectancy, you don't even know how much to save.” (Policy Analyst 1, December 2014).

“We maintain that it was absolutely necessary for the government to respect our contract, to honour our contract” (cited from CBC 2015). These were the vehement words of Clifford Kennedy, spokesperson for the Pension Coalition NB in August 2015, a new lobby organization representing 13,000 public sector pensioners in New Brunswick who had just sued the provincial government over recent pension reforms. In 2012, the government of New Brunswick introduced Target Benefit Pension Plans (TBPs) (also known as ‘shared risk pension plans’) by reforming the province’s *Pension Benefits Act*. Target benefit pension plans were designed to “split” the risk of defined benefit (DB) government plans between the government and employees as a cost-savings measure. New Brunswick’s DB plans had been hit hard by the global financial crisis and been subject to years of poor management. Following the global financial crisis, these plans were significantly underfunded. This new “shared risk” model of target benefit plans had gained traction amongst some policymakers across Canada seeking new

mechanisms to limit the risk government employers were exposed to by DB plans as the funding status of many plans plummeted, requiring more tax dollars to save.

Within this context, the New Brunswick government replaced the Public Service Superannuation Act (PSSA) with the Public Service Shared Risk Pension (PSSRP). Changes included removing early retirement provisions and replacing the formula used to calculate pension benefits from the “best five years” to “career average” of earnings. Also, inflation protection via indexation was no longer guaranteed; instead, it was contingent on the pension plan’s financial status. By replacing the province’s DB plans with target benefit plans that exposed retirees and members to more risk, the government of New Brunswick unilaterally reneged on their pension promise to retired government workers. In 2014, retirees organized Coalition NB, a political organization whose mandate is to lobby the government to protect retiree’s DB plans. Coalition NB began a legal fund and in 2014 sued the government of New Brunswick under the *Canadian Charter of Rights and Freedoms* on behalf of 13,000 pensioners over pension reforms, arguing these changes to pension benefits infringe their rights to life and security and discriminate against them based on their age. The coalition began fundraising for their legal fund and hired the high profile Toronto-based law firm Koskie Minsky, which specializes in pension and union-side labour law, to represent their interests in court.

This case reflects the multifaceted dynamics characterizing the relationship between risk, pension policy, and Canada’s retirement income system (RIS), highlighting the interrelationships between variables that drive policy change discussed in Chapter

Six. Chapter Seven explores the extent to which the risk of saving for retirement has been individualized onto workers in Ontario and other Canadian jurisdictions. The transfer of risk in this context is multifaceted, characterized by the complexity of intersecting factors. On the basis of this analysis, this chapter argues that the transfer of risk from employer to employee is not linear, but occurs incrementally and is contingent on the interplay between social, demographic, economic and institutional factors that expose some groups of workers to increased levels of risk compared to others. This argument builds on the argument presented in Chapter Six but shifts the focus from policymaking to an examination of risk and individualization structured by broader political-economic forces. This chapter, therefore, explores levels of risk between those with a workplace pension and those without, while also discussing shifts of risk amongst individuals with a workplace pension. While Ontario will be given special attention, other Canadian jurisdictions—provincial and federal—are also discussed, so as to develop a better understanding of this broad structural process.

The first substantive section of the chapter provides a descriptive statistical sketch of public and private pension coverage. This section provides a bird's eye view of Canada's RIS as a whole. Here, inequality vis-à-vis Canada's RIS is discussed to provide a fuller understanding of how risk is both pooled within DB pension plans, and individualized within other pillars of the RIS. The relationship between Canada's aging workforce, workplace pension coverage, receipt of publicly funded pensions such as Old Age Security (OAS), poverty levels amongst seniors, and interest rates from the 1970s to the present time are examined. This discussion will highlight the relationship between

social and demographic factors and public and private pension coverage, while discussing the relationship between individualization and inequality.

In the following section, two recent labour disputes are described to illustrate how the process of individualization occurs during periods of economic restructuring in both the public and private sectors in Canada. Here, labour disputes at Canada Post and Air Canada in 2011 are examined, exploring how back-to-work legislation played a contributing role in the political struggle to individualize risk onto workers. The section considers how demands for the introduction of two-tier pension systems are shaped through the nexus among labour, austerity, and industrial pluralism (Stevens and Nesbitt 2014; Thomas and Tufts 2016). These case studies will then be referenced through the duration of the remaining chapter to further contextualize the intersection between other factors discussed in the following sections.

The shift from DB to DC will also be discussed in further detail by interrogating the economic and political dynamics that surround this shift to explain what it means for individual workers. The final section draws from interview transcription data. This section explores what various professionals in the pension field perceive as the different types of risks facing the pension industry and individual workers and how these risks have changed. Furthermore, this section investigates what these professionals think the future holds for Ontario's pension system given current trends in Ontario's economy, labour market, and retirement income system.



## *Pensions, Inequality, and Risk*

Workplace pension legislation is designed to ensure 'minimum standards' are being implemented for workers with a workplace pension. For workers without a plan, the *Pension Benefits Act* (PBA) has nothing to say. Indeed, the workplace pension system in Ontario and across Canada can be understood as replicating structures of income inequality because legislation is designed only to protect workers with a workplace pension. As one government official claimed:

[R]etirement income...basically parallels or duplicates the situation of the workforce. So if there's inequities, if there's high and low incomes, poverty, it's replicated in the pension world. Because it's high valued added jobs, it's those highly remunerative jobs where employers have to think about attracting employees and are offering pension plans in the private sector (Policy Analyst 1, December 2014).

When the PBA was enacted in 1965, the Ontario government was setting out “minimum standards” for those with a workplace pension to ensure that their interests were indeed vested and protected by law. Public pensions, such as OAS, the Canadian/Quebec Pension Plan (C/QPP) and Guaranteed Income Supplement (GIS), on the other hand, were designed to combat poverty levels amongst seniors. These were national policies specifically designed for the redistribution of wealth in society as part of Canada’s welfare state. With this distinction in mind between the purpose of private and public pension policy, what is the relationship between inequality, poverty and workplace pension policy?

When discussing the individualization of risk, it must be done so in relationship to other policies and savings vehicles. Workplace pension plans are part of a broader integrated RIS. As discussed in Chapter Two, Canada's RIS is constituted by three pillars:

- 1) Publicly financed programs generated from tax revenue available to the elderly based on age, plus years of residence or citizenship (i.e. OAS, GIS and other provincial programs);
- 2) Compulsory pension programs designed to replace pre-retirement earnings (i.e. C/QPP);
- 3) Private savings, individual tax assisted retirement savings accounts and privately administered retirement income plans.

Pillars 1 and 2 have been structured to ensure retired workers have a basic income base that will replace a percentage of their pre-retirement income. Consequently, the intent of these first two pillars has been to *distribute* risk across Canadian society in the form of a national *risk pool*. The third pillar, however, is *voluntary*. It is this segment of Canada's RIS in which risk is most likely to be *individualized*. A worker may not have a workplace pension plan at all and instead rely on personal investments, purchasing RRSPs, or using tax-free savings accounts, or some combination thereof. A worker may have some form of a defined contribution (DC) plan, a target benefit plan, or a secure defined benefit (DB) plan. While it is true that the individualization of risk of saving for retirement occurs primarily within pillar three, to fully understand this process, one

must examine the issue in relationship to other policies and savings vehicles. By adopting this frame of analysis, one can discuss the relationship between workplace pension policy, poverty and inequality. Using descriptive statistical data from the OECD and Statistics Canada, the following section will provide an overview of poverty levels amongst seniors in Canada and trends in types of pension coverage amongst Ontario workers to illustrate the broader contours of Canada's RIS, highlighting which workers are most likely to experience individualized risk for saving for retirement.

#### *Senior poverty in Canada*

Internationally, Canada ranks in the top 10 for the lowest levels of poverty amongst seniors, with 6.7 percent aged 65 and up living in poverty. This puts Canada ahead of countries such as New Zealand (16<sup>th</sup>), Sweden (18<sup>th</sup>), the United Kingdom (24<sup>th</sup>), the United States (29<sup>th</sup>) and Australia (33<sup>rd</sup>). However, the disparity between men and women in Canada is less praise worthy, in which poverty levels for men are 4.9 percent, whereas the number nearly doubles for women, with 8.2 percent of females 65 and up living in poverty, ranking Canada 12<sup>th</sup> amongst other OECD countries.

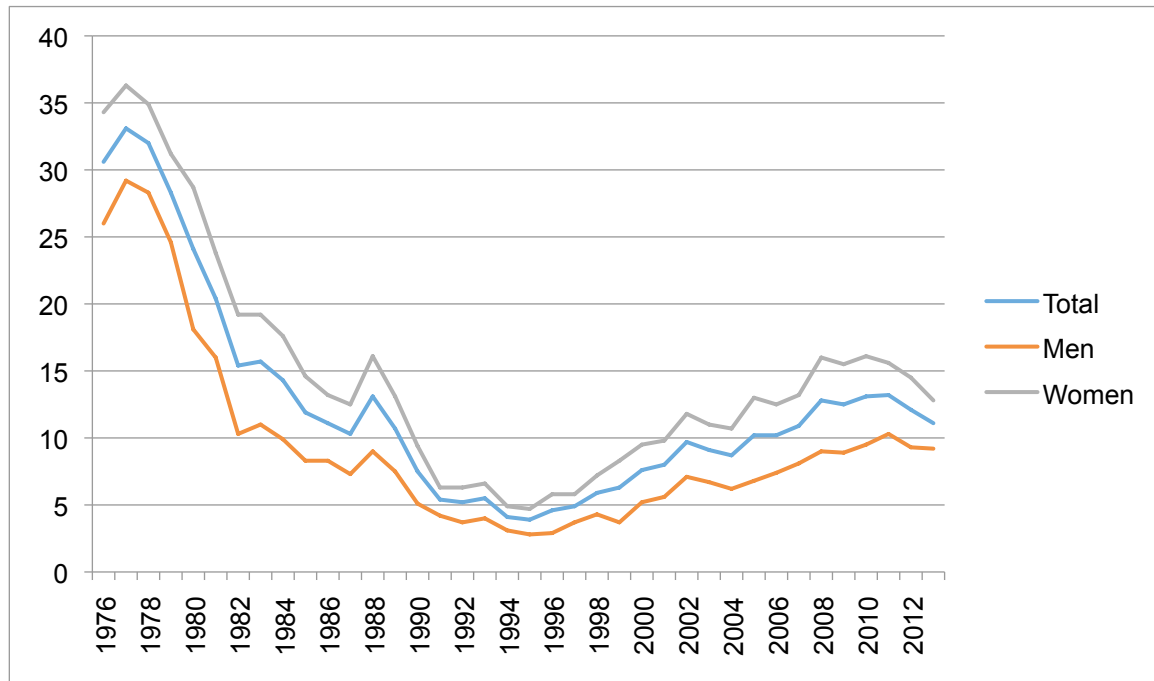
Table 7.1: Income poverty rates by age and gender in OECD countries (Percentage with incomes less than 50 percent of the median household disposable income)

Country	All 65+	By age		By gender		Whole population
		66-75	76+	Men	Women	
1. Netherlands	2.0	1.8	2.3	1.7	2.3	7.9
2. Iceland	2.8	2.8	2.8	2.5	3.0	6.3
3. Czech Republic	2.8	2.7	3.0	1.5	3.8	5.3
4. Luxembourg	3.0	3.2	2.7	3.0	3.1	8.4
5. Slovak Republic	3.6	3.2	4.3	0.7	5.3	8.4
6. France	3.8	2.7	5.0	3.0	4.4	8.1
7. Norway	4.1	2.2	6.9	1.8	6.0	8.1
8. Denmark	4.6	2.7	7.4	3.1	5.8	5.4
<b>9. Canada</b>	<b>6.7</b>	<b>6.6</b>	<b>6.9</b>	<b>4.9</b>	<b>8.2</b>	<b>11.8</b>
10. Spain	6.7	6.4	7.1	5.7	7.6	14.0
11. Greece	6.9	5.9	8.1	5.6	8.0	15.1
12. Ireland	6.9	6.5	7.5	6.9	7.0	8.4
13. Finland	7.8	4.1	12.7	5.1	9.7	7.1
14. Portugal	8.1	6.4	9.9	6.8	9.0	13.0
15. Poland	8.2	10.4	5.6	4.4	10.5	10.2
16. New Zealand	8.2	8.0	8.5	5.5	10.5	9.9
17. Hungary	8.6	7.8	9.9	5.0	10.6	10.1
18. Sweden	9.3	6.6	13.5	6.6	11.6	9.0
19. Italy	9.4	9.5	9.2	6.4	11.5	12.7
20. Germany	9.4	8.1	10.8	6.3	12.3	8.4
21. Belgium	10.7	10.2	11.4	9.7	11.5	10.2
22. Austria	11.4	11.2	11.6	9.0	13.2	9.6
23. Estonia	12.1	12.3	11.8	6.9	14.6	12.3
24. United Kingdom	13.4	10.9	16.6	10.9	15.5	10.5
25. Slovenia	15.8	11.7	21.3	8.7	20.7	9.4
26. Turkey	17.2	15.9	19.3	15.9	18.3	17.8
27. Chile	18.4	17.7	19.3	N/A	N/A	16.3
28. Japan	19.4	16.6	22.8	N/A	N/A	16.0
29. United States	21.5	17.5	27.2	16.5	25.6	17.6
30. Switzerland	23.4	18.8	30.5	19.8	26.4	9.1
31. Israel	24.1	19.7	30.0	21.2	26.4	18.6
32. Mexico	27.0	25.3	30.0	26.0	27.9	18.9
33. Australia	33.5	30.5	37.8	31.0	35.7	14.0
34. Korea	49.6	46.1	N/A	N/A	N/A	14.6
<b>OECD</b>	<b>12.4</b>	<b>10.9</b>	<b>14.7</b>	<b>8.4</b>	<b>12.4</b>	<b>11.3</b>

Source: OECD Income Distribution Database, [www.oecd.org/social/income-distribution-database.htm](http://www.oecd.org/social/income-distribution-database.htm).

During the twenty years between the mid 1970s and mid-1990s, the low-income rate amongst seniors dropped dramatically from a high of 33.1 percent in 1977 to a low of 3.9 percent in 1995. This change reflects the success of the GIS and the maturation of C/QPP (Baldwin 2009; Myles 2000). Since 1996, however, low-income rates have steadily increased until 2011 from 3.9 percent to 13.2 percent. For women, low-income rates rose from 4.7 percent in 1995 to 16.1 percent in 2010.

Figure 7.1: Low income measure (LIM) after tax in Canada, age 65+, 1976-2013



Source: Statistics Canada, CANSIM table 206-0041.

Figure 7.1 illustrates how income security amongst seniors first substantially decreased in the final quarter of the twentieth century, but then steadily, albeit at a slower pace, increased since the mid-1990s. To what extent does this increase illustrate the individualization of risk of saving for retirement?

