Journal of the Canadian Historical Association
Revue de la Société historique du Canada

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Volume 8, Number 1, 1997

URI: https://id.erudit.org/iderudit/031125ar
DOI: https://doi.org/10.7202/031125ar

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Publisher(s)

The Canadian Historical Association/La Société historique du Canada

ISSN

0847-4478 (print)
1712-6274 (digital)

Explore this journal

Cite this article

Struthers, J. (1997). Building a Culture of Retirement: Class, Politics and Pensions in Post-World War II Ontario. *Journal of the Canadian Historical Association / Revue de la Société historique du Canada*, *8*(1), 259–282. https://doi.org/10.7202/031125ar

Article abstract

This paper examines four factors which influenced the development of old age pensions in Canada after World War II. The legacy of Canada's original means-tested pension program, the class politics of pension bargaining between business and organized labour on both sides of the border, the policy example of Social Security in the United States, and the key importance of the insurance and investment industry lobby operating through successive Conservative governments in Ontario, are highlighted as critical factors which affected the timing and limited the scope of Canada's public pension system. The residualist design of Old Age Security in 1951 and Ontario's success in gaining a veto over reforms to the Canada Pension Plan in 1965 are singled out as a key factors behind the current vulnerability of Canadian public pensions to fiscal cutbacks compared to the Social Security in the United States.

Building a Culture of Retirement: Class, Politics and Pensions in Post-World War II Ontario

JAMES STRUTHERS

"INDUSTRY IS NOT OPPOSED TO PENSIONS. THEY'RE JUST OPPOSED TO PENSIONS FOR workers. Executives get them, and if pensions are good enough for executives, they're good enough for the workers, and, by God, we're going to get them."[1]

Between 1945 and 1965, a culture of retirement took shape in Canada. Before World War II, less than 8 per cent of Canadian workers belonged to company pension plans. By the early 1960s, over 15,000 such plans were in place, covering approximately one-third of the labour force.[2] In 1951, the federal government enacted an old-age security scheme, providing a universal pension of $40 a month to virtually all Canadians aged 70 and over. Fourteen years later, the Canada and Quebec Pension Plans were created, adding a second tier of wage-related contributory pensions to the existing floor of retirement benefits available through old-age security. The threshold for state pension entitlement was lowered from age 70 to 65 and the new Guaranteed Income Supplement provided a floor below which the incomes of Canada's elderly would not be allowed to fall. With some modifications, this three-tiered Canadian pension system remains in place today. The combined assets of government and private pension plans at present equal 38 per cent of our Gross Domestic Product. Federal spending on old-age pensions has, for quite some time, represented the single largest claim on the national budget. As John Myles observes, "in the

I wish to thank David Sheinin for his encouragement in writing this paper, as well as the anonymous referees of the *Journal of the Canadian Historical Association*. This research was supported by a grant from the Social Sciences and Humanities Research Council of Canada.

1 Walter Reuther, President, United Auto Workers, speaking to UAW Ford Local, Windsor, Ontario, March 1949, "'We're Going to Get Them' Says Reuther on Pensions," *Congress News* (March 1949): 4.

2 Richard Deaton, *The Political Economy of Pensions: Power, Politics, and Social Change in Canada, Britain, and the United States* (Vancouver, 1989), 81.

areas of health care and income transfers, the modern welfare state has in large measure become a welfare state for the elderly."[3]

In creating this postwar culture of retirement, Canada was not blazing new trails. Most other Western industrial nations, including the United States, had developed extensive state systems of income security for the elderly before the 1950s. South of the border, the spread of occupational pensions along with the concept of mandatory retirement at age 65 was a pronounced feature of American welfare capitalism by the late 1920s.[4] But retirement as a mass cultural phenomenon in Canada, as elsewhere in the industrial world, surely came of age in the quarter century of dramatic economic and welfare-state expansion after 1945.[5]

