INSIGHT: PENSION PLANS UNDER ATTACK • THE FUTURE OF THE CPP • THE RRSP MYTH
ANALYSIS: POSTAL WILDCATS • MORE UNION BUSTING • WAITRESSES WALK OUT

Union
INSIGHT & ANALYSIS
AN ALBERTA FEDERATION OF LABOUR PUBLICATION

Saving Your Nest Egg
CAN YOU REALLY AFFORD TO RETIRE?
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## Spring–Summer 2008

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Union is a seasonal publication of the Alberta Federation of Labour (AFL). It is a magazine intended to provide insight and analysis into ongoing social, economic and political issues of concern to union activists, officers and staff. The AFL is Alberta’s largest central labour body representing more than 137,000 Alberta workers and their families.

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You are holding in your hands the second issue of Union, the seasonal publication of the Alberta Federation of Labour. It is our magazine of insight, analysis, and commentary aimed at activists in Alberta’s labour movement.

The first issue took a long look at the state of wages during Alberta’s boom – showing a rather gloomy picture. Since the publication of that issue, other groups, including business-friendly research institutes, have confirmed our findings in the first issue – until very recently, wages in Alberta were not keeping up with the inflation. The AFL was one of the first to raise that alarm bell, and readers of Union were the first to hear about it.

In this second issue, we look at another topic important to working Albertans – pensions. While most of us dream of finally being retired and not having to go to work every day, very few of us spend much time thinking about the financial end of retiring.

While pensions can be daunting in their complexity, they are of crucial importance to workers of all ages. That is why we wanted to take a look at what is happening with pensions today and ask some serious questions about Canada’s retirement income system.

I hope you enjoy this issue of Union, and that you take a moment after reading it to sign up for a subscription. Subscriptions are free, but they are the only way to get a copy of the magazine regularly and reliably.

Gil McGowan
President

Can you really afford to retire?

Remember those commercials about “Freedom 55” - the dreamy images of retirement on tropical beaches or the golf course? That simply is not the reality for most of us.

For most workers, retirement is about relief from years of the daily work grind, some extra time to spend with family and pursue hobbies and, usually, cutting some corners on the budget to get by with less income.

Most people avoid pension talk – it is complicated, mathematical and for some of us, at least, intimidating. As a result there is a lot of confusion about pensions and retirement. This issue of Union is intended to clear up the pension picture.

Tom Fuller examines the attack on pensions in Canada – why it is happening and who benefits from the scare tactics. He also outlines a specific attempt the Alberta government to undermine the Local Authorities Pension Plan. CAW Economist Jim Stanford debunks some myths about RRSPs and their value. Cherie Langlois-Klassen busts the rumour that the Canada Pension Plan is going broke.

We also have our regular features: a look-back at an amazing waitress strike in the 1930s, an analysis of recent militancy from CUPW members in Alberta and a glimpse at an unexpected May Day strike in the U.S. against the Iraq war.

We hope you enjoy this issue of Union.
As the “baby boomer” generation moves toward retirement, the demographics of Western Europe and North America are changing: an aging workforce is leading to labour shortages and increased demand for retirement income. At the same time, increased life expectancies mean that people are living and collecting pensions for longer, which means that the cost of providing pensions is going up. Taken together, these trends pose a challenge to business and public policy-makers – a challenge they are trying to meet by undermining the pensions earned by workers.

There are two reasons for this targeting of pension systems. First, employers are naturally unwilling to pay higher pension costs. Second, and more important, retirement takes workers out of the labour market at a time when employers and governments are trying to increase labour force participation.

Over the last decade, governments in Europe have slashed pension entitlements, raising retirement ages and cutting benefits. These actions resulted in general strikes in several countries,
but in the current right-wing political climate, the cuts have remained in place. In the
U.S., George W. Bush entered his second term of office determined to “reform” (mean-
in privatize) social security. Only the distraction of the Iraq war and the Democrat
win in mid-term Congressional elections prevented him from carrying out his plan.

In Canada, the universal public pension – the Canada Pension Plan – survived a 1998
propaganda campaign from the financial services industry with only minor reduc-
tions in benefits. In both Canada and the U.S., however, workplace pension plans have
been besieged on two fronts for over twenty years.

### OCCUPATIONAL PENSIONS

While some workers (construction trades and railway workers, for example) had
employment pension before World War II, the modern system of workplace-defined
benefit pension plans came into existence during the post-war surge of unionization
in North American heavy industry. In 1946, coal miners in the U.S. went on a nation-
wide strike for, and got, a pension plan. Three years later, the threat of strike action
won pensions in the steel and auto industries.

During the 1950s and 1960s, defined benefit pension plans became the norm in many
industries. Unions concentrated on improving pension benefits, and workers started
to take this method of providing retirement income for granted.

In the 1980s, however, lagging profits and increasing competition led some employ-
ers to begin looking at pension plan surpluses as a source of cash. In Canada, this
approach was pioneered by none other than Conrad Black, who in 1984 withdrew
over $56 million from the surplus of the pension at Dominion Food Stores. The Retail,
Wholesale and Department Store Union took legal action against Black and the
Supreme Court of Ontario ordered the employer to return the money to the pension
fund. Other employers, however, soon found new and creative ways to get at pension
surpluses.

The federal Income Tax Act establishes rules for pension plans, because contributions
to these plans are tax exempt. Until recently, the Act stated that whenever the surplus
in a pension plan became larger than 10%, the employer was required to take a
“contribution holiday.”

The point was to prevent employers from evading taxes by squirreling away money
in the pension plan, but this measure created a new opportunity for milking cash out
of these pension funds.

Defined benefit pension plans rely on a set of actuarial assumptions about future
trends, assumptions about variables like life expectancy, the average age at which

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**About Surpluses**

Defined benefit pension plans have two aspects: assets and liabilities. Pension liabilities are
the accrued entitlements of the plan members which build up over time. Assets are the funds
held in the pension fund to pay for those accrued benefits. Over the long term, both the assets and
liabilities of a pension plan can become very large – in some cases they are worth more than the
company itself. When a plan’s as-
ets are greater than its liabilities,
the plan is said to be in a surplus
situation.

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The modern system
of workplace-defined
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heavy industry.
employees will retire, investment returns, and (most importantly) long-term interest rates. Changes to these assumptions can have a huge impact on plan finances: one commentator recently noted that “A one per cent reduction in the discount rate assumption results in a 15 per cent to 20 per cent increase in actuarial liabilities.”

In a similar fashion, a one-per-cent increase in the discount rate assumption can decrease liabilities and can turn a plan that is underfunded into one that has a sizeable surplus. This artificial surplus can then be used to justify a contribution holiday. In other words, while the courts were unwilling to allow employers to take surplus directly, the law allowed them to take surplus in smaller chunks, year after year.

Of course, if an employer uses this method to grab a surplus that has been artificially created, the result in the end will be a plan that is underfunded. It’s no coincidence, then, that in the 1990s a new threat to workplace pensions emerged: conversion from defined benefit (DB) plans to defined contribution (DC) pensions.

Unlike defined benefit plans which promise a specific benefit on retirement, DC plans act like a glorified RRSP. Pension contributions go into an individual “pension account,” and are invested (the employee is normally offered a choice of investment vehicles). When the worker retires, the funds in his or her pension account are used to buy an annuity, a financial instrument that provides a retirement income.