### *Employer sponsored pension coverage*

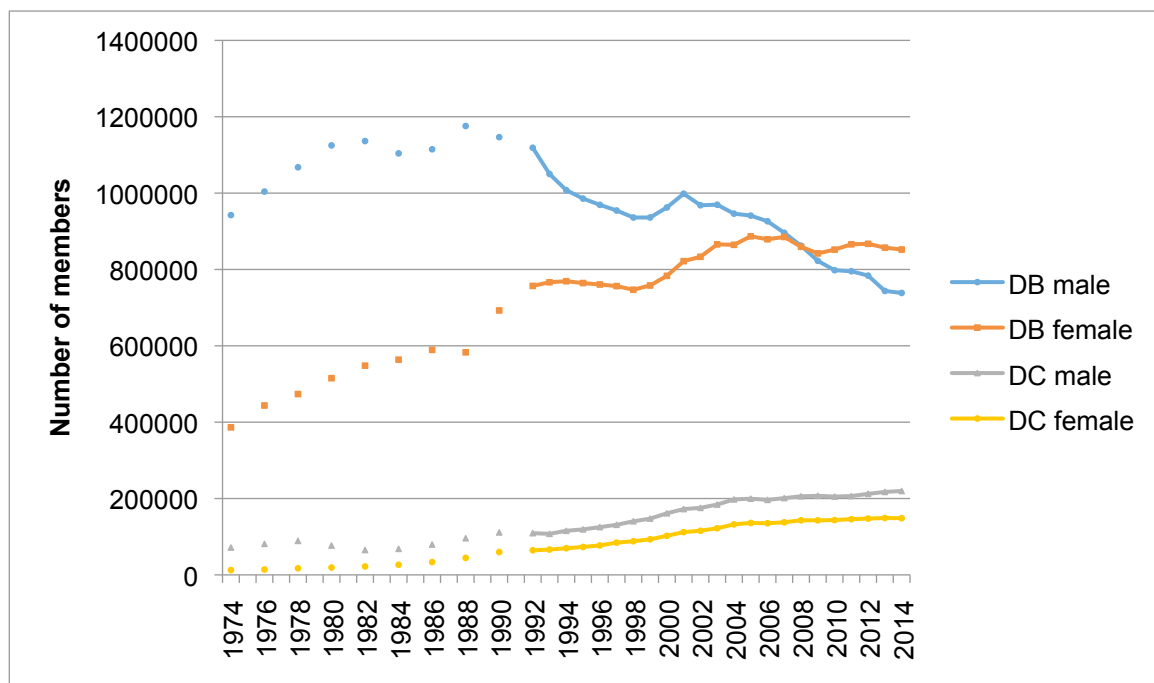
Employer sponsored pension coverage tells a different story from poverty measurements. What is most striking about Figure 7.2 (see below) are the varying trajectories of pension coverage for men and women with DB plans. Pension coverage for men in Canada grew rapidly between 1945 and 1970s. But by the mid-1970s, coverage had plateaued, and has since steadily decreased from a high of 50.4 percent to a low of 36.9 percent in 2011. For women, the story has been different. Coverage grew steadily from 1945 to 1993, hitting a high point of 42.4 percent. Since 1993, pension coverage for women has remained around the 40 percent level, while for men, coverage continued to decrease. In 2004, for the first time in history, pension coverage for women surpassed men. In 2011, female pension coverage sat at 40.1 percent, whereas men continued to decline to 36.1 percent.

As discussed in Chapters Four and Five, these changes in pension coverage reflect broader social transformations to Canada's labour market and economy. More women began to enter the workforce in the 1970s, moving into public sector jobs, while many large-employer private sector industrial male-dominated jobs requiring less education diminished. This occurred simultaneously as Canada's economy restructured to meet the demands of economic globalization, in which many manufacturing jobs were sent overseas. These trends were particularly felt in Ontario, Canada's largest and most industrialized province. Public sector DB plans have been resilient in the face of economic cycles since the 1970s, where today public sector pension funds have grown to become the second largest institutional investor in global financial markets. There are

more women than men in public sector jobs in Canada, thus explaining higher pension coverage for women today.

When we shift our attention to the types of registered pension plans workers in Ontario have, since records have been kept, we see that DC plans for men and women have been steadily increasing since 1974. Over the past twenty years the number of workers with a DC plan has doubled for both men and women.

Figure 7.2: Type of registered pension plan (RPP) by number of members, by sex, Ontario, 1974 to 2014



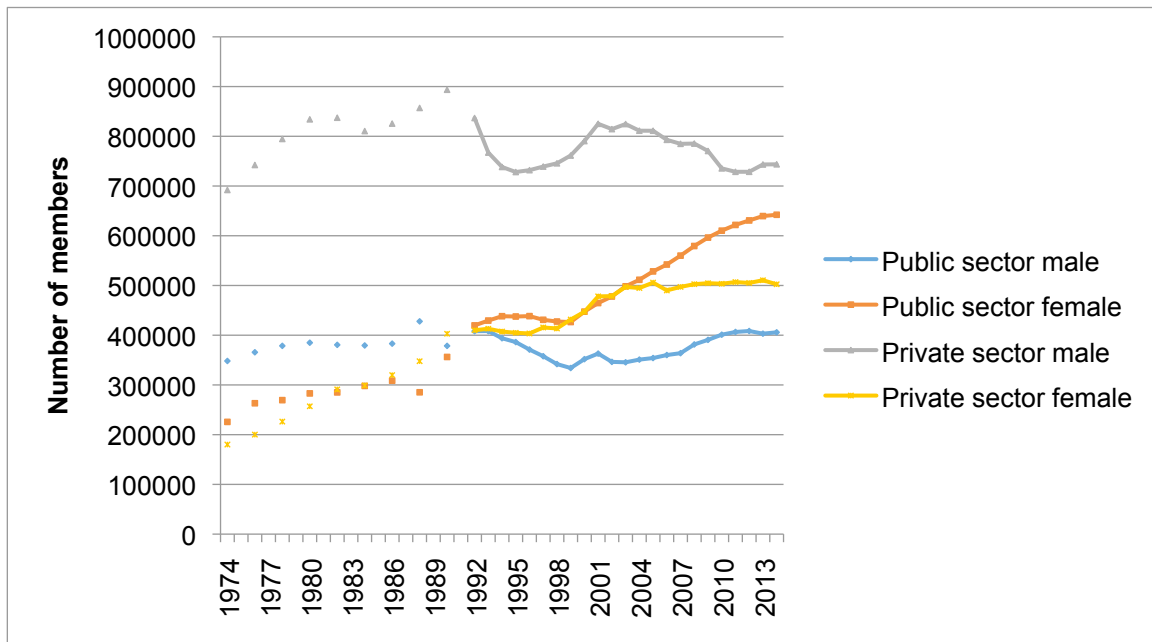
Note: Data available every second year until 1992.  
Source: Statistics Canada, CANSIM table 280-0008.

The number of men with a DB plan illustrates the most dramatic change in pension coverage with a high of 1.18 million male workers with secure DB pension plan in 1988

to a low of 738,470 in 2014. Women with DB plans, on the other hand, continued to rise until the early-2000s, and since then as remained at approximately 86,000 workers in Ontario.

The story becomes clearer when pension coverage is broken down by sector. Private sector male workers have experienced the sharpest decrease in DB coverage, while public sector female workers have experienced steady growth in DB coverage. The retirement security offered by government pension plans represents the most secure source of retirement income in the form of DB pension coverage, where, as discussed above, women increasingly fill these jobs. Even in the private sector, coverage rates for women are higher than for men.

Figure 7.3: Registered pension plan (RPP) by number of members, by sector, by sex, Ontario, 1974 - 2014



Note: Data available every second year until 1992.  
 Source: Statistics Canada, CANSIM table 280-0008.



Table 7.2 describes pension coverage by type of plan, gender and industry in Canada. In 2012, one in three women are likely to have a DB pension plan, while the ratio is one in four for men. The four industries with the highest coverage are: 1) public administration; 2) educational services; 3) health care and social assistance; 4) finance, insurance and real estate. All four industries employ more women than men and typically provide secure DB plans. Men have higher levels of pension coverage in industries such as construction, manufacturing, wholesale and retail, and accommodation, retail and other services. Overall, however, these male dominated industries have smaller pension coverage rates and require lower educational qualifications. Men (11 percent) were more likely to be in a DC or hybrid pension than women (9 percent) (Drolet and Morissette: 2014).

Table 7.2: Pension coverage by gender, industry and pension type, 2012

	Percentage of employees with					
	RPPs		DB RPPs		DC or hybrid RPPs	
	Men	Women	Men	Women	Men	Women
<b>Industries</b>	<b>35.6</b>	<b>41.2</b>	<b>24.3</b>	<b>32.6</b>	<b>11.4</b>	<b>8.7</b>
<b>Agriculture, mining and utilities</b>	38.9	45.2	18.2	19.4	20.7	25.9
<b>Construction</b>	28.1	F	21.5	F	6.6	F
<b>Manufacturing</b>	30.8	26.5	16.8	11.8	14.0	14.7
<b>Wholesale and retail trade</b>	22.4	16.4	6.3	6.7	16.1	9.7
<b>Transportation and warehousing</b>	39.5	39.0	28.0	29.7	11.6	F
<b>Finance, insurance and real estate</b>	51.8	62.1	29.1	36.8	22.8	25.3
<b>Professional, scientific and technical services</b>	18.3	14.3	9.8	F	8.5	9.6
<b>Management of companies</b>	F	F	F	F	F	F
<b>Educational services</b>	74.1	74.0	67.5	68.7	F	5.3
<b>Health care and social assistance</b>	55.0	51.1	48.8	46.5	F	4.7
<b>Information and cultural services</b>	32.5	34.7	14.9	20.1	17.6	14.6
<b>Accommodation, food, and other services</b>	15.1	9.3	F	F	F	F
<b>Public Administration</b>	84.7	85.0	79.8	81.0	4.9	4.1

F too unreliable to be published.

Note: Includes employees aged 25 to 54.

Source: Statistics Canada, Longitudinal and International Study of Adults, 2012. Cited from, Drolet, Marie and René Morissette (2014). *New facts on pension coverage in Canada*, Statistics Canada.

Table 7.3 highlights the relationship between level of education and type of pension coverage, where the level pension coverage grows with the level educational attainment. Women with a university degree have the highest level of DB pension

coverage at 41.9 percent, whereas only 29.7 percent of men with a university degree are covered.

Table 7.3: Pension coverage by education, age, gender and pension type, 2012

Age	Percentage of employees with					
	RPPs		DB RPPs		DC or hybrid RPPs	
	Men	Women	Men	Women	Men	Women
	Percentage					
<b>25 to 54</b>	<b>35.6</b>	<b>41.2</b>	<b>24.3</b>	<b>32.6</b>	<b>11.4</b>	<b>8.7</b>
High school diploma or less	26.7	27.8	17.2	18.0	9.5	9.9
Trade or apprenticeship	36.9	33.3	24.4	F	12.6	F
CEGEP or college	37.5	41.3	25.0	32.9	12.5	8.4
University degree	41.6	50.2	29.7	41.9	11.8	8.3

F too unreliable to be published

Note: Includes employees aged 25 to 54.

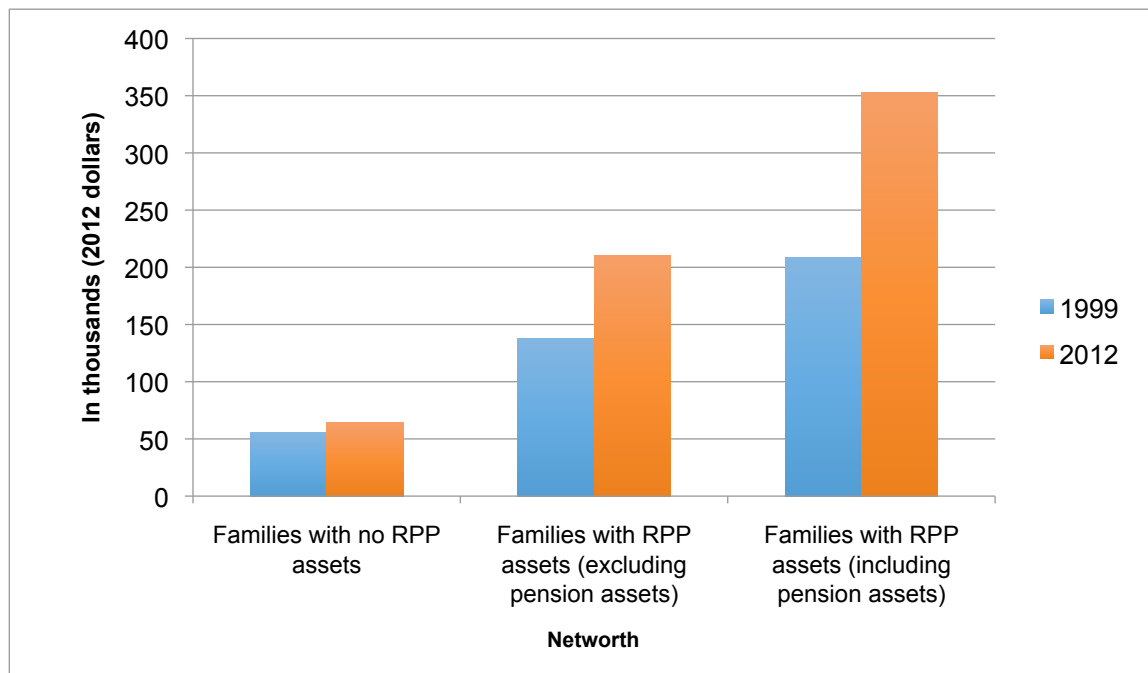
Source: Statistics Canada, Longitudinal and International Study of Adults, 2012. Cited from, Drolet, Marie and René Morissette (2014). *New facts on pension coverage in Canada*, Statistic Canada.

In Canada, while the number of workers with either a DB or DC/hybrid pension plan is growing, the overall level of coverage is decreasing. This is because the number of workers entering the labour force is growing faster than the number of new pension members. At the same time, pension coverage is also being driven down by the diminishing rate of private sector DB plans for men. As Figure 7.3 highlights, the level of DB plans for women, along with DC/hybrid plans for both genders, has been increasing, while for men, the decrease in DB plans has been striking by comparison. Within the labour force, public sector workers in industries such as health care, teaching and public

administration have become Canada's most secure jobs when it comes to saving for retirement, in that they provide the highest rate of secure DB pension coverage. These tables illustrate a major shift in the distribution of risk across male and female workers in the province, within a context in which the overall trend of pension coverage is diminishing.

As such, secure, DB pension plans in Canada play a defining role in the distribution of wealth in society that impacts both the individual worker and the family unit. In this case risk is not only *individualized*, but *familialized*, in that families without any type of registered pension plan (RPP) assets experience the highest levels of insecurity, pointing to the relationship between the workplace pension system and inequality. Messacar and Morissette (2015) compare the wealth holdings of family units covered by workplace pension plans with other family units by comparing data from the Survey of Financial Security (SFS) for the years 1999 and 2012. The study found that families with workplace pensions (when excluding pension assets) have a family median net worth of \$210,600, approximately three times higher than the median net worth of families with no RPP assets (\$64,000). When pension assets are included, the gap widens even further, where the median net worth of families with a workplace pension grows to \$350,000. The report also highlights a wealth difference of \$100,000 between families in which the major income recipient had a DB plan compared to families whose main earner had a DC plan. Moreover, the gap between families with and without RPP assets has expanded over time, where the income of families in which the major income earner has a workplace pension has pulled ahead in overall net worth.

Figure 7.4: Median net worth, families with and without RPP assets, 1999 - 2012



Notes: Includes family units where the major income recipient is aged 30 to 54 and employed as a paid worker. Family units with business equity of \$1,000 or more (in 2012 dollars) are excluded.

Source: Statistics Canada, Survey of Financial Security, 1999 and 2012. Cited from Messacar and Morissette (2015). *Employer Pensions and the Wealth of Canadian Families*, Statistics Canada.

When examining other characteristics between families with and without a workplace pension, Mesacar and Morissette claim: "...those in families with RPP assets were more educated; more likely to be born in Canada and be in couples; more often unionized or employed in public administration, education, health care and social assistance; and had longer job tenure than their counterparts in families without RPP assets" (2015: 3). Indeed, workplace pensions lie at the crux of different socio-economic, demographic, and family structure factors that explain why this gap in net

worth between families with and without RPP assets is so large. Furthermore, the authors found that workers with a workplace pension were 25 percent more likely to hold registered retirement savings plans (RRSPs), locked-in-retirement accounts (LIRAs) or principal residence equity (Mesacar and Morissette 2015).

The income security that DB plans provide workers with and the extent to which DB plans augment a family's net assets sheds light on the relationship between workplace pensions and income inequality. It is a minority group of workers within Canada's and Ontario's labour force that have access to the security offered by a DB pension plan, and access to this security is often contingent on the level of one's education and the industry in which they work. While it is true that workplace pension policies such as Ontario's *Pension Benefits Act* (PBA) are not designed to redistribute wealth, the workplace pension system has developed into a system that offers protection from risk for a minority group of workers, while failing to cover the majority of workers in the labour force. Insecure employment that moves away from the standard employment relationship, the risk of saving for retirement is being both individualized and *familialized*, in that the family as a whole will experience more income inequality if the major income earner of the family does not have a workplace pension plan. Moreover, for those who do have a workplace pension plan, the RPP is both a symbol of wealth and *facilitates* wealth creation along with other factors such as education and occupation. Risk, and the extent to which is individualized is thus shaped by the intersection between different social, political, and economic factors.