Although retirement is a transnational development that spans advanced capitalist democracies, the policy paths underpinning it and their often unforeseen consequences are unique to each nation.[6] Dramatic changes in Canadian pension policy over the past two years underscore this point and suggest the need for another look at some of the original debates surrounding the creation of our pension system. In 1995, Ottawa announced the end of universal old-age security, to be replaced by a new family income-tested seniors' benefit. This past year, federal officials negotiated with the provinces a dramatic 73 per cent hike in contribution rates for the Canada Pension Plan, combined with a reduction in benefits. Both of these reforms are to be phased in over the next five years. Claiming that Canada's public pension system was "broken and needs to be fixed," federal Finance Minister, Paul Martin Jr., argued that he had no alternative but "to slash old-age benefits in order to save them." Meanwhile, the Reform Party, right-wing think tanks and the business press have gone much further, calling for the wholesale replacement of Canada's public pension system

3 Deaton, *Political Economy of Pensions*, 238; John Myles, "Conflict, Crisis, and the Future of Old Age Security," in *Readings in the Political Economy of Aging*. Meredith Minkler and Carroll Estes, eds. (Farmingdale, 1984), 173.

4 William Graebner, *A History of Retirement: the Meaning and Function of An American Institution, 1885-1978* (New Haven, 1980), 120-49.

5 Jill Quadagno and John Myles, "Introduction: States, Labor Markets, and the Future of Old Age Policy," in *States, Labor Markets, and the Future of Old Age Policy*. Jill Quadagno and John Myles, eds. (Philadelphia, 1991), 3; Richard B. Calhoun, *In Search of the New Old: Redefining Old Age in America, 1945-1970* (New York, 1978), 35.

6 As Francis Castles points out, "if we are to seek explanations for the adoption of divergent strategic options and policy trade-offs, we must examine the historical evolution of policy formulation, going back to the point where reforms were the live substance of political conflict rather than the dead routines of administrative agencies or the taken for granted orthodoxies of contemporary public opinion." Francis Castles, *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand, 1890-1980* (Wellington, 1985) as cited in Anna Shola Orloff, *The Politics of Pensions: a Comparative Analysis of Britain, Canada and the United States, 1890-1940* (Madison, 1993), 6.

by the so-called "Chilean" model of minimal means-tested assistance for the aged poor and compulsory RRSP retirement savings accounts for everyone else.[7]

In the United States, in contrast, social security for the elderly not only continues to provide significantly higher levels of average wage-replacment for retirees, but has successfully withstood vigorous neo-conservative assaults on it over the past two decades to become "the budget's sacred cow, a 'sacrosanct program unassailable by cost cutters.'"[8] Why have public pensions for Canada's elderly, despite providing a lower level of income security for average wage earners, proven more vulnerable to cutbacks driven by the politics of deficit reduction than in the United States? In what ways did differences in the timing, institutional history, and political economy of pension bargaining, particularly in Ontario in the critical quarter century after World War II, limit the subsequent scope of public provision for Canada's elderly? Given the charged political climate surrounding the legitimacy of our public pension system, revisiting its origins in the 20 years following World War II may shed some light on contemporary demands for its transformation.

The creation of universal old-age security in 1951 marked a watershed in the fiscal development of the Canadian welfare state as well as in the construction of a new social right for the aged; namely, the idea of *The Citizen's Wage* captured evocatively within the title of James Snell's recent social history of Canada's elderly.[9] In its first year of operation, the cost of OAS approximated the entire sum of federal government spending on unemployment relief during the Great Depression. Until the mid-1970s, the universal pension was the fundamental building block of retirement security for most Canadians. For many of the elderly, particularly women, OAS remained the only pension they could claim by right. But how was this right constructed? And what constraints were embedded in it?