There are strong incentives for employers to convert from a defined benefit pension to defined contribution plans: doing so transfers all the financial risks involved to the employee. It’s a cardinal principle of finance that risks have costs, but when a DB pension is converted to a DC plan, three kinds of risks (investment risk, interest rate risk, and inflation risk) are passed from the employer to the employee with no financial compensation to the employee for assuming these risks.

In general, pension experts regard DB plans as far better for workers—but in the 1990s, more and more companies began winding up their DB pensions and converting to defined contribution plans. Worse yet, many employers stopped offering pension plans altogether. According to Statistics Canada:

*Since the late 1970s, the proportion of employees covered by a registered pension plan (RPP) has dropped… - the decline in coverage by defined-benefit RPPs more than offsetting growth in coverage by defined-contribution plans.*

It’s hard to avoid the conclusion that, just as pension coverage grew at a time when unions were growing in membership and power, so it shrank in a time of decreasing unionization.

Of course, cost and risk aren’t the only reasons employers are turning away from pension provision: In a time of tight labour markets, when companies are having problems recruiting and retaining staff, employers don’t like to see their workers retire. Rather, they want pensions that, to use the jargon of management, “conform to the company’s human resources strategy.” What these employers want is to “remove disincentives to labour force participation.” When you peel away the euphemisms, this means eliminating or reducing opportunities for early retirement and, where possible, cutting pension benefits.
THE ROLE OF GOVERNMENT

Government, of course, is more than willing to assist employers. In the past eighteen months, both the provincial and federal governments have held consultations on “the mature worker in the workforce.” While couched in the language of empowerment, these initiatives don’t limit themselves to assisting older workers who want to continue working – they explicitly or implicitly treat pension benefits as obstacles to the recruitment and retention of these workers.

Government also writes the laws that set pension standards and last fall the governments of Alberta and B.C. announced the formation of the Alberta/British Columbia Pension Standards Review. The review is being conducted by a Joint Expert Panel and has a mandate to find ways to improve and harmonize pension standards legislation in the two western provinces. The Panel has received input from employers, unions and pension industry professionals and will produce recommendations some time in the coming year. Of course, employers, money managers, and pension consultants are flooding the review with suggestions to make pension standards more employer-friendly. The panel’s own background paper points out that:

*With current and anticipated labour shortages, some employers want the plans’ purpose to shift from moving out the previous generation to make way for the next, to removing outdated incentives to retire because older workers’ continued labour force participation is needed.*

The review will also address the issue of employer access to pension surplus and the panel will come under strong pressure to address employer concerns in this area. Companies and pension industry professionals, like the Association of Canadian Pension Managers, are pressing hard on this issue and it is quite possible that these two pro-business governments will find their arguments persuasive.

CONCLUSION

Canada’s retirement income system is under a lot of pressure. The current economic environment is difficult, the business press is hostile to the very idea of defined benefit pensions, and employers are lobbying intensively for their agenda. While unions are doing their best to respond, they are hampered by two factors:

- The unionization rate, and therefore union power, is decreasing, and
- Very few union activists view pension issues as major priorities.

The historical record is clear: Maintaining and improving employment and public pensions depends largely on the ability of unions to mount a vigorous response. Pensions aren’t something employers “give” us, they’re something we have to win and defend. We need strong unions and a strong core of union pension activists. While pensions are often described in confusing blizzard of financial jargon, the response from the union side should be one that’s as old as our movement itself: Educate and organize!

REFERENCES

Hurst, Greg. “Lies, Damn Lies, And Canada’s Private Pensions Funding Crisis,” Benefit and Pensions Monitor, February 2006, p.34


It’s a unique national tradition, as Canadian as the Stanley Cup playoffs. It’s called RRSP season. From the time our first post-Christmas credit card bills arrive, we are bombarded for the next two months with ads urging us to invest early and invest often and warning we’ll end up working at McDonald’s in our old age if we don’t max out our RRSPs.

For those who follow the advice, the reward is supposed to be “Freedom 55”: walking down the beach with your loved one (and, no doubt, a good supply of Viagra), thanks to your wise financial stewardship. It’s a do-it-yourself recipe for retirement security. The flip side of the coin is a blame-the-victim ideology: if someone’s poor in retirement, it’s their own fault since they didn’t pick the right mutual fund.

This year, RRSP sales were hampered by widespread uncertainty about the global financial meltdown (led by the U.S. sub-prime lending crisis). Once again, the private financial system is revealing its propensity to regularly self-destruct, and that alone should give us plenty reason to question trusting our retirement future to the red-suspendered traders throwing darts at dartboards on Bay Street and the other financial centres of the world.

But quite apart from the ongoing rollercoaster of the financial markets, there’s another big, unreported problem with the whole notion of self-financed RRSP retirements. Quietly, the fundamental economics of the whole RRSP system have deteriorated markedly in recent years. Millions of frugal Canadians, if even if they follow Bay Street’s advice and invest every year, aren’t going to get nearly as much from their personal savings as they thought they would.

In fact, do-it-yourself pensions have been hammered by exactly the same economic and demographic forces that have created much better-known problems with group pension plans: Growing life expectancy, lower investment returns, and lower interest rates. For group pension plans, these factors have produced multi-billion dollar funding deficits – and some very scary headlines. Most group plans are working through these problems, although challenges remain.
For RRSPs, however, the resulting pension “deficits” are parceled into nice little individual packages. Indeed, the whole premise of RRSPs is to shift pension risk and responsibility from governments and employers onto individuals. These personalized deficits never generate big scary headlines. Imagine the Report on Business coverage: “Joe Blow faces $100,000 pension shortfall!” And since neither governments nor employers are harmed (at least not directly) by this hidden crisis, they aren’t agitating for change. In aggregate, however, the RRSP crisis will cause enormous pain to millions of Canadians.

Here’s the math. Right now, Canadians have $600 billion tied up in RRSPs. (About 70 per cent of that is held by the richest fifth of the population – and the very unequal distribution of RRSPs is another important problem of this whole do-it-yourself pension system.) Back in the roaring 1990s, financial advisors used to promote RRSPs with logic something like this (all numbers are adjusted for inflation). Suppose you make $50,000, you sock away 5 per cent of that per year and you earn real returns (after inflation) of about 5 per cent. After 30 years you have a tidy nest egg of about $165,000. Assume you’ll live 18 years after retiring (in your early 60s), and interest rates continue to earn about 4 per cent (again after inflation). Your RRSP will then generate monthly income of $1,050, replacing over 25 per cent of your pre-retirement income. Throw in public pensions (old age security and CPP) and any workplace pension you may receive, and you won’t be living in Bermuda – but you won’t be working at McDonald’s either.

This whole strategy was iffy at the best of times. In reality, most Canadians have a hell of a time paying their monthly bills, let alone setting aside a few thousand dollars a year for their personal pension. Among that half of Canadians who have an RRSP at all, the median account is only $30,000 – far too small even to finance this modest personal pension. And unfortunately, this RRSP arithmetic has been undermined further by the three unfavourable changes listed above. First, life expectancy has grown by about 2 years (more for men than for women); now your RRSP has to last 20 years, not 18. Second, investment returns have fallen by at least a percentage point (and the old philosophy that stocks reliably earn more than bonds burst long ago). Third, long-term interest rates (which determine how much pension you can “buy” with your RRSP) have fallen even further, by about 2 percentage points. These seem like small changes, but they add up to huge problems for pensions – just as much for RRSPs as for group plans.