Thus far, it has been argued that workplace pensions should be understood in relationship to the whole retirement income system (i.e. pillars one through three). This points to the indirect structural relationship that exists between Ontario's workplace pension system and income inequality. Workplace pensions have become a vehicle of wealth creation for a shrinking group of workers in the Canadian workforce, while income inequality expands for other groups. While it is true that pension coverage rates have been shrinking and the use of DC plans has been increasing, what other variables shape this process? Beyond examining risk using pension coverage levels, one must also examine the political-economic context that has shaped how risk is individualized. This allows one to consider how workplace pension systems are used by competing interest groups to mitigate the effects of economic restructuring and the extent to which the 'risk society' has emerged in Canada through the struggle over pensions. For instance, what groups are challenging the transfer of risk and what role have the federal and various provincial governments played in this process? Furthermore, has Canada's aging workforce and plan maturity transformed pension fund managerial practices and expert consultation? Using interview data, this section examines the economic, political demographic, pension sponsorship, and policymaking variables that can explain why and the extent to which saving for retirement is individualized.

### *Canada Post and Air Canada*

First, to capture some of the political economic dynamics, two mini-case studies are introduced to illustrate how the relationship between economic restructuring, political institutions, ideology, and labour markets interact to determine how risk is individualized within the context of workplace pension benefits. In recent years, large employers in both the public and private sectors have demanded the introduction of two-tiered pension systems for new hires, in which the future of their DB pension plans became a central battleground of labour unrest. This was most clearly exemplified by the high profile lockout at Canada Post and strikes at Air Canada in 2011. Each organization's pension plans have struggled in recent years due to a combination of mismanagement, aging workforce, economic conditions, and new austerity measures introduced by respective employers. Additionally, these labour conflicts were further complicated through the involvement of the federal government, then under the leadership of Stephen Harper, which rapidly drafted back-to-work legislation in both disputes, erasing each union's leverage during these negotiations.

To begin, the Canadian Union of Postal Workers (CUPW) has been engaged in a protracted fight over the past six years against Canada Post, which has demanded that a two-tiered pension system for new hires be implemented – something that is common practice in the private sector, but unusual in the typically secure public sector.

Negotiations between Canada Post and CUPW began October 2010, culminating in a strike vote in April 2011 by CUPW members as negotiations stalled. As CUPW prepared rotating strikes beginning in Winnipeg in June, Canada Post locked out postal workers



on June 14, 2011. The stalemate ended promptly with back-to-work legislation established by former federal Labour Minister Lisa Raitt who introduced the *Restoring Mail Delivery for Canadians Act* (Bill C-6), imposing Final Offer arbitration on CUPW. This arbitration removed bargaining leverage from workers and imposed a series of wage cuts and a new pension system for new hires. This bill was subsequently challenged in court by CUPW, refuting the legality of legislated arbitration procedure, and was eventually found to be unconstitutional (Thomas and Tufts 2016). CUPW and critics viewed these actions of the previous federal government as a direct assault on the rights of labour with the intent on removing job security from public sector workers (Thomas and Tufts 2016; Camfield 2016; Hooger et al. 2016).

Canada Post's demands for a two-tier pension system has attempted to divide workers along generational lines, calling for a system that allows younger generations to shoulder more risk of saving for retirement at the expense of protecting secure retirement benefits for current workers. Here, DC plans would be imposed on new workers, thus breaking the security attached to traditional DB plans. This occurred along with demands to change their collective agreement that would allow increased use of part-time and casual labour, leading many observers to claim austerity measures were now being imposed onto the public sector to replicate the development of precarious work in the private sector (Thomas and Tufts 2016; Hoogers et al. 2016). Union leaders, for their part, adamantly rejected any proposal for a two-tier system, claiming that it would pit younger workers against older workers. They asserted, along with others (see Camfield 2016; Hooger et al. 2016) that acquiescing to a two-tier pension system would

also set a precedent for other negotiations in different bargaining units, especially in the public sector, opening the floodgates of austerity that would legitimize the permanent implementation of less secure, precarious working conditions. CUPW resisted a two-tier pension system and organized a public campaign, including a national “Rally for Pensions, Pay Equity and Public Postal Service” August 6th at Trudeau’s MP office in Montreal, maintaining DB pensions as a central pillar of secure working conditions for current and future postal workers.

The current round of collective bargaining in 2016 unfolded under a different set of circumstances. The federal government did not provide back-to-work legislation and the court ruling that found the arbitrator’s binding 2011 decision as unconstitutional limited the power of Canada Post. In late August, Canada Post reached a tentative deal with CUPW, averting job action. The new collective agreement was for only for two years, rather than the normal four-year duration. In this agreement, CUPW successfully protected DB pension benefits for new hires for at least the next two years (CBC 2016). This result stands in stark difference to Unifor’s September 2016 agreement with General Motors Canada, in which Unifor agreed DC plans for new hires, potentially spelling the end of the DB plan in the auto-manufacturing sector (Ryan 2016) (to be discussed further in Chapter Eight).

Workers at Air Canada have been in a similar fight, in which successive rounds of corporate restructuring was made possible largely through concessions by employees dating back to 2004, premised, in part, on the introduction of a two-tier pension system

that initiated DC plans to the company's workplace pension system (Stevens and Nesbitt 2014).

An organizational overhaul of Air Canada occurred after filing for bankruptcy under the *Companies Creditors Arrange Act* in 2003 following the economic impact of 9/11, the dot-com collapse, and the outbreak of Severe Acute Respiratory Syndrome (SARS) in Toronto (Stevens and Nesbitt 2014). Significant concessions made by Air Canada's main unions representing approximately 20,000 employees had made this restructuring possible. Concessions included wage reductions, layoffs, increased employee contributions to benefit plans, and cuts in overtime pay, to name a few. Importantly, "Air Canada's workers and their unions permitted the company to extend the amortization of unfunded pension liabilities from five years, as required by law, to ten" (Stevens and Nesbitt 2014: 126). These compromises facilitated Air Canada's rise from bankruptcy, while its executives carved Air Canada into separate financial entities, further complicating labour relations with the company.

The restructuring of labour relations post-2004 crumbled in 2008 following the global financial crisis. Air Canada's pension plans were only 90 percent funded as the organization "endured a \$1 billion loss and was compelled to contribute nearly \$500 million to its struggling pension funds" (Stevens and Nesbitt 2014: 126). Rather than systematically funding its pension plans, since 2004 Air Canada has paid over \$5 billion to investors in the form of special distributions and share buybacks, prioritizing the interests of shareholders over pensioners (Gold 2009). The costs of the economic events of 2008 were thus directed to workers, in which Air Canada's senior management

sought to implement a two-tier pension system that would provide DC benefits for new hires, while reducing pension benefits for workers who opt for early retirement (Thomas and Tufts 2016).

Once a fresh round of collective bargaining began in 2011, there was a collective hangover amongst union leaders and members over the concessions imposed over the previous ten years. And again, similar to the events at Canada Post, labour relations were complicated by the Federal government's threat or use of back-to-work legislation. After ten weeks of negotiations, on June 14, 2011, sales and service workers went on strike. Negotiations with CAW Local 2002, representing Air Canada's 3800 sales and service workers broke down over management's demand for pension concessions. Federal labour minister Lisa Raitt introduced the *Continuing Air Services for Passengers Act* (Bill C-5) following threats by the Harper government that failed to break the standstill between management and CAW Local 2002. This bill did not become law, however, as bargaining between both parties resumed.

Negotiations with flight attendants (represented by CUPE's Air Canada Component) also broke down, again, due to Air Canada demanding concessions on pensions. Once again, Raitt claimed she would introduce back-to-work legislation, prompting both parties to concede to binding arbitration.

Finally, negotiations with pilots fell apart in February 2012, in which workers (represented by the International Association of Machinists and Aerospace Workers) voted down a tentative agreement as Air Canada sought pension concessions, insisting that workers who retired before age 55 have almost half of their pension entitlements

cut in half (Stevens and Nesbitt 2014). Labour minister Raitt pass the *Protecting Air Services Act* (Bill C-33), preemptively banning action by workers, requiring both parties to agree to final offer selection.

In each instance, labour disputes at Canada Post and Air Canada centered on pension concessions and the introduction of two-tier pension systems, where workers were systematically disarmed by back-to-work legislation. These austerity measures imposed on postal and airline workers illustrate the extent to which labour is expected to bear the brunt of the cost of restructuring to meet new economic conditions, where cost savings measures are made at the expense of pension benefits. From a different perspective, risk that is created by globalizing competition and neoliberal governance practices is transferred to individual workers through successive rounds of corporate restructuring, collective bargaining, and the coercive use of the state, as has been the case at Canada Post and Air Canada. In this context, security sits at the crux of labour relations, where cost savings are made through the exit of pension provision. The extent to which risk is individualized within bargaining units is contingent on institutional factors (e.g. the role of the state), economic factors (economic cycles) and the strength of union power to procure leverage over employers.

What is also clear in these two cases is the role the state plays in institutionalizing new risks on workers. The back-to-work actions of the previous federal government illustrated the state's *active* involvement of imposing new risks on federally regulated public and private sector workers by hastily legislating measures that support employer interests during labour disputes. By protecting and advancing the interests of

Air Canada and Canada Post through legislation and anti-labour discourse, the Harper government deployed the ideological class interests of these employers onto workers.

### *Defined benefit pension plans*

Not all DB plans are equally secure. Pension plans vary widely in the amount of capital they control and the size of their membership. The type of plan workers will find themselves belonging to depend primarily on the sector and industry in which they work. Consequently, Ontario pension law regulates various pension plans differently.

Since the early 1990s, many of Ontario's largest public sector pension plans have adopted "shared-risk" models. These are multi-employer pension plans (MEPPs) and include pension funds such as Ontario Teachers' Pension Plan (OTPP), Ontario Municipal Employees Retirement System (OMERS), Healthcare of Ontario Pension Plan (HOOPP), and OPTrust (responsible for administering the Ontario Public Service Employees Union pension fund). These plans are known in Ontario as jointly sponsored pension plans (JSPPs), where each fund has a joint trusteeship management structure. This means that there are both employee and employer trustee representatives on the Board of Trustees who share the fiduciary responsibilities of the plan. Importantly, employees and employers are equally responsible for the solvency of the plan as each group contributes to the fund, and must work together to meet funding targets and ensure members received their pension income. There is also special legislation in the PBA that exempts JSPPs from specific funding requirements. JSPPs administer DB plans and are seen as the most secure pension funds in Ontario, representing some of the largest

pension funds in Canada and internationally, and are viewed as successful models for other funds to follow. So while risk is shared through joint trusteeship, this model of pension fund management is deemed to be the most secure.

Conversely, in the private sector, such as automotive, manufacturing, and transportation, funds are typically single employer pension plans (SEPPs). These plans are not shared-risk. The employer—as the sole sponsor of the plan—is responsible for administering benefits. This means the scale of these plans is much more modest since their membership is smaller. Compared to OTPP that controls over \$154 billion in assets, a SEPP may only manage several hundred million in assets and therefore lack the sufficient scale to get the performance of low cost that a JSPP has. It is not unusual for an employer to contract out management of their SEPP—or more recently, purchase group annuities from a private insurance company—whereas JSPPs have large in-house actuarial and investment professionals, sometimes with offices located internationally to further diversify their portfolio into foreign markets.

The different fortunes that face public and private pension plans today are the product of events spanning back to the post-war period. Following WWII, unions were not interested in participating in the administration of workplace pension funds, since doing so was viewed at the time as diminishing the power of unions to collectively bargain (Weitz 1992). As discussed in Chapter Three, many unions in the immediate post-war era were campaigning for a universal pension system across industries rather than workplace pensions, a struggle that ultimately failed (Klein 2003; Quarter et al. 2008). However, changing political economic factors in the 1980s ushered new

perspectives on the role labour should play in pension fund management. This was period of rising dominance of public sector unions in which public sector pension plans were substantially growing due to contributions from both employee and employer<sup>39</sup>. This occurred at the same time as wage stagnation, a shrinking manufacturing sector, an expanding service sector, and the internationalisation of finance (Quarter et al. 2008), serving to diminish the power of many private sector SEPPs. In response to these conditions, in 1986 the Canadian Labour Congress endorsed the idea of achieving greater control of pension investments. Given public sector union members contributed to their pensions and that the size of their pensions was growing, they sought to protect their monies “by removing them out of the consolidated revenue funds of provincial governments across Canada and into trustee pension funds and, in particular, into joint trusteeship” (Quarter et al. 2008).

In Ontario, in 1987 Premier David Peterson appointed Malcolm Rowan to lead a task force examining the economics of Ontario’s large public sector pension plans. Within a year, Rowan published *Whose Interest? Report of the Task Force on the Investment of Public Sector Pension Funds*, arguing that public pension plans should be subject to the same financial and disclosure standards as corporate plans. These plans should become independent legal entities that reflect industry best practices and must not be used to further government public policy aims; instead, only stakeholder interests ought to be considered. The Rowan Report laid the groundwork for a joint-sponsorship model in public sector plans, which famously helped establish the Ontario

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<sup>39</sup> In many private sector plans, contributions were only made by employers, also known as a “flat” pension benefit (Quarter et al. 2008).



Teachers' Pension Plan (OTPP), turning it from an underfunded "arcane, inflexible, inefficient" government agency to one of the largest and most successful public sector workplace pension funds in the world (Ambachtsheer and Ezra 1998: 158).

While the move to joint-trusteeship has turned public sector employers into global institutional leaders of financial investment, the success of Ontario's private sector plans has paled in comparison. Quarter et al. describe private sector plans as having a "dismal record of governance practices" (2008: 3). Pension expert Keith Ambachtsheer claims workplace pension systems are "seriously ill" since the risk embedded in private sector pension plans is poorly understood, fueling sustained conflict between stakeholder groups (2007: xxviii). As a consequence of these divergent trajectories, pension members in the private sector today face significantly higher degrees of risk that their pensions will be compromised upon retirement compared to public sector members. While it is true that the government and others (see Ontario Expert Commission on Pensions) view JSPPs as more preferable, SEPPs have remained the status quo in the private sector. Indeed, the risk society (Beck 1992) is emerging in more definite terms in Ontario's private sector compared to the public sector, as DB coverage in SEPPs diminishes in the private sector, replaced with DC plans, or two-tier pension systems. Workers in the private sector with a DC plan, or some hybrid DB/DC form, will be responsible for calculating "longevity risk" connected to their life span post work, and how to invest their retirement savings accordingly.

One reason for this is that in the private sector, smaller bargaining units representing a group of workers within a broader industry has to negotiate with a single

employer. This has led to a structure in which unions in the private sector are typically not interested in becoming involved in pension management. According to one fund manager, unions with SEPPs bargaining with single employers look at shared-risk models and say, “I’m not particularly interested in shared risk, because what’s the reward? I don’t want to take on more risk than I have now. I’d prefer if the employer just honored his or her obligations” (Actuary 1, April 2015). Given that the union’s traditional relationship with the employer is a bargaining relationship, “the idea of the employer on-boarding a union into the governance of a pension plan is just uncomfortable” (Actuary 1, April 2015). The structure of this relationship in the private sector has made it more difficult for joint-trusteeship to develop, diminishing the ability of workers to pool risk outside of their bargaining unit<sup>40</sup>.

This also generates new risks vis-à-vis the policymaking process. Today, employers sponsoring SEPPs are more likely to exit providing pension provision since they are deemed too expensive, contribution levels are too volatile, and regulations are too cumbersome. Consequently, any new minimum standards legislation increases the likelihood of an employer wanting to exit the provision of pension benefits since the fund is much smaller and is costlier to meet any new regulatory change that places more burdens on the sponsor.

