

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Fair Pensions for All

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Reduction in the fiscal drag on the economy caused by taxation to support excessive costs of Canada's bureaucracy, which is compensated at up to 50% above what the private sector can afford on a skill-for-skill basis. Public-sector pensions are a large and under-appreciated part of the over-compensation situation. We bring focus to the pension issue.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Reducing the costs of doing business – particularly from current, and the threat of future, taxes on business and individuals -- is an important factor in keeping the Canadian economy competitive and productive. Since compensation to civil servants represents most of the outlay of governments at all levels, being aware of the cost-drivers – such as current and future pension costs – is important.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The situation exists in many public-sector pensions plans where the contributions of younger workers have been raised significantly to pay, in large part, for the deficits in the plans for older workers. The pension situation represents an unfair burden to younger workers that ultimately drives up costs to employers. The revenue/cost imbalance will, in all likelihood, be answered with reduced hiring of new employees or will result in layoffs to those with the least seniority, i.e., younger workers.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Productivity improvements rely on investments in both capital and training. Both are expendable if the after-tax profitability of businesses is squeezed by ever-increasing compensation costs to the civil service. Again, both current and future compensation costs – including pensions – must be examined.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

The public sector has generally enjoyed continued growth in income at a rate greater than inflation and much greater than that of the private sector. Public-sector employees retire earlier than their private-sector counterparts, and do so with pensions far beyond what private-sector workers have (if they have any). This compensation and retirement security imbalance must be addressed, starting with the largely-hidden issue of rich, defined-benefit plans, which are largely underwritten by taxes from private sector, but which create a two-class system in this country, rob the private-sector of its vitality, and threaten to further burden it in years to come unless something is done now. Canada is in a situation with less-than-full employment – particularly among youths – but with a coincident lack of workers entering some of the skilled trades. New workers would prefer to choose a clean, comfortable, tenured position in the ever-expanding public sector, with compensation that is 30% above that available in the private sector and a fully indexed pension at an early age rather than the hard work and potential instability of an apprenticeship in the private sector, with only a modest pension (if any) to look forward to at retirement. There is a pressing need to restore balance in the job market between the public and private sectors. There is also a ‘crowding out’ effect from early retirees, mainly from the public sector, who retire at younger ages than their private-sector peers. These public-sector early retirees compete with private-sector workers who still need to earn a full living, and they can do so at lower wages because of the financial backing that they enjoy. This unfair competition in the labour market is a problem not just for private-sector employees, but for public-sector professions as well, e.g., new teachers. In this economic environment, the problem is greater than the extravagance of ‘double-dipping’: it creates hardship and unfairness, and keeps the labour market from functioning as it should.