Suddenly, your nest egg after 30 years of scrimping is only $140,000. Worse yet, interest rates are lower, plus you’re expected to live longer (how fiscally inconvenient!). So that $140,000 now buys a monthly pension of only $700 – just 16 per cent of your pre-retirement income. You have a pension shortfall of $350 per month or over $4,000 per year, compared to what you thought you would get.

In reality, most Canadians have a hell of a time paying their monthly bills, let alone setting aside a few thousand dollars a year for their personal pension.
Multiply that by the number of Canadians who’ve been duped into believing they can buy their own retirement, and you have a pretty big number. To get back that $1,050 monthly pension, contributions should be 50 per cent higher: 7.5 per cent of salary, rather than 5 per cent. Capitalize that unmet funding requirement and we can conclude that Canadians’ RRSP funds, in aggregate, are something like $300 billion “too small.” I think that deserves a scary headline.

Either individual RRSP holders will have to cough up $300 billion in additional contributions and quickly, or else they will have to tighten their post-retirement belts considerably. Either way, it’s a 12-figure burden that’s been slipped squarely (and silently) onto the shoulders of individual savers – who are unorganized and have no one to advocate for them.

Maybe the situation isn’t quite so bleak. Maybe interest rates will bounce back. Maybe the stock market will never crash again. Maybe Canadians will stop living longer.

More likely, however, millions of Canadians will be sorely disappointed when they retire – even if they did pick the right mutual fund. Worse yet, many will see an even larger share of their savings diverted to Ottawa’s clawback on pension benefits. Group pension plans face similar funding challenges, but at least the problem is acknowledged – and in many cases there are unions and pension regulations to defend the rights of current and future pensioners. This huge, hidden crisis in the RRSP system, however, is occurring without any explicit recognition of the costs and pain that will result. This demonstrates the folly of any pension system designed around individual accounts.

Canada’s RRSP program may qualify as the most “democratic” form of private financial investment in our economy. But this does not imply that RRSPs are especially fair: the majority of RRSP funds are owned by high-income Canadians, while more lower- and middle-income households own economically trivial amounts, or no RRSPs at all. And RRSP tax subsidies are distributed to households in a perverse manner: the RRSP holdings of high-income investors are actually subsidized at a higher rate than those of other Canadians, because of the manner in which these subsidies are calculated.

Unlike many other tax subsidy programs (such as the child tax credit for poor families), the RRSP subsidy is calculated as a tax deduction (in which the legal amount of RRSP contributions is deducted from income before the investor’s tax bill is calculated), rather than as a tax credit (in which the subsidy is added back at the end of the income tax form, after the individual’s taxes have already been calculated). The value of a tax deduction depends on the rate of tax which the investor would otherwise be paying on the income that is deducted. Higher-income taxpayers pay a higher rate of tax, hence the RRSP deduction is worth proportionately more to them, and hence they receive a sweeter subsidy for their RRSP investments.

Despite these ironies, however, the fact that RRSP investments are subsidized, and that the total tax-subsidized contribution is limited (at present to a maximum of 18% of the previous year’s earned income, to a ceiling of $75,000), means that RRSP investments are distributed far more equally across households than are other financial investments.
Most working and middle-income Canadians do not come close to using up the total value of RRSP subsidies available to them. In 1997, Canadians contributed more to RRSPs than in any other year in history: a record of $27 billion. But this staggering total represented just 13% of what Canadians could have contributed if each taxpayer had used up the full RRSP “room” available to them. Only about 15% of Canadian taxpayers contributed the maximum allowed to their RRSPs.

Most of the unused RRSP room is concentrated at the bottom of the income spectrum, where a shortage of disposable income constrains household saving potential. Surprisingly, then, the distribution of RRSPs is not very equal at all. There are a couple of data sources supporting this conclusion. The income tax data cited earlier break down total RRSP contributions by income category. High-income individuals are far more likely to invest in an RRSP than those with less income. Less than one-quarter of Canadians who earned less than $50,000 contributed to an RRSP in 1995, compared to 70% of those who earned over $50,000, and a whopping $12,000 each (more than $1,000 per month) for those pulling in more than $100,000. The end result: in 1995, a full 50% of RRSP contributions was claimed by just the top 11.7% of tax-filers (those earning over $50,000).

The top one-tenth of taxpayers, in other words, accounted for about five times more than their per capita share of RRSP contributions. The top 1.5% of taxfilers earned under $40,000 in 1995 (accounting for 80% of all taxfilers) contributed just one-third of all RRSP monies deposited that year, and received an even smaller share of total RRSP subsidies. So even within Canada’s RRSP system, which in theory is supposed to support the retirement savings of average citizens, the ownership of financial wealth is highly concentrated. Yet the total stock of RRSPs – some $200 billion by the end of 1995 – still accounts for a small share (perhaps one-eighth) of all household financial investments in Canada.

Outside of the RRSP system, wealth is distributed even more unequally; few lower- and middle-income Canadians have any financial assets at all outside of their RRSP holdings.

**RRSP INVESTMENTS BY LEVEL OF TOTAL INCOME**

1995 TAX RETURNS

<table>
<thead>
<tr>
<th>INCOME LEVEL</th>
<th>UNDER $20,000</th>
<th>UNDER $50,000</th>
<th>OVER $50,000</th>
<th>OVER $100,000</th>
</tr>
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<tbody>
<tr>
<td>Number of tax-filers</td>
<td>10.8 million</td>
<td>18.1 million</td>
<td>2.4 million</td>
<td>300,000</td>
</tr>
<tr>
<td>Share of all tax-filers</td>
<td>52.7%</td>
<td>88.3%</td>
<td>11.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Proportion who invested in RRSPs</td>
<td>8.4%</td>
<td>22.4%</td>
<td>69.14%</td>
<td>76.6%</td>
</tr>
<tr>
<td>Average RRSP contribution</td>
<td>$1,610</td>
<td>$2,598</td>
<td>$6,369</td>
<td>$12,326</td>
</tr>
<tr>
<td>Share of total RRSP contributors</td>
<td>6.9%</td>
<td>49.9%</td>
<td>50.1%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Approx. share total RRSP subsidies ¹</td>
<td>3%</td>
<td>35%</td>
<td>65%</td>
<td>18%</td>
</tr>
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</table>

*Source: Author’s calculations from Revenue Canada, Tax Statistics on Individuals, 1995 Tax Year, and unpublished Revenue Canada data.

¹ Current-year subsidy to new investments only; excludes value of tax-sheltering for accumulated funds.
We have all heard the rumour, often by the water cooler or in the lunchroom. Why pay into CPP every paycheque when it won’t be there to draw benefits? Many Canadians doubt that the CPP will survive to their retirement. Is there any basis to this rumour? Is the CPP really going the way of the dodo bird?

Thankfully the answer is no. This article will shed a little light on the CPP, including its origins and evolution, how it really works, and how it could be improved. It will also clearly and finally dispel this enduring rumour of its demise.

**How Does the CPP Work?**

The CPP is an employment-based pension scheme established in 1966. It is one-half of Canada’s public retirement income system, the other half being Old Age Security (OAS), the universal pension provided to all Canadians over 65. Additionally, low-income seniors may qualify to receive the Guaranteed Income Supplement (GIS). The private retirement income system is made up of employment-based Registered Pension Plans (RPPs) and individual purchase purchased RRSPs.