As discussed in the first section, it is the case that private sector DB plans are rapidly diminishing. The current fate of private sector DB plans is not only the result of

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<sup>40</sup> FSCO, Ontario’s pension regulator, is currently conducting a risk assessment program that identifies “at risk” pension plans (which are primarily SEPPs). These plans are monitored in the attempt to prevent any plans from becoming insolvent.

bargaining structures, but more importantly political-economic transformations to the Canadian and Ontario economies characterized by economic globalization. Ontario's industrial restructuring in the early 1980s that sent many fulltime manufacturing jobs overseas, while diminishing union density, has been the primary cause of decreasing private sector DB plans. Rising service sector industries have not replaced the security provided by DB plans. This trend has continued into the twenty-first century, in which new austerity measures imposed by governments and employers, particularly following the global financial crisis have attempted to impose two-tier pension systems, pushing new hires into less secure DC plans to save existing DB obligations. This is a trend that has also begun to creep into the public sector. Employers with Air Canada and Canada Post since 2011 have tried to impose two-tier pension systems on employees with the support of back-to-work legislation by the Conservative federal government under Stephen Harper, leading to significant labour unrest and prompting several major strikes (Stevens and Nebsitt 2014; Thomas and Tufts 2016; Hoogers et al. 2016).

#### *From DB to DC*

The increasing percentage of workers with a DC plan and the push for two-tiered pension plans by some employers is perhaps the clearest representation of how the risk of saving for retirement is becoming individualized for those with a workplace plan. But beyond the political-economic structures such as deindustrialization, decreasing union density, growing service industries and expansion of precarious working conditions that have shaped this process and the relationship between workplace pensions and

inequality, what role have employees and employers played in this transferring of risk?

This question speaks to the complexity of this process, pointing to the importance of considering how employees, employers and policymakers understand “risk” in relationship to saving for retirement and the broader RIS.

Understanding the relationship between risk and pension coverage is not straightforward, but is, as discussed earlier, linked to political economic cycles, corporate governance practices and the embeddedness of neoliberalism within governing institutions (Thomas and Tufts 2016). But it is also linked to the extent to which workers and sponsors see opportunities to de-risk and/or take advantage of favorable investment returns. For instance, the growth of DC plans in the 1980s was shaped partially by the demands of employees who sought labour mobility, often viewing DB plans as “golden handcuffs” that hindered their ability to move freely in the labour market. This was especially true for the growing cadre of educated professionals in Ontario’s labour force whose skills were in increasing demand as the economy shifted to expanding service based industries requiring their expertise. In this context, Ambachtsheer and Ezra argue that, “Quite correctly, mobile employees question the value of a traditional DB plan as the primary retirement vehicle” (1998: 184).

The expanding use of DC plans in the 1980s sheds some light on this dynamic. Dekanic (2001) discusses how during the 1980s workers and employers alike were attracted to DC plans, albeit for different reasons. High interest rates at the time made DC plans more lucrative financially compared to DB benefits. Consequently, workers with a DC plan were opportune to realize a larger retirement fund, whereas workers

with a DB plan had fixed benefits that could not capitalize on favorable investment returns at the time. One union representative I interviewed who was involved in collective bargaining in the mid-1990s discussed how, “We did have a fight over our members wanting to go into DC plans” (Union Official 1, August 2014). This participant remembered how some members requested their union provide DC plans and educate members on how to invest pension funds so they could take advantage of investment returns. Employers also liked them since they lowered administrative costs and were deemed as less risky. Given this example, in the context of retirement income security, the emergence of risk society is not simply contingent on the ability of industrial institutions to mitigate risks, but is also dependent on the extent to which workers see opportunity in other retirement savings vehicles. In this particular case, workers did not view pension plans in terms of risk, but rather profitability, opting for DC plans that are riskier in the long term.

Today, employers continue to find DC plans attractive, whereas workers are going on strike to protect their DB plans, as witnessed during the strikes and lockouts at Canada Post and Air Canada, as well as other large industrial employers including Boeing and the St. Lawrence Seaway, over the past five years. The current prolonged period of low interest rates and economic growth has stoked public fears over the future of the retirement benefits, leading to bitter disputes over retirement income security—as exemplified by the case of public sector retirees in New Brunswick—and increased calls for government action. While it may be the case that politicians and government officials do not think in terms of “risk”, but rather “pension coverage”, nevertheless,

feelings of risk and diminished income security are factors that play into policymaking. Consequently, it would seem that perceptions of risk are therefore linked to economic cycles and a balance of class forces, which in turn impact calls upon policymakers to respond with new policies.

However, it is important to note that while DB plans are shrinking, there has not been a mass exodus to DC plans. As Figure 6.3 illustrates, levels of DC coverage in Ontario remain significantly lower than DB pension coverage, with only an incremental increase over the past thirty years. Moreover, unions in the private and public sectors have been fighting to protect existing DB plans in the face of austerity measures and neoliberalism. It is unclear the extent to which levels of DC will continue to increase.

What is perhaps the largest risk posed by the gradual shift to DC plans is that the impact of DC plans is relatively unknown, particularly around issues of retirement behavior, labour mobility, the allocation of pension assets and financial markets (Baldwin 2008; Baldwin and Fitzgerald 2010). One research officer for a large Canadian union argued that pension research in Canada is often “narrowly constructed”:

...the gap in research I would identify is, try to find a serious paper that examines the experience of workers in DC plans and what kinds of incomes they end up with as a consequence, the variation on those incomes, and even more interesting from my perspective, what does it mean to be a retiree, from a DC type of arrangement, ...[where] you don't you use your lump sum to buy an annuity, ...[but] instead you do what advisors now advise, which is you invest it, you keep it (Union Official 2, March 2014).

This union official points out that the sociological impact of the “deaccumulation” phase in which a worker’s individual DC fund diminishes over the course of their retirement, and how effectively individual workers manage their retirement income vis-à-vis longevity risk (i.e. how old one is likely to live), is mostly unknown. This speaks to one of

the advantages of DB plans since it is easier to calculate the age expectancy of a large group rather than an individual. As one former government official put it: “I can’t tell you what your life expectancy is. I can’t tell what my life expectancy is. But the larger the group, the easier it is to calculate fairly precisely the average life expectancy and therefore how much you have to fund for” (Policy Analyst 1, December 2014). Along with being exposed to new market risks for those with a DC plan, longevity risk is produced as another source of insecurity since savings cannot be pooled with other workers.

#### *Perceptions of risk and policymaking*

To what extent do workers, employers and policymakers perceive and understand pension policy in relationship to risk? One former government official who now works for a large public sector workplace pension fund discussed the public perception of risk and the effect this has on political leaders (Policy Analyst 4, October 2014). For instance, this participant asserted that the global financial crisis significantly increased awareness among the public about the risks of retirement savings and vulnerability of different savings schemes. This public concern ascribed a larger role for government to provide secure retirement savings. This government official contended that risk, therefore, could be this general feeling that shapes how the public perceives certain policy issues, such as secure DB pensions and their future income security during retirement.

However, other experts, in response to questions about the relationship between pension law and risk, claimed that the government does not necessarily think

in terms of “risk” when contemplating pension reform. One pension lawyer involved with establishing the Ontario Retirement Pension Plan (ORPP) did not think risk, broadly understood, “...is a major driver of policymaking in a conscious way”. Although this participant agreed that risk is a “design element” in the development of the ORPP, “...I don’t think that the premier got out of bed one morning and said, ‘I’d really like to spread risk, that would really be amazing’. I think she got out of bed and said, ‘I don’t think people are saving enough, I’d like to help them save, I’d like them to have a little more secure retirement’” (Lawyer 1, March 2015). Accordingly, politicians, such as a minister or a premier are more likely to think in terms of, “...who wins, who loses, what are the stakeholders going to think, how complex is this, who’s going to be mad if we do it” (Lawyer 1, March 2015).

This perspective speaks to the complexity of pension policymaking and how the general population understands the issues (as discussed in Chapter Six). One former politician I interviewed with experience working on Ontario pension policy during the mid-2000s agreed with this position. Although expanding coverage is about decreasing financial risk during retirement, this participant claimed politicians do not communicate risk in these terms, maintaining that,

...there is virtually no appetite for [pension policy] at a retail political level. Most people, their eyes glaze over when you talk about it. I would never go out to the hustings and say, ‘ladies and gentlemen, today I’m going to talk to you about our efforts to strengthen the private pension system.’ People will say, ‘why is he here?’ But these are important issues and you have to deal with them in a way that is a balance between competing interests, and then market it politically in a way that you don’t try to make it the main item on the menu...” (Lawyer 2, November 2014).



According to this former politician, talking about pension coverage in terms of risk is discursively ineffective in a political context. Workers, retirees, and sponsors – they are all concerned about whether their pensions will be protected and what the government is going to do about it. On that account, it is common for political leaders to view pension reforms in political terms and the level of contentiousness they will bring from different groups within society.

Similarly, this speaks to workers calling on their union to negotiate DC pensions in place of their DB plans when interest rates were high during the 1980s. These workers did not think in terms of risk, but rather how much they would be able to save. Pension policymaking, therefore, is not considered in terms of risk, but rather made in terms of how to best balance a set of interests.

### *Policy and the politics of risk*

While it may be true that government officials do not think directly in terms of “risk”, “risk-sharing” lies at the center of some recent policy initiatives and some even attempt to place responsibility squarely on individual workers. Moreover, the transfer of risk from employer to worker and the overall level of risk governments are willing to assume is hotly contested, as the recent case of New Brunswick’s adoption of target benefit plans illustrates.

It is important to note that the struggle over the transfer of risk within the context of workplace pensions occurs both provincially and federally, depending on which jurisdiction an industry belongs to. Regional political and economic factors, along

with the ideological underpinnings of various governments, also shed light on how risk is distributed (as illustrated in the Canada Post and Air Canada cases, in which both industries are federally regulated). In the case of Ontario, the provincial government has adopted a mixed approach to pension policymaking, one that has both set out to protect secure DB plans and expand government pension coverage, while simultaneously establishing legislative frameworks that expose individuals to more risks. However, the Ontario government has continuously challenged neoliberal pension policy proposals promoted by small business and insurance groups that have been supported by the Harper federal government (see Chapter Five for a more detailed discussion).

There is a spectrum of pension policy proposals that lie at the intersection between federal and provincial politics and policymaking. Located at this intersection are ideological commitments to opposing ideas regarding the extent to which employers should be required to provide retirement provision for employees, and more broadly, how much government should be involved. On the left side of the spectrum, calls are made for the expansion of CPP and OAS, while also seeking to protect and expand the DB system as means to promote economic growth and employee attachment. On the right side there has been a series of new policy initiatives that include Pooled Registered Pension Plans (PRPPs) and target benefit plans (TBPs). Proponents view PRPPs as a market-based solution to address decreasing coverage, remedying the need to expand CPP and OAS. Supporters of TBPs argue new risk-sharing models—a middle road

between DB and DC—are the best way to mitigate the volatility of pension contributions for sponsors, while maintaining some DB benefits.

As discussed in Chapter Five, decreasing pension coverage was becoming a growing concern for policymakers across Canada following the global financial crisis in 2007/8. Public fears over the solvency of many pension funds spiked, leading many to believe there was a “pension crisis”. The federal government’s response was to refuse any expansion of CCP and instead, it introduced PRPPs— a voluntary, “low-cost, tax-assisted option to increase retirement savings”. What is attractive about PRPPs is their conformity to neoliberal ideals of market-based solutions to social problems. PRPPs are *voluntary*. Employers do not have to provide them; the onus of saving belongs to the individual. The federal government, for its part, saw its role as a facilitator, providing new options for individual workers without a workplace pension to pool their money with other individual workers who wished to do the same. This position fit in with Harper’s broader commitment to business interests and his government’s intent to impose neoliberal austerity measures that repressed labour relations through coercive back-to-work legislation, as illustrated in 2011 during the Air Canada and Canada Post strikes (Stevens and Nesbitt 2014; Hoogers et al. 2016).

Target Benefit Plans (TBPs), on the other hand, were introduced by the federal government to address the distribution of risk *within* a workplace pension fund. TBPs would allow federally regulated private sector and Crown Corporation employers “to convert an existing DB or DC pension plan into a TBP” (Morneau Shepell 2014: 1). The major difference between a TBP and a DB plan is that, “TBPs can place explicit limits on

the volatility of employer contributions” (Morneau Shepell 2014: 1). This is designed to address situations in which a funding deficit arises. Rather than the sponsor being solely responsible for funding any shortfalls in the pension fund by increasing their level of contributions, a TBP can reduce accrued benefits, decreasing some of the volatility for employers sponsoring a workplace pension plan. In other words, a worker’s pension is promised if a set of financial conditions occurs. But the risk involved with economic downturns that threaten the solvency of the plan will be shared with plan members by enabling the employer to reduce member benefits. The federal legislation was modeled on New Brunswick’s pioneering Shared Risk Pension Plans that were introduced in 2012 (discussed above). The difference in the federal government’s framework is that it was not intended to be imposed on public sector workers, unlike in New Brunswick, creating a host of conflicts that led to Coalition NB suing the provincial government over a violation of their Charter of Rights. Several provinces—including Ontario, Quebec, Nova Scotia, Saskatchewan, British Columbia and Alberta—have introduced legislation allowing for target benefit plans, but have yet to proclaim this legislation into force. New Brunswick is the only province that has the full legislative structure required to operate TBPs.

It must be noted that “shared-risk” proposals have been politically contentious, while at the same time viewed as a means of saving Canada’s workplace pension system by members on both sides of the political spectrum. TBPs reflect a “re-imagining” discourse that has emerged since the mid-2000s. In simple terms, TBPs take the middle road between DB and DC. By limiting contribution rates for employers, much of the

volatility is removed for employers, encouraging employers to remain as plan sponsors with the hope that this will maintain higher levels of pension coverage for more workers. However, risk has now been shifted over to workers, where their pension is only promised if economic conditions permit. Along with the federal and some provincial governments, the former president of the Ontario Teachers' Pension Plan Jim Leech has also publicly supported shared-risk models. As mentioned in Chapter 6, his book, *The Third Rail*, was introduced as a discussion of how to mitigate Canada's "pension crisis", championing New Brunswick's adoption of TBP legislation. But some from the labour side, including Harry Arthurs (as part of his recommendations as commissioner of the OECP) have also called for a particular form of risk sharing. On both sides of the spectrum, many recognize that current economic, demographic and regulatory conditions make sponsorship of new DB plans in the private sector highly unlikely. For instance, over the past five years in Ontario, no new private sector DB plans have been offered to workers.

Alternatively, many labour activists initially saw the federal government's TBP proposals as a veiled attempt to kill public sector DB plans, setting a precedent for other jurisdictions. What's more, critics question whether "risk" is indeed being shared at all.

As one pension lawyer put it:

But they've literally transferred all of the problem on to the employee [in New Brunswick]. And then you step back and say who's best positioned to absorb this shared risk - they're not really shared risk, they're employee risk. The employer has risk only to the extent that they have to pay their monthly and that's it. It already had that obligation. They haven't taken on anything new. They've only gotten rid of problems (Lawyer 4, July 2014).

Many share this perspective, and as consequence, different groups that include retirees, labour activists and pension professionals have vehemently challenged proposed risk-sharing models.

This debate over shared risk has fed into pension policymaking in Ontario, shaping political dynamics between the province and federal government. Ontario's adoption of PRPPs and TBPs has occurred while the Ontario government has demanded the federal government expand CPP and OAS. At the same time, it has sought new ways to protect DB plans (see Chapter Five). Moreover, in 2014 Ontario established groundwork to form the Ontario Retirement Pension Plan (ORPP)—which if it had formally launched, would have been Canada's first public provincial plan since the establishment of the Quebec Pension Plan (QPP) in 1965. The ORPP is the first time a province has attempted to expand government administered pension coverage independently of the federal government since the introduction of the CPP. As discussed in Chapter Five, this move was viewed as a political strategy to pressure the federal government and other provinces into taking action on CPP. Harper's refusal to act on the issue limited Ontario from addressing this key social policy, deeply frustrating the Ontario government, becoming a key point of contention between Ontario's and the federal government's acrimonious relationship. As Canada's largest industrial base, Ontario had witnessed most acutely the vanishing of secure private sector DB plans since the 1980s.

