

POLITICALLY SPEAKING
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Pensions - Canada Post and Air Canada

Well, things went out with a bang in Ottawa. The Harper government certainly didn't dawdle once Parliament started again after the last election. Back-to-work legislation to end the postal strike was fast (despite the NDP unnecessarily dragging it out in a purely "for show" filibuster they knew that it was going to pass). Even quicker was the threatened back-to-work legislation for Air Canada, but the two sides found agreement before Parliament had to decide. Remember that when a majority government says it will do something, no one can stop them. Despite any protest by the opposition, the Harper Conservatives have the majority of the votes. They get to decide. And just before the House of Commons rose for the summer, they decided that the postal workers had to go back to work, with an arbitrator to decide on the issues.

In an arbitration, neither side knows which way the decision will go. A compromise, as happened with Air Canada, is often worth more to each side than the risk of losing. In the case of Canada Post, however, both parties will have to abide by the arbitrator's decision.

Unfortunately, everyone was caught up with the politics and the shenanigans of filibustering, and there was little real discussion about what was at stake. In both cases, a key issue was whether the company should be forced to offer the same pension plan to NEW employees as the one enjoyed by current employees. Note that neither Air Canada nor Canada Post was trying to take away pension rights for CURRENT employees - only that the pension plan (although still very good) wouldn't be as lucrative for NEW employees.

There isn't room in this column for a full analysis of the differences between defined benefit and defined contribution pension plans, or the pros and cons of RRSPs - suffice it to say that the pension plans at both Air Canada and Canada Post are very good. But in both cases, particularly given longer life expectancies, the companies have said they can't afford to keep paying people significant salary and full benefits for decades of retirement. Picture my fictitious friend Joe: At 55, he's about to retire from his job. He worked there for 25 years. He was making about \$50,000 a year the last few years, plus health and insurance benefits. He has, however, a pension that will give him 50% of that, \$25,000, plus continued benefits, for each year of the rest of his life. Thanks to improved nutrition, health and health care, Joe will live, and collect his pension and benefits, until he's 88. He was paid a good wage in return for working full time for 25 years. That's good. But now he will be paid, for 33 years of NOT working, more than half what he was paid while working (because his pension is geared to the highest salary, not what he made when he started). It's possible that the company will pay him more money for his years of NOT working than for the years he actually worked. No wonder these pension plans are not affordable. And, not surprisingly, it seems particularly rich to the majority of Canadians who DO NOT have any pension plan at all.

We all want a society where everyone can retire and live their remaining days with dignity. But we need to engage in the debate, with the facts, about who in our society obtains that level of dignity while too many others don't.

As always I encourage you to join in, to participate in the discussion, to ask questions. Please write to me at info@marthahallfindlay.ca or to PO Box 69522, 5845 Yonge St., Willowdale, ON, M2M 4K3.

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