All employed Canadians over the age of 18 years are mandated to contribute a portion of their earnings to the CPP, and their employer is required to make a matching contribution. For 2008, the employee and employer contribution rates are both 4.95%. Contributions are not paid on earnings over $44,900. In return the CPP provides a monthly benefit to contributors when they become disabled or retire. The Plan also provides survivor benefits to families when contributors die. Benefits are indexed to the cost of living.

The CPP retirement pension is intended to replace about 25% of the contributor’s average earnings over their working life. The OAS replaces an additional 15% of earnings. In total, Canada’s
public pension system replaces about 40% of income, a level similar to the U.S., but far below many European countries (e.g., Germany replaces 75%).

In terms of financing the CPP was originally structured as a “pay-as-you-go” plan. This type of plan is set up so contributions from workers today go to pay for the benefits of retirees today. No pool of assets builds up. Contribution rates are set to cover current liabilities only.

A series of reforms were made to the CPP in 1998, partially to address the costs of the looming retirement of baby boomers. These changes included gradually increasing CPP contribution rates. As well, the CPP was restructured to become a “steady-state” plan with a reserve fund accumulating a pool of investment assets large enough to stabilize the contribution/benefit ratios over time.

The plan is now considered “partially funded” as opposed to the former “pay-as-you-go” model, or to a “fully funded” model used by most private plans (benefits are wholly funded by investment earnings).

A few demographic factors were putting strain on the plan: the coming wave of baby boomer retirements, rising life expectancy, a downturn in the economy and increasing numbers drawing CPP disability benefits. The anticipated inability to cover these pension payouts was discussed in terms of an “unfunded liability.”

This was true, but manageable—but not through the eyes of the burgeoning neo-liberal movement. The 1990s were the heyday of the Reform Party and a succession of the most right-wing governments – both Liberal and Conservative – that Canada has ever seen. Canadians’ pensions were not immune from the neo-liberal agenda of lower taxes, smaller government and a “business-friendly” climate.

Right-wing politicians, along with the financial services industry, were whipping up rhetoric to fuel concerns about the CPP’s financial troubles.
less claims of starving grandmothers and hundreds of millions in unfunded liabilities. The CPP was at a breaking point, they claimed.

What was the reason for their passion in undermining the CPP? Public pensions control billions of dollars in deferred wages and investments — a pot of gold too large for stock brokers and financial advisors to ignore. Neo-liberal politicians happily took up their cause — which took the form of calling for the privatization of CPP.

Preston Manning pushed to replace CPP with a Chilean-style retirement program — mandatory purchasing of RRSPs. Paul Martin and others called for a more “entrepreneurial” CPP, one that played the stock market and covered a larger portion of benefits through investments.

But to get Canadians to buy into privatization schemes meant undercutting their faith in CPP. And thus we witnessed the birth of the nasty and persistent rumour that while Canadians were compelled to pay into the CPP, it was going to disappear long before they were ready to retire.

**SO, WHAT’S THE REAL STORY?**

Thankfully, despite their best efforts, the neo-liberals were only partially successful. The reforms of 1998 mostly served to strengthen the CPP. However, they were successful on one front. Part of the 1998 reforms included a commitment to increase the percentage of CPP contributions made available for investment in financial markets. The government created the CPP Investment Board (CPPIB) to invest a portion of the CPP’s funds in financial markets.

This is a neo-liberal success for two reasons. First, the financial services industry gets huge fees to manage CPPIB’s investments, giving them a slice of the pie they long desired. Second, a portion of workers’ contributions are now in the world of the stock market. While the CPPIB invests very conservatively, a large downturn in share prices could have an impact on future benefit levels.

**IS THE CPP SOUND?**

In short, yes. The CPP will still be there when you retire, and its finances are likely to be in good shape.

Some investment brokers and bank advisors will tell you the CPP is still not fully funded. This is true, but beside the point. It is not how the plan is structured. The plan intends to cover the future benefits by drawing partially on the contributions of future workers. This is how ongoing, forward-paying mechanisms work – like our education and health care systems.

In April 2007, the CPP’s chief actuary published a study that showed that the current CPP structure is “robust and appropriate.” Canadians have nothing to fear when it comes to their CPP. The rumour still persists because doubts about CPP increase interest in RRSPs. And the more RRSPs that are sold means more commissions for the financial industry.
**THE FAILED CHILEAN EXPERIMENT**

In 1981 military dictator Augusto Pinochet privatized Chile’s public pension system, replacing it with mandatory RRSPs, forcing workers to contribute 13% of their earnings into an account with a private investment fund – with no matching employer contributions. However, by the mid-1990s the system was in shambles. Thousands of low-income workers were in default on their contributions because they couldn’t afford them. Thousands more were retiring with inadequate pensions. High administration costs (commissions to fund investors) were weighing down the effectiveness of the system. The Chilean government has been forced to spend millions to prevent the entire system from collapsing.

**IMPROVING CPP**

Maintaining and improving the CPP is really a no-brainer. The plan provides key benefits that private savings just can’t match. It offers contributors protection against cost-of-living inflation and disability. It’s also fully portable and continues through changes in employment. It accommodates breaks in employment for child-rearing that may otherwise make accrual of retirement savings difficult for women. Most importantly, it pools the risk of providing for our retirement or disability income rather than placing that risk solely upon us as individuals.

However, it is true that one cannot (unless one lives incredibly meagerly) afford to retire solely relying on the CPP. It is also true that the percentage of Canadians accumulating retirement income in occupational pension plans is on the decline. Monica Townsend, economic expert and author of the book *Pensions Under Attack*, comments that “the simplest and most economical way to improve our collective futures is to add on to the CPP benefit, so that it will replace a greater proportion of wages lost at retirement.”

A reasonable expansion of CPP is considered to be a plan structure that would replace 50% of earnings (rather than the current 25%) upon retirement. However, Townsend notes this would require some increase in premium rates and an increase in the ceiling on the yearly maximum pensionable earnings (YMPE) for CPP contributions. It may also be a tough political sell. By law, an expansion of the CPP would require the approval of two-thirds of the provinces having two-thirds of the population.

But these are not insurmountable obstacles. In 2007, the Canadian Labour Congress conducted a poll that indicated that the majority of Canadians are willing to pay more into CPP contributions if it would result in higher public pension benefits. An expanded CPP is well within our reach, if the political will can be mustered.

Of course, such an approach would be met with heavy resistance from the financial services industry. Being closely tied to the business press, the sector would ensure that the rhetoric against “increased government spending” would be furiously spread. It stands to reason: Canada has the world’s highest average RRSP administration fees. An expanded CPP would cause significant losses to an elite group’s private profit.

However, if the bigger picture is kept in mind, the proof is in the pudding. Public pensions are a proven method of reducing poverty and inequity among a population’s elderly. They protect vulnerable workers who would otherwise be excluded from private savings schemes. And as citizens, investing now to expand CPP benefits is an easy way to avoid having to pick up the costs imposed to support upcoming generations of impoverished retirees later.

Not only is the CPP going to be around for you when you retire, if we create the political will, it can be bigger and more effective in the future.
November 15th, 2007. It was a discreet coup d’état, carried out far from the public eye and without drama. In a quiet boardroom, the motion was brought forward and passed: “Resolved, that the Board approve the amended Meeting Procedures, effective immediately.”