Following the global financial crisis in 2008, pensions had been polling well and the Liberal provincial government made pension coverage a central item on their party

platform. As recent events attest, this was a political tactic that paid off. In June 2016, the Trudeau federal government and provinces (with the exception of Quebec and Manitoba) have agreed to expand CPP benefits. Premier Wynne and Prime Minister Trudeau forged a new alliance, melting past provincial-federal hostilities. On 22 June 2016, Ontario was identified on the front page of *The Globe & Mail* as a “catalyst for CPP expansion” with the claim that, “Ontario’s strong threat to go it alone on pension reform was the key factor in getting skeptics...to support the first major expansion of the CPP in its 50-year history” (Curry and Taber 2016: A1). These actions illustrate the limit to which the Ontario government is willing to allow individual workers to be exposed to market risks involved with saving for retirement and their ability to pressure other governments into action contained within Canada’s federal political structure.

When the Ontario Ministry of Finance set up the Ontario Expert Commission on Pensions in 2006, the mandate was designed to explore options to protect Ontario’s DB pension system. The first principle of the report set out by its mandate stated that: “*public policy in Ontario ought to maintain and encourage DB pension plans*” (OECP 2008: 19) (original emphasis). The government was intent on using the Expert Commission to conduct a systemic review of Ontario’s workplace pension system with a mandate to protect DB plans, as opposed to looking for a new alternative. This was a commitment by the Ontario government to *protect* accrued retirement savings for those with DB plans, while searching for new ways to expand pension coverage. This intent to protect DB plans sheds light on how officials in the Ministry of Finance valued

this system as an important mechanism to provide retirement income security into the future.

At the federal level, Ontario has combated market-based proposals, leading to an acrimonious public dispute with the federal government. Former Finance Minister Dwight Duncan made discussing CPP and OAS expansion a necessary requirement if Ontario was to introduce new legislation that would make the federal government's PRPPs available to Ontarians. Duncan claimed that PRPPs, "...on their own...are not effective" (Artuso 2012). The subsequent failure by Ontario and other provinces to persuade the federal government to expand CPP was a major reason for the establishment of the ORPP.

Given Ontario's prominent role in calling for CPP expansion, developing the Expert Commission to protect and promote the province's DB system, their initial rejection of the federal government's PRPP proposals, and the establishment of the country's first proposed public provincial plan since the 1960s, these actions point to Ontario's left-of-center ideological stance regarding the extent to which individual workers in the province should shoulder the risk of saving for retirement. On the pension file, neoliberal market based solutions for the provision of retirement savings have not been embraced whole heartedly. This speaks to Ontario's strong labour movement, large industrial base, and the central role workplace pensions have played within the collective bargaining relationship within Ontario's tradition of industrial pluralism. While it is true that the province is currently consulting stakeholders on introducing TBPs, and PRPP legislation was passed last year, these market-based



solutions have occurred in the shadow of the Ontario Retirement Pension Plan and the acrimonious dispute between Ontario and the previous federal government led by Stephen Harper.

### *Plan maturity*

Similar to other industrialized countries, Canada's workforce is rapidly aging and living longer. In 2010, Canada's first cohort of baby boomers began to retire. This demographic trend has placed new risks on DB pension funds in the form "plan maturity", meaning that the number of retirees begins to outnumber active members, creating pressures to raise more money to maintain the plan's funding status. This is made more difficult as Canadian life expectancy increases, in which DB pension funds must pay benefits for longer periods of time. In the 1980s, plan maturity was not an issue since there were not a lot of members retiring and because plan surpluses were so large that funding was still well over 100 percent. This changed in the 2000s. As one actuary quipped when describing this transformation, "[T]oday, the ongoing joke for the last ten years is GM is a pension plan who also makes cars" (Actuary 1, April 2015). In other words, the maturing of pension plans in many industries, particularly in the manufacturing sector, has required an increasing level of attention and resources to sustain the solvency of a company pension plan.

Table 7.4: Life expectancy at by birth, by sex, 1920 – 2009

Years	Males	Females
1920 to 1922	59	61
1930 to 1932	60	62
1940 to 1942	63	66
1950 to 1952	66	71
1960 to 1962	68	74
1970 to 1972	69	76
1980 to 1982	72	79
1990 to 1992	75	81
2000 to 2002	77	82
2007 to 2009	79	83

Source: Statistics Canada, CANSIM, table 102-0512 and Catalogue no. 84-537-XIE

Participants involved with plan governance interviewed for this project described the 2000s as a period in which employers sought to exit pension provision due to their volatile nature. As discussed in Chapter Five, the volatility involved with sponsoring a plan had threatened many employers' bottom line too frequently. This, coupled with low interest rates, plan maturity, and strict accounting standards led to a "rollercoaster" effect. As one actuary claims, "risk tolerance is what business are discussing and now that they've survived through the global recession and some of the darkest economic clouds have dissipated, they want to de-risk, or shift that risk off their books onto the workers (Actuary 1, April 2015).

This actuary describes the management of maturity risk by employers and fund administrators as a "balancing act", where there are different "levers" available to the fund manager. One lever is tolerance for investment risk: investing more in equity markets or other asset categories that involve more risk on part of the investor. In

Canada and internationally, many pension funds are seeking broader diversification in their portfolios to sustain plans, particularly in the face of plan maturity. For instance, according to the Towers Watson *Global Pensions Asset Study 2015*, since 2004, Canadian funds have increased their investments in “alternative assets” (i.e. non-traditional investments that are often less liquid and include assets such as infrastructure and venture capital-related projects) from 13 percent in 2004 to 22 percent in 2014. This diversification is to address risk tolerance: how tolerant are plans to different types of risk? If a fund manager does not want to increase contribution levels, they will have to get their investments working harder, especially in an environment where yields and interest rates have come way down.

Another lever is buying group annuities. Over the past several years, many pension funds in Canada have become fully funded. This has led some to purchase group annuities (which are very expensive), in which the asset and liability risk of the fund is shifted from the plan sponsor to the insurer. In 2013, group annuity purchases in Canada hit \$2.2 billion, symbolizing the strong funding status of pension funds and the desire of fund sponsors to expel the liability risk off their balance sheets (McFarland and Nelson 2014).

Fund managers, alternatively, can increase contribution levels from active members to offset plan maturity risks. But as this participant points out, this option also poses its own risks: "So as that contribution tool gets smaller and smaller, you have to figure out what you're going to do on the benefit tool, like introducing conditional indexing. Reduces risk a little bit. And your investment risk, dialing it forward, dialing it

back" (Actuary 1, April 2015). As such, the impact of an aging workforce can pressure fund managers into making decisions about how to mitigate the risks involved with plan maturity. The result of this tension will differ depending on the specific circumstances for each plan, such as plan size, the industry, and sector the plan's workers belong to and the plan's governance structure. Consequently, the risks posed by an aging workforce in the form of plan maturity presents fund managers and sponsors with a series of challenges that can make sponsoring a plan undesirable to an employer, while also compelling sponsors to make key decisions around contribution rates and investment decisions. The risks posed by plan maturity that stem from an aging workforce is one set of dynamics that play into the shift away from secure DB plans to individualized DC plans.

#### *Workforce composition and risk*

Workforce composition is also a factor in whether an employer is interested in providing a DB plan or not. A maturing plan will have members and a workforce that values their DB plan because retirement is on their horizon, so paying into it is worth it. This can also be a communication issue in that the pension plan communicates well with members in describing the value of their plan. Conversely, for a company with a younger workforce composition, there may be a much lower value proposition to the employer offering a DB plan. So the company will ask themselves, 'is this money worth putting into a DB plan, or a DC plan, or health benefits?' One participant claims that it is easy to blindfold workers on this tradeoff and it comes down to communication. These are some of the

dynamics occurring between employers and employees and the type of plan that is established:

So they've placed huge value on their pension plan and they're willing to pay for it. Where another employer, you might have a younger workforce: 'retirement is not on my horizon, I don't care if you're putting 25 percent of my compensation package, I'd rather put that in my pocket.' So they don't understand necessarily, they don't have the highest value, whether it's a communication fault of the plan, or the workforce composition. So those employers are ripe to say, 'it's all about value for dollar. Am I better to put it in their pay package, or into dental, or into DC plans so they can manage their own account.' From an HR perspective, unless you're willing to invest in the value composition, again, members, 'oh we're getting rid of our DB plan and replacing it with a DC plan, you control it and you take it where you go' – [it is] easy to blindfold people on that tradeoff. So I think that's - I wouldn't say it's necessarily driving the exit, but it's a factor in that if there's no value proposition to the employer offering a DB, they're going to get out of it (Actuary 1, April 2015).

This participant claims that employers can lose sight of the importance of strong DB plans, since putting all your employees in a DC plan, witnessing a global financial crisis where workers lose much of their retirement savings and then laying them off, this is a much more challenging conversation to have and is poor workforce management.

#### *Government, pension law and risk*

When asked about risk and pensions, several professionals spoke of the risk that legislation and regulatory rules pose to the voluntary workplace pension system in Ontario. One fund manager described the tension between the growing scope of regulatory rules as a factor that can make sponsoring a pension fund less attractive to an employer: "Ever since Conrad Black took money out of the Dominion pension plan, the regulators predominately have looked at every employer pension plan as the evil employer, so let's make the rules really, really tight, but because it's a voluntary system,

every time we tighten the rule, one or two more employers say, 'I've had enough'. So I think we need the legislative environment to evolve better" (Actuary 1, April 2015).

Another pension expert with experience working as legal counsel for the provincial government spoke of the unforeseen consequences of developing workplace pension legislation within a voluntary based system. When asked if the *Pension Benefits Act* (PBA) had a structural relationship to inequality in that it only protects those with a workplace pension, the participant said that, "pension law is intended to manage risks of a different sort", that being financial risk. But a body of pension law manages that risk by imposing increasing obligations on plan administrators, the investment managers, and plan sponsors. This participant went on to claim:

...we create a disincentive to employers making any pension promise at all to their workers. And so it seems to me it can subvert that aspect of social policy. And so in aid of protecting against this type of risk, we're also precluding the expansion of that kind of tool to achieve that public policy goal (Lawyer 5, April 2015).

The desire to protect one group of workers through legislating minimum standards can create an incentive for employers to want to get out of providing pensions altogether. In other words, there is a limit to how much regulation a government can establish before employers decide they want to exit from the provision of pensions.

Another participant who worked as a government official drew a direct link between diminishing pension coverage and the desire to expand government plans. The source of this shrinkage in coverage stems from the volatility in funding, impacted by fluctuating economic markets, "...and what we're requiring employers to do". Thus there is a balancing act that governments must play when regulating workplace pension

funds in a system that is voluntary. This was a concern during the mid-1980s when the Friedman Commission produced its report on Ontario's pension system.

### *Summary*

This chapter began with a story about policymaking and the transfer of risk. In the case of New Brunswick, the provincial government's introduction of target benefit pension plans eventually led to legal action by a group of angry public sector pensioners whose benefits were threatened. The premise of their lawsuit is the "right to security", as protected by the Canadian Charter of Rights. This is one example of a larger struggle over the transferring of risk of saving for retirement onto the individual, highlighting the dynamics between policymaking, government, employers and workers. As such, the transferring of risk is multifaceted and cannot be measured with a single metric. This process occurs *incrementally* and includes a broad range of struggles located in different economic jurisdictions, involving various policies and regulations, while often lying at the intersection of federal and provincial politics. Furthermore, it is not true that risk is simply becoming more individualized following a linear line from employer to employee. Instead, risk shifts between employers, workers and the state and is shaped by broader economic cycles and structures of inequality. The strength of union representatives at the bargaining table, retiree activism, business lobbying and ideological beliefs of governing parties mold the distribution of risk in society, as the example of New Brunswick, Canada Post and Air Canada illustrate.

The first section of the chapter discussed risk within the broader context of Canada's retirement income system to explore the relationship between inequality, poverty and workplace pensions. Since the 1970s, low-income rates dramatically decreased for men and women until the mid 1990s, from which point levels has slowly increased. Decreasing poverty rates and low income amongst seniors was due largely to the success of CPP, OAS and GIS. For workers with a workplace pension in Canada, since the 1970s, coverage has steadily shrunk for men, while growing for women, where today pension coverage is higher for women. These trends are explained by changes in the labour force, in which secure public sector jobs have increasingly been filled by women, whereas employment in private sector industrial sectors dominated by men has decreased dramatically. This section concluded with Figure 7.4, illustrating families whose primary earner has a workplace pension—especially if they have DB benefits—have dramatically higher levels of household assets than families without. Those with a DB plan are likely to have more education, be born in Canada, have a unionized job in the public sector, and have longer job tenure. While overall pension coverage is shrinking, those who do have a DB plan are significantly more secure. This dynamic sheds light on the socioeconomic implications of workplace pensions, where the workplace pension system is more likely to protect white-collar Canadian born professionals. In this light, workplace pensions become variable of inequality, expressed along class lines.

The second section of the chapter explored the dynamics of risk transfer amongst workers with a workplace pension. Amongst employees with a DB plan, the



most secure are those who belong to a large public sector jointly sponsored pension plan (JSPP). The scale of these plans makes them the most secure plans in Canada after CPP. Conversely, single employer DB plans (i.e. SEPPs) in which the employer is the sole sponsor and administrator operate on a smaller scale and are more at risk of facing issues of insolvency. This is partly due to the structure of Canada's collective agreement system and the competitive dynamic between companies within the same industry, which makes joint sponsorship in the private sector more unlikely. It is also due to other factors, such as an aging workforce, plan maturity, and workforce composition. Considering that employers sponsoring a SEPP are responsible for keeping the plan fully funded, contribution volatility, and the growth of regulatory rules, coupled with plan maturity risk, are factors that have compelled many employers to adopt "de-risking" strategies that include eliminating their sponsorship of DB plans or purchasing group annuities. As such, workers in DB plans in the private sector are at a higher risk of losing benefits or being moved into a DC plan, or some form of hybrid plan.

The result of decreasing rates of private sector DB plans has fueled the growth of DC plans, which represent the clearest example of risk transfer to the individual worker, where pooled retirement savings transform into individual savings accounts. Consequently, the shift to DC can currently be viewed as an experiment in risk redistribution, in which the social, economic and policy impacts of this risk transfer are largely unknown. Ring (2003) calls the move to DC the shift of "unpredictability". One can assume that individual experiences managing DC income will vary widely depending regional, industrial, and demographic characteristics of specific communities. Under a

DC plan, workers are not pooled together, but rather sit on an island of personal savings that they must invest appropriately if it is to provide adequate retirement income until their death. What is not clear is the extent to which individuals with a DC plan are successfully achieving this end. “Longevity” risk thus also becomes individualized, since one must now calculate *on their own* how long they are likely to live, and then invest their DC assets appropriately. This begs the question whether DC plans will increase poverty levels amongst seniors in the future?

Understanding risk transfer is further complicated given that many workers during the 1980s and 1990s with secure DB plans preferred to have a DC plan, in part, to capitalize on attractive invest conditions. This points to the relationship between economic cycles, a transforming labour force and perceptions of risk and security amongst workers.

However, in light of the growing popularity of DC plans in Ontario and elsewhere, DB plans still significantly outnumber the use of DC plans. The fight over protecting DB plans from the implementation of DC plans has been strong, as the Air Canada and Canada post strikes of 2011 illustrate. Importantly, there are other policy initiatives that factor into the struggle over the transfer of risk, such as the recent introduction of PRPPs and TBPs by the federal government. The former Conservative federal government used PRPPs as a market based solution to expand pension coverage without requiring contributions from employers. Similarly, TBPs are designed to shield private and public sector employers from the volatility of sponsoring a fully funded pension plan. These are policies that embrace DC pension models, which ultimately

place higher levels of risk on the individual worker. As more and more employers attempt to move away from DB plans, many view TBPs as one means to protect pension coverage by shifting some of the volatility on to employees.

Examining risk and policymaking is further complicated given that it is not clear the extent to which government thinks in terms of risk. According to some participants, they are more attuned to thinking in terms of pension coverage and, given the historical contentiousness of government pension files, particularly in Ontario, political leaders consider very carefully the political implications of how new policy proposals will affect employers, employees, and retirees. Ideology is also an important variable in this instance, particularly in terms of the extent to which a government believes individuals should be responsible for their own retirement. If it is true that a government does think workers should be more responsible for saving, they will then provide more opportunities to save more through vehicles such as PRPPs, RRSPs, and TFSAs. In this instance, risk is deliberately moved away from an employment context as a matter of ideological position. Arguably, this has been the case within recent federal pension policymaking. It would seem, therefore, the emergence of a risk society is dependent on not only structural factors determined by industrial development, but also ideological perspectives embedded in governing institutions.