The amendments passed addressed voting rules (defining the majority necessary for a measure to be adopted) and quorum for the Local Authorities Pension Plan (LAPP), the largest pension plan in Alberta. Under the previous rules, changes to the plan had required the support of at least some of the union-nominated employee representatives on the LAPP Board. The amended rules removed this requirement, and allowed employers and government total control. In this understated way, the government of Alberta and the employers in the Local Authorities Pension Plan seized control of the pension, scrapping a system of joint employer/employee control that had been in effect for fifteen years. By doing so they broke promises made by the government, and repeated by successive provincial Ministers of Finance.

For the more than 150,000 LAPP members and retirees, it was a stunning reversal. The province’s largest pension plan (with assets of over $15 billion) could now be changed at the whim of employers and government. A vital safeguard of their retirement incomes had been removed.

The coup of November 15th was the culmination of a process that began fifteen years earlier.

In 1992 the North American economy was just beginning to emerge from a recession. In Alberta, concerns over rising levels of deficit and debt dominated political debate, and the government was looking for ways to make the provincial balance sheet look better. That task, however, was getting harder: the Auditor General had told the government that it would have to start including the unfunded liabilities of public sector pension plans on these balance sheets. Since these unfunded liabilities were large and growing, the government was anxious to find a way out.

The unfunded pension liabilities were actually created by the government itself; for years it failed to fund the plan properly, putting money into general
revenue rather than into the pension funds. Nonetheless, the pension funding fiasco threatened to become a scandal that would further weaken the already unpopular government of Premier Don Getty. Faced with financial and legal embarrassment, the Getty government approached LAPP employers and unions for help in dealing with the funding shortfall.

Public-sector pension plans in Alberta differ from their private sector counterparts in certain ways. They operate under a different set of laws, and the Public Sector Pension Plans Act gives the government ultimate control over the plans. In private sector, pension plan sponsors (usually the employers) bear full responsibility for any unfunded liabilities. The government of Alberta was the sponsor of the LAPP, but the Getty Tories wanted employees and employers to help bail the plan out.

What followed was a process of public-sector pension reform that resulted in an agreement between three parties: the employers, the government, and the unions representing plan members. The agreement itself had several elements:

All three parties would pay increased contribution rates as part of a plan to pay down the unfunded liability (complete elimination of this funding shortfall was expected to take about forty years).

Once the unfunded liability was eliminated, the government would cease making contributions, and the plan would be entirely funded by the employer and employee contributions.

The employees, through their unions, would agree to accept partial responsibility for future unfunded liabilities. (In other words, if the plan ran into difficulty in future, employees would have to help employers pay off any shortfall.)

In return for the above, the government agreed that the plan would become independent. That is, it would no longer be defined by legislation and controlled by the government, but would instead be jointly governed by employers and employees and operate under the same rules as private sector pension plans.

This was a groundbreaking agreement: as mentioned above, it is unusual for workers to share responsibility for funding shortfalls in their pension plans. The deal, however, seemed worth it. Getting an independent, jointly trusted pension plan would remove the threat of further mismanagement by the government, and allow employers and unions to negotiate improvements to plan benefits when they became economically feasible.

The government of the day publicly endorsed the deal. Speaking in the Legislature, Provincial Treasurer Dick Johnston said:

“We believe that the government does not have any greater wisdom about the future of these pension plans than the beneficiaries… Accordingly,
governance will be transferred over time to at least the following: the universities academic pension plan, the local authorities pension plan, the special forces pension plan. In those three pension plans, which essentially are one off from the government, those groups in particular will have full governance and full responsibility for the plans.

In January 1993, the new LAPP Board met for the first time. Membership on the Board wasn’t balanced between employers and employees (see sidebar on pg. 15: LAPP Board Membership). Recognizing this, and that the Board would not be effective unless decisions reflected both employer and employee perspectives, the meeting adopted the following rules of procedure:

- Any measure proposed required a two-thirds majority in order to be adopted; and

- A quorum for the Board consisted of at least eight Board members, including at least four employer representatives and at least four employee representatives.

This meant neither the employer nor the employee representatives could force through changes to the plan in the face of united opposition from the other side. This amounted, in practice, to joint governance, although the government still retained final control over the plan. This control, however, was clearly a temporary and transitional affair. In May of 1993, the new Provincial Treasurer, Jim Dinning, told the Legislature:

In summary, Mr. Speaker, this legislation puts in place and legislates by this Assembly some very important agreements that were reached over the last 12 months among and between the government and representatives of the local authorities pension plan...

It provides in some cases, Mr. Speaker, the opportunity for transition such that if at the choice of the members of that plan, the members of the various boards, they wish to opt to run their own pension plan, make their own set of arrangements, then there are transitional arrangements spelled out in the document...

THE GOVERNMENT REVERSES COURSE

The LAPP Board began implementing those arrangements. After conducting town hall meetings around the province, the Board conducted votes and got the necessary endorsement of both employees and employers. By the spring of 1998, through a combination of good luck and good management, the unfunded liability was paid off (35 years ahead of schedule!) and the Board began making the final arrangements for the move to independence.

Suddenly, in the summer of 1998, the government reneged on the deal, and began to stall on independence. This resistance, which seemed to come from the bureaucracy at Alberta Finance, rather than from politicians, has persisted ever since. Even though all the agreed-upon conditions for LAPP independence have been in place for a
the lesson
Public sector employees in the LAPP have a right to be dismayed. These employees have honoured their part of the pension deal of 1992 — they paid many tens of millions of dollars to help eliminate the unfunded liability of the 1990s, and they are now helping to pay for the current unfunded liability. What do they have to show for it? Nothing! Members of the LAPP should be outraged by the conduct of the government and LAPP employers; and they should be worried about the future of their pension benefits.

the future
What does this mean for the future of the Local Authorities Pension Plan? Well, any changes to the plan will tend to modify it in ways that make it conform more closely to the human resources needs of employers. In the context of the current labour shortage, that means trying to encourage employees to work longer, rather than taking early retirement. Indeed, employers and representatives of Alberta Finance have been complaining for the last couple of years that the plan’s existing early retirement benefits are expensive, and don’t align with employer strategies for workforce retention. The pretext for eliminating early retirement benefits won’t be hard to find. The LAPP currently has a modest unfunded liability, and with financial markets in freefall, that shortfall is likely to get worse. Within a year or so, we can expect the Board to solemnly announce that the plan is facing a financial crisis, and that the expensive early retirement option will have to go.

the current crisis
The coup of November 15th was the final stage in the government’s attempt to renege completely on the pension reform deal of 1991 – 92. The new rules of procedure were:

- Any measure could be adopted by a simple majority vote (50% plus one) of those present.

- Quorum would consist of at least 50% of the Board’s membership, with no requirement that any member representatives be present.

These changes completely eliminated the ability of the union-nominated member representatives to protect pension benefits. These could now be changed by a united vote of the employer, government, and management employee representatives. The government’s position seems clear: it will not honour the deal it agreed to in 1992, and even the limited form of joint governance enjoyed by the Board for the last 15 years will not be allowed to continue. The plan now effectively belongs to the Government and the employers.

the lapp board and the crisis
The LAPP Board voted to adopt the new rules of procedure because they were informed by LAPP administration that the old rules were in violation of the Interpretation Act, a law that governs all provincial boards. The new rules adopted are those specified in the Act. The LAPP Board has since written to the Minister of Finance, asking that the government amend the legislation to allow the Board to function under its previous rules. The Government has not done so.