As for Ontario, the Liberal government since 2003 has erred on the ideological side of government playing a larger role in helping workers save for retirement. The Ontario Ministry of Finance mandated the Ontario Expert Commission to find solutions that would protect and expand the DB pension system. They also hired Dr. Harry Arthurs

as Commissioner, a law professor who was known to be labour friendly. Ontario was a vocal supporter of CPP expansion, and ideological conflicts between former Finance Minister Dwight Duncan and his provincial and federal conservative counterparts over the implementation of PRPPs are well documented. Premier Wynne's establishment of the Ontario Retirement Pension Plan spoke to the determination of the Ontario government to expand pension coverage in the province, with or without the support of the federal government. Pension policymaking in this context illustrates the central role government plays in how risk is distributed in society vis-à-vis retirement savings.

Given the sum of these factors, the transfer of risk is distributed differently across various sectors of the economy in Ontario and other jurisdictions in Canada. Public sector employees belonging to JSPPs are the so-called "success stories" who's families experience the highest levels of financial security. However, the size of this group is not growing. For others in the private sector, particularly service industries, where short work tenures that are often part time will often not have a workplace pension. And for those who do, workers are increasingly being offered DC plans as employers administering SEPPs seek to exit the provision of retirement income.

Ideologically, the Ontario provincial government believes the market alone will not mitigate the risks involved with decreasing pension coverage, and therefore had embarked on a new public provincial plan. Ontario was successful in using the ORPP to pressure the federal and other provincial governments to agree to CPP benefit expansion. The extent to which this will decrease risk is unclear, given new benefits will not offset income loss linked to disappearing DB plans in the coming years. However,

this path-departing policy reform does pose a challenge to the process of individualization, pointing to a new willingness of some governments to provide more retirement income security to workers.

## CHAPTER 8 - CONCLUSION

“A good pension system delivers adequate, predictable, and secure income to retired workers. By that benchmark, Canada’s workplace pension plans are not doing well” – Elizabeth Shilton, *Empty Promises: Why Workplace Pension Law Doesn’t Deliver Pensions*, 2016

“What drove the expansion of CPP? The biggest single factor was the dire state of the traditional company pension” – Janet McFarland and Ian McGugan, *The Global & Mail*, 22 June 2016

This concluding chapter revisits key points of previous chapters to develop a broader narrative on the politics of pension policy, tying research findings into a larger picture to establish a clearer understanding of the current political context underpinning employer, employee and state relations, and what these trends mean for the future of pension policymaking. The first section provides a brief summary of key findings from each chapter, followed by a reflection on the utility of theories of risk and individualization to adequately explain pension politics and policy change. The third section discusses the changing contours of the public/private dichotomy of pension benefits, examining how recent trends points to the emergence of a rebalancing of risk in Canadian society, away from employers onto individuals and governments. The fourth section describes the contributions of this dissertation to scholarship on Canadian pension policy. Finally, the limits of this dissertation are discussed, along with opportunities for future research along with concluding remarks.

### *Summary of Key Findings*

In the introductory chapter, the primary research question of this dissertation asked: Why has the risk of saving for retirement shifted, and what factors have driven this? This question links the policymaking process to processes of risk, while the focus on Ontario provides insight into broader trends in pension policymaking outside the province.

Chapter Two established pension policymaking as situated at the intersection of economic-structural and institutional-political contexts. Furthermore, Chapter Four highlights this intersection and focuses on how the historical growth of pension systems reflect the tensions, struggles and contradictions of industrial development and the material reproduction of social formations. While the politics of pension policymaking is well documented by scholars (Bryden 1974; Myles 1989; Weitz 1991; Finkel 2012; Rice and Prince 2013), the examination of the practices of recent policymaking at the provincial level is absent. The focus on Ontario is thus unique, providing insight into broader trends in pension policymaking outside the province.

What is also unique to this dissertation is the theoretical and analytical framework developed in Chapter Three. Beck's "reflexive modernity" was used to theorize pension policymaking as connected to individualization, which represents the wider, social-cultural-political context that informs policy change. In other words, while reflexive modernity was used to investigate the broader institutional context of a new modernity in which pension politics occurs, the individualization thesis was used to

understand the relationship between the “ethics of everyday life” (Beck and Beck-Gernsheim 2002) and the policymaking process. This framework also placed the interaction between ideas, material interests and existing institutional practices at the centre of analysis, where historical institutionalism was used to consider how institutions conditioned the actions of policymakers, while ideational analysis was used to interpret how notions of risk materialize in policy change. Risk and individualization were thus considered determining factors that drove policy change, while also maintaining the constitutive role of class struggle in shaping pension policy.

Feminist political economy was also introduced in Chapter 3 to theorize the role of the gendered and racialized worker both historically and how pension systems have structurally disadvantaged women compared to men. This approach discussed the rise of pension systems in a white-settler society characterized a process of national building that sought to form a “white” Canada. As a result, feminist political economy significantly broadened discussion provided in Chapters 4 and 5, illustrating how women’s work historically has been undervalued, in which the earner was assumed to be male. Moreover, this approach highlighted how immigrant and racialized groups have been excluded from pension systems in Canada, constituting both a gendered and racial bias in the constitution of early pension systems.

Using Ontario as a case study, Chapter Five concluded that Ontario’s pension policymaking process since the 1960s is *cyclical*, in which demand for new policy reforms is closely linked to economic cycles and interest rates. This chapter also identified the 1990s as a critical juncture of individualization, where private sector



employers increasingly sought to exit the provision of secure, defined benefit (DB) pension plans. The 1990s set the stage for recent labour struggles in both the private and public sectors in Ontario, pointing to broader transformations in Ontario's labour market and union power.

Using the Ontario Expert Commission on Pensions (OECPC) as a case study, Chapter Six characterizes the pension policymaking process as non-linear, contingent on intersecting economic, political, institutional and ideational factors. Findings drawn from interview data reveal that the OECPC was partially the result of policy reforms made in the late 1980s to the *Pension Benefits Act* (PBA). These reforms led to a sustained period of policy drift, where successive governments through the 1990s failed to resolve class conflicts over the ownership of pension surplus, spurring demand for an expert commission to review Ontario's pension statute.

Chapter Seven returned to the issue of risk and individualization, where several conclusions were drawn using statistical and interview data and secondary literature. Data revealed how the transferring of risk occurs *incrementally* at different geographical locations in the economy. The distribution of risk is deeply contested by employees and employers, struggling to assert the extent each group should be responsible for providing secure retirement income. Risk does not transfer in a linear fashion from employer to employee, but rather shifts between employers, workers and the state. This struggle is informed by broader economic cycles and structures of inequality at the national and local level, influenced by variables such as union solidarity, retiree activism, business lobbying, and ideological affinities of ruling political parties. Thus, risk is

continuously contested. Deepening individualization may occur, but there are limits to this since workers and policymakers have resisted this process when they believed too much risk was resting on their shoulders. Put differently, while the consciousness of workers may be characterized by the increasing culture of individualization (Beck and Beck-Gernsheim 2002), in the context of retirement income in Canada, notions of collective responsibility established in postwar industrial society have not been fully displaced. The chapter concluded by arguing that the clearest example of individualized risk has occurred with the increasing use of DC plans, where retirement savings was no longer pooled, but individualized into personal savings accounts. Longevity risk has thus become the new mantra for workers who become responsible for calculating how long they will likely live and how to spend their retirement savings to ensure it lasts through the course of their old age.

### *Theoretical Reflections on Risk, Individualization and Workplace Pensions*

The current struggle over risk distribution exemplified by labour disputes such as Canada Post, Air Canada, and retired public sector workers in New Brunswick point to broader structural changes occurring between the market, state and labour movement. Since the 1990s, employers, predominately in the private sector, have successfully pressured unions to bend to their demands of introducing less secure pension plans, either in the form of two-tier benefit systems for new hires, or the introduction of hybrid plans for workers. For example, Unifor's recent acceptance of DC plans for new

hires is the first of its kind in the auto-manufacturing sector. In the light of these trends, along with recent CPP reforms, to what extent can we claim the risk of saving for retirement has conformed to the individualization thesis?

To a certain degree, Beck and Giddens' theories of modernity adequately capture dimensions of changes to Ontario and Canada's retirement income systems. At the institutional level, workplace pension systems in advanced industrial societies have undergone significant transformation within the current epoch of reflexive modernity. This can be observed through the transformation of the standard-employment relationship towards less secure, part-time, contractual employment in economies with diminishing manufacturing sectors and expanding service sectors. As the economy and social relations of production are transformed, the workplace pension system (that had been premised on full-time secure employment) struggles to maintain pension coverage for workers, and thus poses a new set of challenges for the worker who is increasingly left to address the social conditions in which they find themselves. The postwar 'social contract' of full-time employment premised on the male breadwinner model of social reproduction was actively dismantled throughout the 1970s during a prolonged period of economic crisis in the United States, Canada, and other industrialized societies (Beck 2001; Porter 2003; Harvey 2005; McBride 2005). For Beck, this was the time in which the 'risk society' emerged and reflexive modernization took root. The off shoring of much of North America's manufacturing sectors, stagnating wages, growing service sector industries, and the subsequent diminishing unionization density combined to undermine the security provided by the full time employment model. Institutionally,

workers were becoming more exposed to new threats of unemployment, stagnating wages, and rapid inflation as workplace pension coverage began to diminish through the 1980s to the current period.

The securities provided by DB pension plans eroded, often replaced by less secure DC plans that shifted the risk of retirement savings onto the individual. Since DC plans are individualized retirement savings accounts that the employee and employer contribute to, as a worker edged closer to retirement, they were faced with an array of options on how to invest their retirement savings. For example, retired workers today can buy annuities (either fixed, indexed, or variable) or Registered Retirement Savings Plans (RRSPs). They can also organize an investment portfolio built around mutual funds, bonds and/or equities. Workers wishing to retire early can transfer their accrued pension savings into a Locked-in Retirement Account (LIRA). Once retired, those wishing to access their RRSPs or LIRA accounts can open a Registered Retirement Income Fund (RRIF) or a Life Income Fund (LIF). As of 2015, workers with no workplace pension can opt-in to a Pooled Registered Pension Plan (PRPPs) that enables individual workers to participate in a large, pooled pension plan.

Describing these different investment tools illustrates how current and retiring workers without a traditional DB plan have to make important financial decisions about how to save for retirement. It is here where the individualization thesis becomes useful. As the workplace pension system is restructured, workers must become financially prudent, capable of managing their assets to establish and maintain their security during retirement. Consequently, current workers face more decisions on how to save for

retirement than previous generations of workers. To further complicate the issue, to make sound financial decisions, individual workers must factor in how old they expect to live and how to best spread their financial assets over the course of their remaining lives before death. This can also be challenged by one's gender, age, race and ethnicity. Only certain groups of workers will be entitled to DB and DC pension benefits, while many others will not. And for those fortunate enough to have a DC pension, depending on one's gender, age, and marital status, longevity risk will be further complicated by life expectancy, future care giving of dependents, both young and old. As life-expectancy levels rise, facilitated by healthier lifestyles and healthcare technologies, those who live into their late 80s, 90s and older face the risk of their retirement savings drying up during their most vulnerable years (which is determined by the quality of job they had before retirement). Insurance companies and pension funds call this "longevity risk" – that is, the risk associated with the increasing life expectancy of policyholders or pensioners<sup>41</sup>. Indeed, the consciousness of workers saving for retirement is affected by individualization.

"Retirement planning" and "financial literacy" are terms that are abundant in the reflexive modernization epoch when it comes to retirement. This is the precipice of post work, the "tyranny of choice" enforced upon workers, leading to a "nomadic" existence of retirement planning. As Beck and Giddens argue, at the individual level, modernity is a question of routinely choosing among alternatives or possible worlds. Consequently,

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<sup>41</sup> Shilton (2016) also identifies "interest rate" risk (i.e. having to calculate how changing interest levels will impact one's retirement savings) and "investment" risk (i.e. exposure to fluctuations in global financial markets) as other sources of risk that are placed on the individual with a DC plan.

as Giddens claims, “Living in the ‘risk society’ means living with a calculative attitude to the open possibilities of action, positive and negative, with which, as individuals and globally, we are confronted in a continuous way in our contemporary social existence” (1991: 28). The day-to-day life of the individual is shaped by this new late-modern identity, the personal dilemma of where to put one’s resources and to calculate how long these resources will be needed before the end of one’s life. Concerns about how the strength of global financial markets and the level of interest rates will impact individual retirement savings must be reflected upon by the individual worker, thus linking the global to one’s local, everyday lived experiences. Local practices must be replaced with “expert knowledges” to mitigate these personal risks, placing trust into financial advisors to aid in the establishing of one’s ontological security during post-work life. Retirement for many is now a question of *calculation*.

#### *The Pillars of Retirement Income: Wither Individualization?*

Indeed, risk theory and the individualization thesis provide an adequate description the ontological experience of workers who have a hybrid DB/DC plan, no longer have a DB plan, or never had one in the first place. However, as the findings of this dissertation revealed, the transfer of risk and the extent to which risk has been individualized is highly contested (at different sites of labour negotiations and policymaking) and that there is a *limit* to how much risk is individualized in the political realm of pension policy. Consequently, Beck’s theorization of political change in the risk society requires a more

nuanced understanding to sufficiently explain the relationship between politics and pension policy change.

Scholars of risk, citizenship and social policy (Giddens 1998; Culpitt 1999; Edwards and Glover 2001; Brodie 2007) have asserted that social policy in the risk society is qualitatively changing. As discussed in Chapter Three, this perspective claims the ‘traditional’ welfare state characterized by social entitlements has changed towards welfare ‘consumerism’. Individuals have transformed from citizen-recipients into rational citizen consumers in the risk society. Brodie (2007) argues that individualization—as the social, political and cultural context of contemporary modernization—has become increasingly embedded in neoliberal social policy reform processes in Canada and other Western democracies. Contemporary social policymaking is depicted as being dominated by hegemonic assumptions of the primacy of the individual, in which the state must facilitate the needs of rational, risk-taking citizen. Also, Beck (1992; 1999) and Giddens (1991; 1994; 1998) argued that globalization (economic, political and cultural) has limited the freedoms of national governments to address risks posed by the risk society. At the same time, confidence in policymakers has diminished, bringing into question their abilities to adequately reform policies to mitigate threats posed by globalization (Edwards and Glover 2001). In the field of workplace pensions, this transformation of the policy/citizen nexus is *questionable*, in that attempts to introduce pension reforms that establish neoliberal political rationalities have been mostly rejected. As findings in Chapter Five suggest, there is a political *limit* to individualized risk in the pension field, both public and private. This

finding parallels other scholarship claiming that neoliberal pension policy reform has been largely unsuccessful (Béland and Myles 2005; Karimi 2012; Myles 2013).

Subsequently, if individualization is the process by which individuals are separated from the traditional securities of industrial society, then recent policy changes that are attempting to strengthen pension rights brings into question this process. This is not to say individualization has not occurred. Rather, it means that the response of workers to this context has fuelled the desire for renewed collectivization.

To fully capture why this has come to be, this dissertation examined the changing relationship between the pillars of retirement income in Ontario and Canada and the role of risk. As discussed in Chapter Seven, the risk involved with providing secure retirement income is distributed among individuals, employers and governments. Risk, however, is also distributed between pillars, and the placement of risk is politically driven by jurisdictional and institutional factors, along with the balance of class forces.

First, employees and employers vigorously fight over who should be responsible for the risks of involved with retirement income security. Chapter Seven highlighted examples of these struggles, including labour conflicts at Air Canada, Canada Post and legal action by retired public sector workers against the Government of New Brunswick. Since the 1990s, large employers in private and public sectors have been exiting the provision of secure DB plans, replacing (or attempting to replace) them with less secure DC plans, hybrid DC/DB plans, and/or introducing two-tier pension systems. Statistical data examined in Chapter Seven illustrated the rapid decline of DB plans in the private



sector in Ontario and across Canada. Since the 1980s, there has been a downward trend in workplace pension coverage, showcasing the overall shift of risk onto the individual worker.

However, governments over the past ten years have responded to this trend. Governments assume some degree of risk when regulating workplace pension systems, either through legislation (such as minimum standards) or other government actions (such as providing government bailouts). In Ontario and elsewhere, it is in the interest of government officials to ensure that workplace pension benefits promised to workers and retirees are protected. If a group of workers is suddenly stripped of their retirement benefits (usually due to their employer becoming bankrupt), workers will call upon government to either bail out their pension benefits, or provide other social supports to establish a minimum level of security. This occurs as other workers witness these events and fear their pensions could suffer a similar fate. Indeed, past bankruptcies that have eliminated or substantially reduced pension benefits have motivated new legislation to establish minimum standards of protection.

The analysis of pension policymaking in Ontario in Chapter Five documented this process, where the Ontario government, at different points in time, had assumed a degree of risk involved with securing retirement income for workers. One example was the establishment of the Pension Benefits Guarantee Fund (PBGF) in 1980, which launched the Ontario government into the role of administering Canada's first and only insurance scheme for failing workplace pension plans. This increased the government's involvement in ensuring that workers were not completely abandoned financially by

bankrupt employers who could no longer pay pension benefits. Another example was the bailouts provided by the Ontario and federal governments during bankruptcy negotiations through the mid-2000s to protect the solvency of large, private sector pension plans.

Governments will also identify and respond to conditions that are deemed too risky for individual workers. For example, this occurred leading up to the global financial crisis during the mid-2000s, when several provincial governments (Alberta, British Columbia, Ontario and Nova Scotia) became concerned with decreasing coverage, catalyzing provincial reviews of the sustainability of their respective workplace pension systems. The findings of these reports made clear workplace pension systems required new fixes, through “improving the operation of existing plans by contemplating new arrangements better adapted to current conditions” (Baldwin and FitzGerald 2010: 13). For instance, Alberta, British Columbia, and Nova Scotia proposed the creation of new provincial pension plans, while Ontario proposed large pension plans be able to provide pension administrative services to small organization and individuals (Baldwin and FitzGerald 2010).

It is at this juncture that we can observe how the political context of Pillar Three (i.e. workplace pensions) impresses upon the politics of Pillar Two (CPP), altering the public/private dichotomy of pension benefits in Canada. While it is true that these reports did not directly recommend CPP expansion as a policy solution to decreasing coverage, these reports nonetheless acknowledged that workplace pensions systems could not be relied upon to provide sustained retirement security for the majority of

Canadian workers in their current state. The economic conditions following the global financial crisis intensified concerns about workplace pension systems, fueling new discussions regarding CPP expansion. As documented in Chapter Five, since 2010, Ontario played a leading role in demanding the federal and other provincial governments expand CPP along with other groups such as the Canadian Labour Congress (CLC). Ontario continuously pestered the Harper federal government, first with demands to expand CPP expansion, then resisting Harper's Pooled Registered Pension Plans (PRPPs), then with the establishment of the proposed Ontario Retirement Pension Plan (ORPP). The risks posed by slumping coverage levels in Ontario were viewed as a threat both to workers and to government, because eventually government would have to respond to the needs of retired workers with inadequate retirement income with other policy tools if no reform occurred. Consequently, risk became an object of negotiation between provincial and federal policymaking processes, traversing multiple pillars within the retirement income system, renegotiating the public/private policy divide. Arguably, Ontario was unwilling to assume increasing levels of risk *by itself*, as a single governing institution.

At the individual level, acceptable levels of risk can be viewed as being associated with economic cycles and interest rates. The economic hit suffered by many pensions plans following the global financial crisis heightened concerns of workers and retirees over the security of their pension benefits. Pensions began to poll well in Ontario, where voters gave the Ontario Liberal Party a fresh majority government in 2013 premised on a platform that included establishing the ORPP in the absence of

plans to expand CPP. At the same time, interest rates remained low, decreasing the value of DC accounts, RRSPs, and other individual savings vehicles. The value placed on DB plans was different in the mid-1980s when interest rate levels were high, leading some workers to request that their unions provide DC plans rather than DB plans to capitalize on high return rates. Risk in that context was associated with *remaining* with a DB plan that imposed smaller returns in a fixed benefit context.

The assertion by risk theorists that globalizing forces are transforming the welfare/citizenship nexus away from a model premised on risk sharing to one in which the state must facilitate the needs of rational, risk taking citizens does not ring true for pensions in Ontario (and Canada). Governing institutions such as Ontario and citizens alike called for CPP expansion as one remedy to the failures of workplace pension systems. In the current economic context characterized by low interest rates, precarious labour markets, stagnating wages and growing income inequality, what is deemed *rational* by many is the pooling of risk. Beck's emphasis on the role of new social movements does not satisfactorily describe pension politics in Canada, because to a large extent, sub-national governing institutions have played a leading role in pushing for policy reform. Moreover, unions, rather than interest groups, still provide leadership on protecting the pension benefits of workers and advocating politically for pension reform. In other words, given that the balance of class forces that facilitated the emergence of workplace pension benefits, current changes to this balance provide clearer answers to why governments are increasingly responding to individualization. In

the context of workplace pensions, the “sub-politics” in which interest group “from below” lobbying political officials does not adequately explain Canada’s pension politics.

This claim that class remains a central factor in explaining pension policy is made clearer by interrogating Beck’s notion of class as a “zombie” category in reflexive modernization. Zombie categories, discussed in Chapter Three, are traditional discourses and cultural practices of industrial modernity that live on in the risk society, even though their constitutive power as a social institution is diminishing as society “de-traditionalizes”. Some examples include the nuclear family, traditional gender roles and neighborhood. Beck also claims that class and full employment are zombie categories (Beck and Beck-Gernsheim 2002). For example, as post-industrializing societies experience growth in part time, flextime work, these emerging economic conditions come to characterize reflexive modernity, while the fulltime industrial wage become a category of the past, or a “zombie” category. Government attempts to respond to these changes are ill fated because they rely on antiquated categories to prescribe new policies. In this light, class also becomes a zombie category. According to Beck, in reflexive modernity, examining how these economic changes affect workers’ consciousness using class analysis does not satisfactorily capture what is *actually* occurring in people’s heads. Class has become a zombie category because the experience of living in poverty, or belonging to a working class, has qualitatively changed (Beck and Beck-Gernsheim 2002). As a result, society becomes more differentiated with the emergence of new cultures of individualization, spawning a new politics of everyday life that abandon traditional institutions of political engagement.

The findings of this dissertation dispute aspects of the notion that class is a zombie category, given the historical and ongoing role unions play in protecting pension benefits for workers. Because unions are still the primary institution that protects pension benefits for workers, class identity vis-à-vis pension politics continues to be important: that is, the identity of workers and their retirement income benefits remain intertwined with their union membership. It may be the case that class is a “zombie” category in other dimensions of one’s personal life (through involvement in subcultures of individualization, such as environmental or dietary issues). But the struggle to protect one’s pension is defined by workers seeking protect their benefits through union membership. For workers who are not unionized, and who do not have pension benefits, indeed, class is a “zombie category”. But for unionized workers with pension benefits, collective identity continues to be important, expressed through collective bargaining, acts of solidarity, and other forms of political engagement.

While it may be true, according to Beck, that politics is increasingly related to individual freedom, individuals also remain free to choose to remain within the collective, in the form of a union, or seeking to protect pension benefits with other workers through other means, such as legal action (e.g. NB Pension Coalition). In this context, governments are not reacting to subcultures of individualization, but are instead reacting to the demands of workers to collectivize retirement income risks. Recent CPP reforms can be understood in this light. This argument does not refute the existence of reflexive modernization or individualization in the contours of pension politics. However, the individualization thesis vis-à-vis *workplace* pension politics must

be revised to account for individuals that seek collectivization, or an individualization that leads to collectivization. In this light, class is not a zombie category, but a category that is *alive*.

With this said, recent CPP changes can be also be understood as the federal government responding to individualization. In October 2016, Federal Finance Minister Bill Morneau said Canadians should get used to short-term employment (The Canadian Press 2016). He envisioned a new role for the federal government to find new ways to support precariously employed Canadians that will encounter more frequent career changes. Morneau described recent CPP changes as one move in this direction, calling it, “a recognition that people aren’t going to have the same pension benefits” as past generations (The Canadian Press 2016). Addressing the needs of all workers, not just those with workplace pensions, Morneau depicts the federal government as having to modernize its approach, by abandoning the zombie category of fulltime industrial employment. CPP expansion has been used to serve this need. Ironically, the federal government’s response to emerging labour conditions has been to *collectivize* retirement income risk by expanding CPP.

Through this lens, within the context of pension politics, the effects of individualization are thus *different* between workers with a workplace pension and the broader labour force. Transformations in the retirement income system have different meanings for workers with or without a workplace pension, establishing different institutional connections between employment and retirement income security. Unionized workers express their demands for retirement income through their union,

while non-unionized workers must express their demands through other means, generating different forms of individualization and therefore consciousness. These differences illustrate some of the contradictions present in the relationship between individualization and pension policy.

### *Renegotiating Pension Politics*

Today, the political dynamics between public and private pensions is entering a new critical juncture of policy change. What is occurring is the movement of two tides: the retrenching of workplace pensions and expansion of the public pension system. This points to two trends: 1) a changing terrain of class power as it relates to retirement income security; and 2) the emergence of new period of pension politics that is transforming how risk is distributed between employers, employees, and the state. The result of these trends is that new ideas are modifying the path-dependency of governing institutions and policymaking processes.

These trends can be observed in several locations of the workforce and public debate and are linked to changing labour force conditions. Characterizing this current period of reform is the growing chorus of voices that seriously question the future viability of Canada's workplace pension system to ever provide adequate income security to the majority of workers. As mentioned above, Federal Finance Minister Bill Morneau in October 2016 said Canadians should get used to short-term employment (The Canadian Press 2016), using CPP to support precariously employed Canadians.



Morneau's conclusions are similar recent scholarship on pensions. In her recent book *Empty Promises: Why Workplace Pension Law Does Not Deliver Pensions*, Elizabeth Shilton (2016) portrays Canada's workplace pension system as a "failure" (p. 173), in which "workplace pension plans have had their day" (p. 182). In her blunt critique, Shilton details how voluntary system has been structured to service the interests of employers, leaving workers little ability to negotiate strong pensions. The only way in which to mitigate the structural inadequacies, according to Shilton, is renewed state action.

This perspective can be also found in debates within the labour movement regarding high profile labour negotiations at Canada Post and the auto manufacturing industry. Unifor's recent acceptance of a two-tier pension benefits system for new hires stirred controversy. Sam Gindin, former director of research for the Canadian Auto Workers Union, describes Unifor's recent agreement as a "betrayal", in which the Canadian labour is facing a broader crisis that is "wide and deep" (Gindin 2016a). Gindin claims Unifor is taking the union down a "dead end street" of permanent cuts to pay and pension benefits (Gindin 2016b). Similarly, Sid Ryan, former president of the Ontario Federation of Labour, characterizes Unifor's deal as selling out future workers, setting a new precedent of labour negotiations that is similar to a "cancer", that will "spread like wild fire into every workplace in the country, across public and private sectors alike" (Ryan 2016). Bill Murnighan, Unifor's current director of research and member of the Master Bargaining Committee, in response to Sam Gindin's vitriolic lamentations, defended pension concessions, in part, by arguing the timescale of

enhanced CPP “will be in force by the time they retire” (Murnighan 2016). This debate highlights the extent to which actors in both government and the labour movement believe government must provide new measures address the failures of the workplace pension system. Indeed, the events of 2016 underline the extent to which a new period of pension politics is emerging, characterized by deepening individual risk as employers secure new victories over workers that place the risk of retirement income security increasingly onto workers.

As more risk is placed on the shoulders of individual workers, this generates new provincial/federal political dynamics in the field of pension policy, where the failure of Canada’s private pension systems is impacting the welfare state politics of Canada. The decrease in private benefits is leading to growing inequalities across Canadian society, generating new political tensions that intensify pressure on governments to respond. Consequently, as unions are unable to protect existing pension benefits, a link can be made between growing individual risk and ideation. New ideas, such as the expansion of CPP benefits, are inserted into policy reform discussions, where class struggle, individualized risk, and ideation become factors that drive policy reform.

These dynamics highlight the theoretical contribution of this dissertation. In this emerging period of pension politics, the public-private dichotomy is taking on a new meaning, where one policy area (workplace pension policy) is affecting other policy areas (public pension policy). Since private pension policy is provincially regulated<sup>42</sup>, examining the political dynamics of retirement income at the provincial level provides

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<sup>42</sup> The exception to this are federally regulated industries, such as transportation and communication industries.

an effective starting point to investigate how class struggles in the workplace impact trends outside of the province. The origins of the proposed reforms made to the CPP in June of 2016, can therefore be understood as being embedded in provincial dynamics of workplace pension politics. Furthermore, by investigating pension policy within the context of reflexive modernization, a nuanced account of the differing dynamics between workers with and without workplace pensions and expressions of individualization is provided. What is revealed is a set of contradictory dynamics in which processes of individualization can lead to new politics of collectivization.

### Contributions

The primary contribution of this dissertation is to examine pension policy change through the sociological lens of risk and individualization, while investigating the constitutive role of class struggle and ideation. Moreover, a methodological contribution has been made through using workplace pension policy dynamics as a case study to explain what has driven current public pension changes at the national level. In doing so, this dissertation moves beyond the focus of recent scholarship that has examined institutional (Béland and Myles 2005), class (Karimi 2012), and legal frameworks (Shilton 2016).

The conclusions discussed above do confirm findings of scholarship positing pension policy as the least affected arena in the retrenchment of public policy, albeit for different reasons. Béland and Myles (2005) argue that neoliberal pension reformers in

Canada have been unsuccessful in depicting Canada's system as unfair, since a disproportionate amount of benefits goes to the bottom end of the income ladder. Neoliberal rhetoric has thus not taken hold. Similarly, Karimi (2012) also asserts that neoliberal attempts to reduce public retirement income programs have failed. Instead, however, he argues that this is due to the primacy of Canadian political discourse on national unity, serving to maintain principles of collectivity and universalism (p. 352). National political settings (such as the need to unite Anglophone and Francophone regions) shape the interplay between class, party and nation, providing a specific variation of Keynesianism in the postwar period that has resisted neoliberal policy experiments vis-à-vis retirement income security (p. 358).

Indeed, conclusions drawn in this chapter are congruent to these findings, illustrating the extent to which workers will reject continuing trends of individualized risk in the workplace, leading to growing calls for government action. Given recent CPP reforms, neoliberal pension reformers have been silenced for the time being. However, this conclusion has been formed through the examination of workplace pension policy while adopting the theoretical lens of risk society, illustrating one significant contribution of this dissertation. The recent changes to CPP cannot be only understood as neoliberal pension reformers lacking legitimacy, or as the product Canada's national political setting. Although the author agrees these are contributing factors at the discursive and structural level, this dissertation has illustrated the extent to which the emergence of this current period of pension politics is fueled by the politics of provincial policymaking and workplace pension systems in reflexive modernization.

### *Research Limitations and Future Research*

One major limitation of this study is that it relies heavily on the opinions of “pension experts”. That is, white collar, professionally trained individuals whose involvement with pension issues is typically based on their educational background and professional status. This dissertation did not interview retirees, pension members, or workers with any pension benefits due to limitations of parsimony. Consequently, the data gathered through interviews is shaped by the views of one group in comparison to other groups. Their experience of transformations to the workplace pension system in Ontario is likely different from other classes of workers.

Another limitation is that this dissertation does not take up the question of race, nor explore in deeper terms the role of gender in the politics of pension policymaking. To what extent has pension policy been structured along racial lines? What’s more, how has race intersected with gender and how is this reflected in the policymaking process?

This dissertation also lacks comparative dimensions with other jurisdictions, both at the provincial level in Canada and internationally. How do other sub-national jurisdictions of pension policymaking compare to Ontario’s regarding the extent to which risk has been individualized? And do the politics of pensions in other sub national jurisdictions inform broader national public policies similarly or differently than Canada?

These limitations provide future research opportunities. In terms of risk, as others have pointed out, we know very little about the long term social effects of DC plans (Ring 2003; Baldwin 2008; Baldwin and FitzGerald 2010; Union Official 2, 2014).