Public sector employees in the LAPP have a right to be dismayed. These employees have honoured their part of the pension deal of 1992 ... and they are now helping to pay for the current unfunded liability.
Alberta Postal Workers Launch Wildcat Strikes

Will they herald a new labour militancy? Jim Selby

Canadian postal workers have a history of being at the forefront of broad upsurges in workers’ militancy. The Canadian Union of Postal Workers (CUPW) has led by example in workers’ campaigns against technological change, contracting out and privatization. They fought back-to-work legislation and conducted early campaigns for women’s and equity-seeking groups’ rights. The union and its members have been leaders in struggles for social and economic justice.

That’s why four separate rank-and-file job actions by postal workers in Alberta merit close attention. Is CUPW undergoing a renewed wave of rank-and-file activism that signals a potential new era of labour militancy for Canadian workers? Or is this simply a one-time incident?

RANK-AND-FIELD ACTIONS IN ALBERTA

On November 15, 2007, as Lethbridge police forcibly escorted a local CUPW leader from the mail processing plant, all of the workers stopped work and followed him out the door on a spontaneous wildcat strike. On February 15, 2008, over 100 letter carriers at the Delton Postal Depot in Edmonton walked off the job. Three days later letter carriers, postal clerks, rural and suburban mail carriers (RSMC) and contractors with Canada Post in Grande Prairie held a solidarity breakfast instead of reporting to work.

In Fort McMurray, 40 letter carriers walked off the job for two days beginning on February 22, 2008. Understaffing linked to management abuse use of forced overtime was the cause of the discontent. According to Dave Condon, President of the Medicine Hat CUPW Local, “the collective agreement allows compulsory overtime in emergency situations but it

TIME LINE

CANADIAN POSTAL WORKER MILITANCY

A brief overview of the history of postal workers’ job actions illustrates a long tradition of militancy.

1918 First “illegal” postal strike wins 44-hour week
1919 Brief postal strike in support of the Winnipeg General Strike.
1924 Second “illegal” postal strike
1965 Massive “illegal” strike by postal workers helps win federal workers right to collective bargaining
1968 CUPW strike
1970 CUPW strike
1974 Strikes to gain control over introduction of new technologies
Condon feels there “is an over-reliance on the grievance procedure and joint committees and consultations.” Problems don’t seem to be resolved, but simply reappear in a new form.

Antipan believes that job actions will continue unless the employer radically changes its course of action. “The members are tired of being pushed to the limits,” he says. However, Condon strongly believes that the support of local leadership will not be enough to sustain the struggle. “If leadership simply fulfills its obligations as “peacemaker” by relying on the grievance process, it will be difficult to maintain or spread militancy.”

It has been ten years since the last postal strike, the longest period of “labour peace” in CUPW history. A union which has defined itself by its internal democracy and rank-and-file militancy for over 40 years may be showing signs of the loss of a vitality that has sustained its radicalism for generations of workers and leaders. The quietness with which the union has settled its recent agreements without conflict seems to mirror a prevailing mood of futility within the labour in Canada over its ability to deal with the aggressive challenges of employers and governments in the globalized economy.

Ultimately, CUPW must decide whether rank-and-file militancy and action is still its core strength. If the national leadership believe Edmonton Local President Brian Henderson when he says “the only action the employer understands is when the members themselves take action,” then the union will need to find ways to support and encourage workers’ direct actions – regardless of their legality.

**WHAT IS DRIVING THE ALBERTA WALK-OUTS?**

Although anger and frustration with management’s refusal to recognize and deal with workers’ concerns is at the heart of the job actions, there is also a hint that the union itself may be contributing to workers’ frustration.

“Over the past two collective agreements there has been an increase in dissatisfaction for what is perceived as concession bargaining by the National Union” according to Antipan. “I believe members think the union has not been militant enough in pursuit of better collective agreements that reflect the reality of postal workers.”

He and Dave Condon both worry about a current reliance on collaborative actions with the employer to solve problems.
In the last issue of Union we talked about how Alberta’s labour laws make it difficult for workers to unionize. In the absence of any meaningful penalties for employer misconduct during an organizing drive, union activists are fair game for employer intimidation and coercion. In a labour relations system with this kind of built-in bias, successful union certification drives are a triumph over long odds.

Unfortunately when a drive is complete and the union is certified as the bargaining agent, the fight isn’t over: another loophole in Alberta’s labour laws gives the employer yet another chance to get rid of the union.

Section 50(3)(a) of the Alberta Labour Relations Code allows an application for revocation of bargaining rights:

…”if no collective agreement is in force in respect of any of the employees in the unit, at any time after the expiration of 10 months from the date of the certification of the trade union…”

In practice this means that an employer whose workers have just won union certification can try to stall negotiations for a first collective agreement, and after ten months attempt to have the union decertified. There are several things working in favour of an employer that adopts this strategy.

First, after a difficult organizing battle has been won, there may be an understandable “let down” on the part of union activists. Some, at least, will tend to think “we won, we’ve got the union, now life can get back to normal.”

Second, if working conditions and pay are substandard, there may be a high rate of employee turnover in the company. Inevitably some of the employees leaving will be union supporters and in hiring their replacements, the company can try to screen out people likely to support the union in a decertification vote.

Then again, during the ten-month period after certification the employer can continue (within certain limits) to make life miserable for union activist while favouring company supporters.

Finally, dragging out negotiations may convince some marginal union supporters that the fight just isn’t worth it. “See,” the employer is saying, “you got the union but nothing has changed (or in fact, things have changed for the worse).” Since the employer’s aim is not to persuade employees so much as to demoralize them, these kinds of tactics can wear down union support in the bargaining unit. Of course, this tactic (deliberately dragging out bargaining) is technically illegal. Section 60 of the Alberta Labour Relations Code requires the union and the company to:

…”bargain collectively in good faith, and

Make every reasonable effort to enter into a collective agreement.”
The problem is that this part of the Code doesn’t really have any teeth, as far as employers are concerned. It’s very difficult to prove a failure to bargain in good faith, and even if the union succeeds in proving its case, the sanctions applied to employers are usually ineffective. Typically, the Labour Relations Board will order the employer to go back to the table and begin bargaining in good faith. Meanwhile, the clock is ticking on the ten-month waiting period for a decertification vote. Faced with this looming deadline, the union will often opt to go on strike before the ten-month period is up. Of course, in these circumstances if the strike is lost, so is the union.

As a result of these legal loopholes, an anti-union employer can, in effect, ignore the democratic certification vote that brought the union in, stall bargaining to force a strike, and turn that strike into what amounts to a battle for union recognition.

As a result of these legal loopholes, an anti-union employer can, in effect, ignore the democratic certification vote that brought the union in, stall bargaining to force a strike, and turn that strike into what amounts to a battle for union recognition. That’s why the longest and bitterest strikes in recent Alberta history have been strikes for a first collective agreement. Lakeside Packers, the Calgary Herald, and the Edmonton Convention Center were all first contract strikes. In theory, labour law is supposed to reduce industrial strife by providing an orderly and fair way for union, workers and employers to resolve disputes. By allowing an employer turn a first-contract strike into a fight for union survival in the workplace, the Alberta Labour Relations Code does just the opposite.

There are a number of steps that Alberta could take to prevent first-agreement disputes in Alberta from becoming embittered. The simplest of these is a measure called first-contract arbitration. Under this system, if the employer and the union have bargained to an impasse on a first contract, either party may ask for either a Board of Arbitration or the Labour Relations Board itself to impose a first agreement. With a first contract in place, the union and the workers are protected, and the parties can get down to the work of building a bargaining relationship.

First-contract arbitration is not a radical proposal. Unions generally oppose compulsory arbitration because we believe that free collective bargaining – where unions and employers can choose either to arbitrate or to test their bargaining power by strike or lockout – produces the best results. In fact, arbitration wouldn’t work at all if there weren’t frequently negotiated settlements reached in the labour market, settlements used as

As a result of these legal loopholes, an anti-union employer can, in effect, ignore the democratic certification vote that brought the union in, stall bargaining to force a strike, and turn that strike into what amounts to a battle for union recognition.
guidelines by arbitrators. Without these settlements to provide valid wage comparisons, arbitration would just be an exercise in government price fixing.

First-contract arbitration, on the other hand, is a simple way to avoid unnecessary disruptions while protecting the constitutional right of workers to join unions if they so choose. The measure is limited in scope, involves only minimal interference in the labour market and, best of all, it works.

**FIRST-CONTRACT ARBITRATION IN PRACTICE**

Three of the five provinces west of Quebec have laws prescribing first-contract arbitration: Ontario, Manitoba and Saskatchewan. In each of these provinces, the experience demonstrates how well first-contract arbitration works. In each province, the vast majority of disputes weren’t, in fact, settled by compulsory arbitration. Instead, the threat of having a settlement imposed made the parties negotiate to an agreement on their own. That’s what labour law is supposed to aim at, and that’s what first-agreement arbitration does.

**CONCLUSION**

Last June, the Supreme Court of Canada ruled that Section 2(d) of the Charter of Rights and Freedoms (freedom of association) includes the right of workers in Canada to organize into unions and bargain collectively. This landmark decision, which overturned several previous rulings by the same court, means that, for the first time in Canada’s history, the rights of workers to unionize is protected by our constitution. The loopholes in the Alberta Labour Relations Code that allow employers to interfere with union organizing drives clearly make a mockery of these rights.

First-agreement arbitration, on the other hand, is a simple way to avoid unnecessary disruptions while protecting the constitutional right of workers to join unions if they so choose. First-agreement arbitration would close one of these loopholes, would protect workers trying to exercise their constitutional rights and would prevent bitter and disruptive strikes. It’s an idea whose time has come.

When management at the Calgary Herald refused to bargain anything remotely acceptable to newsroom and print room workers, the union embarked on a long and bitter strike in an attempt to win a first collective agreement (3 pictures above). After eight months on the picket line, the strike was lost and the union decertified. Note the typically friendly assistance the Calgary police are offering the striking reporters.
Women win “illegal” restaurant strike in Edmonton in 1935

Action overcomes employer abuse and government’s blind eye in the Great Depression

At 6:00 o’clock on an unseasonably cool Tuesday evening in early May in 1935, 150 women walked off their jobs as wait staff and kitchen help in 25 Edmonton restaurants. Their core demands were simple – that their employers live up to the minimum wage of $9.50 for a five day, 40-hour week as established by the Provincial Wage Board. They also wanted their hours reduced to a standard eight-hour day. According to the strikers, employers were routinely violating the law – paying an average of only $4.50 per week and working them 10 to 12 hours a day. Many employers simply refused to pay the minimum wage, while others paid it – but then extorted part of it back as the price of keeping your job. The strikers claimed that one particularly bad café owner was giving workers cheques for the legally required $9.50 each week, but then was forcing the women to give back $8.00 under the table. That meant some of the women were effectively working for $1.50 per week.

As one of the women reported to the Toronto Worker, “Waitresses have to supply their own uniforms and also to launder them. By the time you have paid your room rent with your wages there is practically nothing left.” A week after the strike began, a police official admitted that an official investigation had corroborated the women’s claims of abuse by employers. He said that “girls employed in some cafés were living together three to a room in order to pay the rent and had absolutely no money left to buy clothes.”

Glenbow Archives ND-3-6918
Employers were well able to ignore the Provincial Wage Board regulations with impunity. It was the middle of the great depression - the “dirty thirties” – in Canada. During the decade, official Canadian unemployment rates rose as high as 30 per cent in 1933 and were never lower than 12 per cent. In the absence of any unemployment insurance or social welfare programs, the unemployed and their families had to depend upon municipal relief efforts and charitable soup kitchens.

In the early thirties, roughly 15 per cent of Edmonton’s population were on relief – about 11,500 people. To put that in perspective, today that would mean roughly 150,000 Edmontonians would be lined up daily at soup kitchens, desperately seeking any kind of work, and scrabbling to stretch a totally inadequate “relief” voucher into enough food on the table and clothes on their backs.

One of the things that makes this strike stand out is that it occurred at all. The courage to risk even a wretched job by taking action at a time when any job was a prize to be sought cannot be underestimated. The presence of thousands of single and married unemployed men and women in the city could only have underscored the risk. However, as one of the leaders of the strikers, Olga Shipkum said, “We’re going to stay right here [on strike] and we won’t move until this agreement is signed.”

The second remarkable element of this strike is that the women went on strike despite the fact that they had no union. Once they were out on the street, they organized their own union, first calling themselves the Restaurant Workers’ Association. They then reconstituted themselves as the Restaurant Workers’ Union which promised that the “drive to force payment of minimum wages to café employees will be continued until every restaurant in the city either agrees to obey the law or closes down.”

**THE 1935 EDMONTON RELIEF WORKERS STRIKE**

The women’s struggle for the rights supposedly guaranteed them by law were played out against the background of a massive month-long strike by Edmonton’s unemployed relief workers that began on April 29, 1935 and lasted until June 3rd when it was called off after a mass meeting of the unemployed in market square.

In the absence of any national or federal unemployment insurance or welfare programs, support for unemployed men and women and their families in the 1930s rested with local governments. With minimal support from the province and Ottawa, cities like Edmonton had to find ways to feed and clothe the unemployed victims of the economic crisis of the great depression. Although charitable organizations made efforts to alleviate the suffering of the poor, the sheer numbers of destitute men, women and children made that unworkable.

**Twenty-four hours of striking has done more to aid café and kitchen help than months of effort on the part of the provincial wage board.**

Edmonton issued vouchers to unemployed workers – this limited “relief” being used to pay for what living accommodations, food and clothing that could be afforded. In exchange for this relief, the unemployed were forced to do make-work at various city sites.

There were two real driving forces behind relief programs, one clearly a concern for the suffering of citizens through no fault of their own. The other factor was fear of social upheaval and civil conflict that would (and did) inevitably result if the desperate poor were pushed too far.
Whatever the motivation, the fact is that Edmonton’s relief system was inadequate to meet the needs of the unemployed, did not account for inflationary measures, and was open to corrupt abuses by merchants. To protect themselves from abuse, the unemployed had organized themselves into various groups. Active in Edmonton in 1935 were the Unemployed Married Men’s Association, the Unemployed Single Men’s Protective Association, the Loyal Citizens’ League, and the Ex-Servicemen’s Association.

After repeated failed efforts to get the City to increase food and clothing allowances and to amend the voucher system to make it less open to abuse, on April 29, 1935 all of the organizations of the unemployed announced that they were going on strike. They would refuse to do any relief work until their demands were met. Relief strikes were actually fairly common in Alberta – with over 30 called during the depression. They upheld the dignity of the unemployed by refusing to allow authorities to treat them as subservient and by encouraging men and women to stand up for their rights.