Embracing DC plans as an alternative to the workplace pension plans is an “experiment” in which we do not understand the long-term impact. Ring (2003) claims that the greater-use of DC plans has transferred the “unpredictability” associated with providing pension benefits, such as increased longevity and fluctuating investment returns. Furthermore, this unloading of risk is typically transferred onto workers with “modest incomes” (Ring 2003: 69). Given this reality, future research should examine the long-term effects of risk transfer in workplace pension benefits in the Canadian context. One can also investigate how these processes are gendered and radicalized to reveal new inequalities that exist within the retirement income system. As such, findings of this dissertation provide a starting point in which to examine emerging trends in class power and welfare state politics to further interrogate theories of risk society and individualization.

### *Concluding Remarks*

What is novel about the current period of pension politics is the degree to which many are claiming the days of secure workplace pensions in the private sector are numbered. One way to interpret the expansion of CPP benefits is that some governments, unions, and other stakeholder groups are acknowledging in clearer terms that workplace pensions will be unable to provide secure retirement income in the long term. This brings into question how pensions will be organized over the following decades, which if current trends continue, DB pension plans in the private sector will disappear

altogether. As the industrial employment relationship changes, workers are not afforded levels of income security experienced by previous generations. This does not necessarily mean that Canada's pension system will be fully influenced by individualization. What it does mean, however, is that governments will continue to be called upon by workers, retirees, unions, and other governing institutions to mitigate the effects of individualization in the field of pension policy. The future welfare state, therefore, must respond to these transforming working conditions in new ways that enable workers to pool risk across sectors, enabling workers to establish new forms of security in the twenty-first century. Governments will have to strengthen public pensions as the most practical institutional response to growing levels of individualization in the retirement income system.

## Appendix A - Research Methods

This project uses a mixed-method approach that draws from three data sources: interview transcripts produced from 22 semi-structured interviews with pension professionals, descriptive statistics retrieved from Statistics Canada, and *Hansard* transcriptions of parliamentary debates of the Legislative Assembly of Ontario retrieved online.

### *Interviews*

The largest source of data originated from interview transcriptions. 22 semi-structured interviews with pension experts were conducted. Interview length ranged from 30 to 270 minutes, with the majority of interviews averaging 60 minutes. Interviews were conducted between March 2014 and June 2015. Two participants were contacted for a follow-up interview. 21 of the interviews were conducted in Toronto, and one in Ottawa. Types of professionals interviewed included the following:

- One pension regulator;
- Three pension lawyers (two government lawyers and one labour lawyer);
- Eight government officials (five policy analysts, one politician, one pension regulator, and one contract researcher);
- Seven union pension staff (three pension officers; four research officers);
- One stakeholder (pension expert - private sector lobby organization);
- Two public sector pension fund management staff



The purpose of these interviews was to examine the “experts account” of a set of different professionals on the topic of workplace pension policy issues in Ontario and the extent to which the risk of saving for retirement has been individualized since the mid-1980s. I chose to interview professionals given their direct involvement or close proximity to the pension policymaking process with the assumption that experts are best able to provide insight into relationship between institutions and ideas.

Although all my participants are all pension “experts”, I interviewed a broad range of experts—women and men—whose ideological affinities lay on either side of the structural antagonism between employers and employees, and who work in different professions (such as actuaries and lawyers). I interviewed bureaucrats, political staff and regulators to analyze different institutional perspectives located within the state. Union officials with collective bargaining experience in public and private sectors were also interviewed. Therefore, experts that participated in my research are heterogeneous to some extent.

I have used these interviews to chart an historical account of changes to the events leading to legislative and regulatory reforms to the Pension Benefits Act and other related statutes in Ontario. Furthermore, these interviews were used to learn about key debates and other specific social, political, and economic factors that have fed into the broad contour of pension policy reform in Ontario.

There were two rounds of interviews. In the early stages of this research, I had very little knowledge of the field of workplace pension policy in Ontario, and given this area of provincial policy is very broad, technical, and complicated, the first set of

interviews were used for educational purposes for learning about important issues and key events. These interviews served to develop knowledge about relevant historical economic, social, and political events that have shaped Ontario's pension policy. I also built an understanding of the administrative aspects of policymaking, including how pension legislation and regulations is drafted and the basic procedures of managing a pension plan. It was through this exploratory process that I learned about other specific issues facing Ontario's workplace pension sector, including, for example: the economic relationship between interest rates and fund surpluses; the Pension Benefits Guarantee Fund; differences between public and private sector pension plans; and the relationships of pension plan maturation, plan solvency, and company size. These are themes and issues that were brought to my attention through my interviews, which was fundamental to the analysis provided in this project.

Once I had established a strong understanding of Ontario's workplace pension system, the remaining interviews were used to explore specific topics that came to light during the first round of interviews. This round of interviews explored in closer detail the 'expert's account' of how workplace pension policy has changed and why. I asked participants what they viewed, in their opinion, of why a specific event occurred, or what, in their opinion, they saw as the outcome of a particular pension commission, decreasing interest rates, or factors feeding into a new piece of legislative reform etc. Participants would then give their accounts as experts and professionals who have worked in Ontario's pension sector.

Nineteen interviews were audio recorded and transcribed using *ExpressScribe*. These transcriptions were then uploaded into *NVivo* and analyzed thematically, grouping data into specific thematic categories relating to policymaking and the broader political and economic context in which policy change occurs. The goal of thematic analysis is to summarize the dataset in relationship to the research question (Aguinaldo 2012: 796). The content of the data is the focus of this method, from which data is then grouped into specific categories to “describe a particular social phenomenon” (Aguinaldo 2012: 796). This method was used to code topics of conversation, collating them into themes to create a ‘thematic map’ to organize the dataset into categories. This allows to me to both provide summaries of what my participants discussed and to develop an historical account of the factors that have shaped the policymaking process.

As I coded each transcription, I wrote extensive memos summarizing topics of conversations into my own words. These memos were also used to synthesize patterns and themes that arose from the interview data. These memos were then further developed into the analysis provided in various chapters.

To reconstruct a historical account of the policymaking process of Ontario’s workplace pension policy, I triangulated the accounts given by various participants, comparing similarities, differences and contradictions. These accounts of pension experts were brought together with historical academic literature, grey literature, and media publications. I do not make the claim that there is a single historical account that “exists” and must be discovered. Rather, this project collected a series of expert

accounts that contain some differences and contradictions, along with similarities, that together provided a historical description Ontario's pension policymaking process.

### *Hansard Parliamentary Transcriptions*

To supplement the historical data gathered from the interview data, I analyzed Hansard Parliamentary transcriptions accessed online from 1987 to the current period. These transcriptions were analyzed thematically, while providing historical knowledge of key issues during specific historical periods. These transcriptions were an important source of historical and institutional data on evolving political debates concerning different aspects of pension policy. The data provided a textured account of how class tensions over particular pension issues were expressed through partisan debate. These transcriptions also captured ideational processes, illustrating the origin of particular idea and the extent to which particular ideas become law and others that died at hands of partisan debate.

### *Descriptive statistics*

Descriptive statistical data was used to examine Ontario and Canada's retirement income system vis-à-vis inequality and poverty levels from a structural perspective. This data illustrates longitudinally the broader structural context in which pension policy in Ontario and across Canada occurs, providing key insights into changing levels poverty and pension coverage along gendered, occupational, and educational lines. One can also use this data to draw generalizations about individualized risk in different economic

jurisdictions. Data sources include the Organization for Cooperation and Economic Development (OECD) and Statistics Canada. Data was drawn from either statistical analysis provided in publications, or generated using data building functions online offered by each organization.

## Appendix B – Ontario pension policy timeline

- 1950s – companies became interested in pensions funds because they could use it as a tax shelter for their profits. Accounting standards at the time did not force companies to put pension liability expenses on their books. Funding rules did not exist at the time and companies would pay-as-you go into their pension funds.
- 1950s-1960s – several high profile company closures take place in Ontario that wipe out retirement savings for many workers because pensions were being paid from payroll.
  - Starts impetus to put in place pension legislation.
- 1965 – *Pension Benefits Act* begins, January 1<sup>st</sup>.
  - Purpose of legislation to was to provide security for benefits by establishing funding rules separate from the organization through prefunding – ‘minimum standards’.
  - Required trust funds to be established and regular financial reviews.
  - Legislation introduces concept of funding for benefits and concept of accrual.
- 1960s-70s – Prefunded pension plans were mostly group annuity contracts with insurance companies.
- 1970s – interest rates begin to rise and companies see opportunity to manage company pension fund in-house to collect profits rather than pay an insurance company to administer benefits.
  - Companies set up trust funds and move away from insurance business.
  - Easy to generate good returns in global bull market.
- 1980 – Establishment of the Pension Benefits Guarantee Fund (PBGF).
- 1980 – The Royal Commission on the Status of Women
  - Highlighted the disproportionate level of women living in poverty during retirement
  - Served to active a national debate that would continue through the 80s about improving Canada’s retirement income system to better help women by doubling CPP benefits.
- 1981 – *Report on the Status of Pensions in Ontario* (Haley Report)
- 1982 – Canadian economy sinks into recession
- 1984 – *Ontario Proposals for Pension Reform* (led by provincial treasurer Larry Grossman)
- Early 1980s - Honda plant closure that took away a group of workers’ early pension benefits helped lead to PBA reform
- Mid 1980s – Dominion Case (Conrad Black)
  - Institutionally, this case served to make the Pension Commission of Ontario (provincial regulator) more conservative after severe backlash to a ruling allowed Conrad Black to withdraw pension fund surplus.

- Early to mid 1980s – Canada adopts new American accounting standards that force business to put pension solvency onto accounting statements, substantially increasing the liability and expense of pension plans.
  - Surpluses begin to decrease.
- 1987 - *Pension Benefits Act* – Second major reform of the PBA
  - Bill 170 receives Royal Assent in Ontario Parliament, legislation begins, January 1<sup>st</sup>.
- 1987 – Premier Peterson organizes the *Task Force on the Investment of Public Sector Pension Funds* chaired by Malcolm Rowan to address the low funding status of the government agencies administering public sector pension funds in Ontario.
  - Produces the report, *In Whose Interest? Report of the Task Force on the Investment of Public Sector Pension Funds*.
    - The report argued that public pension plans should be subject to the same financial and disclosure standards as corporate plans. These plans should become independent legal entities that reflect industry best practices and should not be used to further government public policy aims – only stakeholder interests should be considered.
    - Report laid ground work for joint-sponsorship model in public sector plans, which famously helped establish the Ontario Teachers’ Pension Plan (OTPP), turning it from an underfunded “arcane” government agency to one of the largest and most successful public sector occupational pension funds in the world.
- 1987 – October 19<sup>th</sup> – ‘Black Monday’ stock market crash.
- 1987 - Friedman Task Force recommends that companies can only withdraw surplus pension funds if they have provided partial indexing for future retirees. Current retirees, the majority of whom receive non-indexed pensions, are ignored.
  - Reform proposals were mostly unsuccessful through the 90s and indexing pensions benefits remains a contentious issue.
- Late 1980s – pension system is awash in surplus due to high interest rates for most of the decade, leading to court cases on how to divide surplus.
  - Leads to acrimonious debate over who owns surplus.
  - Government introduces moratorium on surplus refunds.
- 1980s – by the end of the decade, movement away from the idea that pensions was a reward for long service to the idea of differed compensation.
- 1980s – change in philosophy towards joint-sharing for public sector plans.
- 1990 – January 1<sup>st</sup>, Ontario Teachers’ Pension Plan was established. Prior to this, OTPP had been sponsored solely by the Ontario government. Assets of the plan had been invested in government bonds only.
- 1990s – interest rates steadily decline through the 1990s.
- Early 1990s – Canada suffers through economic recession lasting to until 1994.

- Recession leads to significant downsizing of large corporate employers in Ontario, where company pension plans are becoming viewed more as a liability.
- Early 1990s – Pension Commission of Pensions is restructured, sending policy office to Ministry of Finance and sending regulatory duties into what eventually becomes the Financial Services Commission of Ontario (FSCO).
- 1992 – NDP gives ‘too big to fail’ status to large companies like Algoma, Stelco and GM.
  - The government allows certain companies in 1992 to not fund their pensions on a solvency basis, and instead asked them to pay higher premiums into the PBGF. The result of this is exposing the government to higher risk.
  - Most companies apply for bankruptcy protection in the early 2000s and sought government bailouts.
- 1995 – January 1<sup>st</sup> - OPTrust begins operations – administers Ontario Public Service members pensions through joint-trusteeship (similar to OTPP), transferring benefits from the Public Service Pension Plan.
  - Made possible through legislation, “Ontario Public Service Employees’ Union Pension Act, 1994”.
- 1997-98 – FSCO is created – consolidation of financial service regulation under Harris government in attempt to cut costs.
  - Removes policy component from regulator to Ministry of Finance, diminishes resources of regulator to do job.
- Late 1990s – Downward trend in private sector DB pension continues.
- Early 2000s – the Ontario Ministry of Finance busy with surplus sharing, large bankruptcies, marriage breakdown rules (Bill 133).
- Early 2000s – pension surpluses increase again due to the dot com bubble, good stock market returns and higher interest rates.
- 2002 – Monsanto Canada Inc. – Ontario Court of Appeal rules in favour of 146 former employees, saying the partial wind-up of their pension plan entitles them to a portion of the \$19 million surplus.
- 2002 – Nov. 28 – Bill 198 – Tories Budget Bill where pension legislation was excised from Bill following political struggle over surplus sharing for occupation pension plans that are wound up.
  - Bill had been viewed as employer friendly.
- Mid-2000s – Algoma, Stelco, GM and Nortel bankruptcies.
  - These events took up a significant amount of the pension division’s resources to the extent that the pension division expanded during this period to deal with these issues.
- 2008 – Global Financial Crisis
  - Interest rates drop and pension liabilities dramatically increase.
- 2008 – Harry Arthurs Report is published, October 31<sup>st</sup>. Ontario Expert Commission on Pensions (OECOP): *A Fine Balance: Safe Pensions, Affordable Plans, Fair Rules*.



- Connection between Harry Arthurs Report, BC and AB report.
- 2008 – BC and Alberta joint report on pensions published, November 14<sup>th</sup>. *Getting Our Acts Together: Alberta/British Columbia Pension Standards Review – Joint Expert Panel on Pension Standards*.
- 2009 – October 27 – “Experts Day”, attended by Jack Mintz, Bob Baldwin and others in the field to discuss the health and state of Canada’s retirement income system.
  - This event gets cited regularly as an important meeting for establishing a new understanding of pension issues moving forward.
- 2009 – November - Bob Baldwin Report is published: *Research Study on the Canadian Retirement Income System*
  - Jack Mintz’s work served to catalyze Baldwin’s report, organized by the Ontario Ministry of Finance in response to the perceived conservative reputation of Mintz’s work.
  - Finance Minister committee form income adequacy committee, hire Mintz.
  - Mintz report published December 8<sup>th</sup>, 2009.
- 2010 – Baldwin’s paper for Ontario Ministry of Finance feeds into Dwight Duncan’s decision to endorse CPP expansion in June 2010.
- 2010 - Bill 236 *An Act to amend the Pensions Benefits Act* (Influenced by the conclusions of the OECPC). Bill eliminates partial wind-ups of pension plans and provides that grow-in benefits will apply to persons whose employment is terminated by the employer otherwise than for cause.
- 2010 - Bill 120 *An Act to amend the Pension Benefits Act and the Pension Benefits Amendment Act, 2010* (Influenced by the conclusions of the OECPC)
- 2011 – Bill 133 New Ontario Pension Division on Marriage Breakdown Rules.
- 2013 – February – Kathleen Wynne becomes new Premier of Ontario.
  - Wynne names Charles Sousa as new Finance Minister of Ontario.
  - Sousa agrees to developing supporting provincial legislation on federal pooled registered pension plans (PRPPs) legislation.
- 2015 – May 26 - Bill 57 – Pooled Registered Pension Plans Bill passes in Ontario Legislature (*An Act to create a framework for pooled registered pension plans and to make consequential amendments to other Acts*).
- 2016 – June – Ontario Registered Pension Plan (ORPP) shelved following the expansion of CPP.

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