This relief strike, in particular, proved to be a huge boon to struggle of the striking women for their rights.

**Solidarity Picketing Wins the Day**

From the very beginning of their strike, the women were joined on their picket lines by members of the Unemployed Single Men’s Protective Association. They clearly saw the women’s struggle as part and parcel of their own and they came out in numbers to support the restaurant strikes.

Hundreds of single unemployed men bolstered the picket lines at the cafés from the first day of the strike. They paid a stiff price for their support as they were the ones singled out by the police for arrest. Ironically, the fact that the women had simply walked off the job and then formed their own union was used against the men in court. The magistrate even lectured the men on their ignorance, telling them that since there was no real union and there had been no legal steps taken to strike including the mandatory seeking of a conciliation board, all picketing was illegal. He then sentenced the men to hard labour (see side bar). However, the mass pickets were effective
In 2012, the Alberta Federation of Labour will be celebrating its one-hundredth anniversary. There will be a special Centennial Convention, a new history of Alberta workers done by the Alberta Labour History Institute and Athabasca University, posters, popular labour history booklets a website and other projects celebrating 100 years of labour progress and struggle.

This brief look at the Edmonton restaurant strike of 1935 is part of a continuing series of labour history features that will run in Union until the Centennial.

We will also use the space as an opportunity to provide detailed information on ongoing Centennial projects and events.

Strikes by relief workers were common in the 1930s. This mobile picket line during a 1934 relief strike in Edmonton illustrates the solidarity that existed between unemployed single and married men and women in their struggles for economic survival and dignity.

Contrary to the reports to the National Department of Labour, it was not a complete victory for the restaurant workers. A few cafés fired their striking employees and replaced them without ever signing the new agreement, or hired back everyone but “ring leaders.” However, it was a massive and tangible victory for the vast majority of some of the most exploited workers in the city.

In 1935, 150 Edmonton women proved that, even in the heart of a worldwide recession, taking direct collective action can win important gains for working people. In doing so they also demonstrated just how important solidarity is for working people in their struggles.
May 1, recognized around the world (except Canada and the U.S.) as International Workers’ Day (May Day), has historically often been a day of large scale mobilization of unionized workers to achieve a greater political goal. In recent years it has become more of a day of tepid marches and predictable, vague sentiments about workers’ rights and struggles. Much of the vigour of May Day has waned in recent years.

Along the west coast of the U.S. this year, however, May Day involved a little bit more. Twenty-five thousand members of the International Longshore & Warehouse Union (ILWU) waged a one-day strike on May 1st, not to back up contract demands, but to protest the ongoing wars in Iraq and Afghanistan.

“Longshore workers are standing-down on the job and standing up for America,” ILWU President Bob McEllrath was quoted as saying. “We’re supporting our troops and telling the politicians in Washington it’s time to end the war in Iraq.”

Their one-day action represented the first time in many decades that American union members took strike action in support of peace. In recent years, unions have either refused to take a stand on war or register official reservations about military action, but offer little in terms of rank-and-file mobilization.

Part of the reason for this is the general political and economic malaise that has infected the U.S. labour movement for the past three decades. But it is also an indication that the leadership was unsure if its members shared its viewpoints on military action. Issues of military action and war are generally framed in the U.S. in patriotic terms, undermining the capacity to build a working-class mobilization against the Iraq war or other actions.

And it should be no surprise that it was the ILWU that broke the mould and took action this past May. The ILWU was borne
out of a massive strike of west coast longshoremen in 1934. The strike shut down every port along the west coast for almost three months, despite violent attempts to crush the strike. The ILWU has a long history of labour activism in the U.S.

The origins of the May Day 2008 action were the rank-and-file members at a national meeting in February 2008. At the ILWU Longshore-Warehouse Caucus meeting, delegates voted heavily in favour of the action. The final vote was 97 in favour to 3 against. Initially the union leadership were hesitant, concerned the event may draw unnecessary negative response from the port employers and the government.

However the members were certain of their desire to walk out to oppose the war, and so the ILWU started organizing and mobilizing. They spent three months informing and educating workers across the west coast, and preparing them for a day of marches, picketing and rallies.

On May Day, the striking workers were effective in completely shutting down the 29 ports that span the west coast from San Diego to Washington state. These ports collectively handle over 50% of U.S. waterborne trade.

Even the employer representative acknowledged the effectiveness of the strike. “There is no activity. The ILWU struck west coast ports and brought cargo operations to a virtual standstill,” said Steve Getzug, spokesperson for the Pacific Maritime Association (PMA) which represents the major port companies in the U.S.

Of course, the PMA took every action it could to prevent the strike, which had been planned for months, including getting an order declaring the strike illegal and requiring the union leadership to urge its members to work.

The union ignored the order, in part due to the rank-and-file origins of the action.

The strikers were joined by thousands of other peace and social justice activists in cities along the coast. However, few other unions joined in the strike. In the weeks leading up to the action, there were scattered resolutions expressing sympathy and support for the ILWU but no other union made a decision to walk off the job.

Due to the minimal support from the rest of the U.S. labour movement, the impact of the strike, both economically and politically, ended up being minimal, but we should not lose...
sight of the event as an important shift in labour tactics in the U.S. “Could you imagine if this were being duplicated in more places in all the major sectors of the economy?” observed one ILWU striker, summing up its potential. “It would send a message that we want this war to end. It’s killing our children and diverting resources from domestic needs.”

Ultimately, the strike was more symbol than a prelude to greater political activism from the U.S. labour movement. The same week in February that its members were voting to stage the strike, the ILWU voted to endorse Barak Obama and put extensive resources into his campaign.

However, for one day longshore workers were willing to put real action behind their political words.

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**ILWU May Day Strike Resolution**

**Whereas:** On May 1, 2003, at the ILWU Convention in San Francisco resolutions were passed calling for an end to the war and occupation in Iraq; and

**Whereas:** ILWU took the lead among labor unions in opposing this bloody war and occupation for imperial domination; and

**Whereas:** Many unions and the overwhelming majority of the American people now oppose this bipartisan and unjustifiable war in Iraq and Afghanistan but the two major political parties, Democrats and Republicans continue to fund the war; and

**Whereas:** Millions worldwide have marched and demonstrated against the wars in Iraq and Afghanistan but have been unable to stop the wars; and

**Whereas:** ILWU’s historic dock actions,

1) like the refusal of Local 10 longshoremen to load bombs for the military dictatorship in Chile in 1978 and military cargo to the Salvadoran military dictatorship in 1981; and

2) the honoring of the teachers’ union antiwar picket May 19, 2007 against SSA in the port of Oakland stand as a limited but shining example of how to oppose these wars; and

**Whereas:** The spread of war in the Middle East is threatened with U.S. air strikes in Iran or possible military intervention in Syria or the destabilized Pakistan;

**Therefore Be It Resolved:**

That it is time to take labor’s protest to a more powerful level of struggle by calling on unions and working people in the U.S. and internationally to mobilize for a “No Peace No Work Holiday” May 1, 2008 for 8 hours to demand an immediate end to the war and occupation in Iraq and Afghanistan and the withdrawal of U.S. troops from the Middle East; and

**Further Be It Resolved:**

That a clarion call from the ILWU be sent with an urgent appeal for unity of action to the AFL-CIO, the Change to Win Coalition and all of the international labor organizations to which we are affiliated to bring an end to this bloody war once and for all.
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