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7 "We'll fix pension system – Martin," *Toronto Star*, 28 June 1995; "Ottawa studies $1 billion pension revamp," *Toronto Star*, 12 August 1995; "Ottawa backs off immediate cuts for seniors," *Globe & Mail*, 7 March 1996; "Pension premium to take big jump," *Toronto Star*, 15 February 1997; "Fixing the pension system," *Globe & Mail*, 6 September 1995; "Wind down the CPP, think-tank urges," *Globe & Mail*, 31 January 1996; William Robson, "Ponzi's Pawns: Young Canadians and the Canada Pension Plan," in *When We're 65: Reforming Canada's Retirement Income System*. J. Burbidge et. al., eds. (Toronto, 1996).

8 Jill Quadagno, "Interest-Group Politics and the Future of U.S. Social Security," in *States, Labor Markets, and the Future of Old Age Policy*, 42. For middle-income Canadian workers with a lifetime of average earnings in manufacturing, the income replacement rate of public pensions in 1980 was ".34 and .49 for single workers and one-earner couples, respectively. The corresponding figures in the United States were .44 and .66," John Myles and Les Teichroew, "The Politics of Dualism: Pension Policy in Canada," ibid., 101.

9 James G. Snell, *The Citizen's Wage: the State and the Elderly in Canada, 1900-1951* (Toronto, 1996).

Four factors are particularly critical for understanding both the origins of OAS and its subsequent evolution. The first is the legacy of Canada's means-tested old-age pension program which preceded it. The second stems from the class politics of pension bargaining between business and organised labour in both Canada and the United States during the later years of the 1940s. The third is the powerful policy example, from 1935 onwards, of social security south of the border. The fourth is the key importance of Canada's investment and insurance industry on all government policy making over pensions, particularly through its influence on successive Conservative governments within the province of Ontario.

Unlike American social security, Canada's first pension plan was a product of the 1920s, not the Great Depression. As a consequence, its principal objective was relieving the need of the indigent aged, not accelerating the retirement of elderly workers in order to free up employment for young.[10] Means-tested pensions symbolised more than charity or poor relief. As James Snell, Ann Orloff and other historians have recently argued, Canada's first pension plan did embody a quasi-right of citizenship which acknowledged the elderly's contributions in building up the nation.[11] But it was not social insurance. Instead, this "citizen's wage" focussed on the relationship between poverty and old age, not the prior payment of premiums or even attachment to the labour force, which is why it was paid out on equal terms and conditions to both men and women. Although means-tested pensions conveyed stigma, they also embodied an early acknowledgement of the equivalent importance of the paid and unpaid labour of men and women in nation building, setting an important precedent for the next stage of pension policy.[12]

Nonetheless, the means test was stigmatising, particularly because the pension scheme received its baptism of fire during the Great Depression. As a consequence, cash-strapped provincial governments along with Ottawa tried every way they could to limit payments to a minimum through vigorous enforcement of parental maintenance regulations and a searching scrutiny of bank accounts and property transfers from parents to children.[13] The result, by the 1940s, was widespread public disgust for the means test and the provincial pension bureau-

10 On the importance of American Social Security as a "retirement-inducing," anti-unemployment measure, see Graebner, *History of Retirement*, 181-214.

11 On the OAP's creation of a "culture of entitlement," see Snell, *Citizen's Wage*, 112-14; Orloff, *Politics of Pensions*, 265; on the contradiction as to whether OAP was an "earned right" or "charity," see James Struthers, *The Limits of Affluence: Welfare in Ontario, 1920-1970* (Toronto, 1994), 75-6.

12 Snell notes that "for many women the OAP represented their first source of regular, significant income independent of husbands or family," *Citizen's Wage*, 124.

13 James Struthers, "Regulating the Elderly: Old Age Pensions and the Formation of a Pension Bureaucracy in Ontario, 1929-1945," *Journal of the Canadian Historical Association* 3 (1992): 235-56.

cracies that administered it. As federal officials planning pension reforms acknowledged by 1949, "Regardless of its merits or demerits even if generously conceived, the means test has fallen into such disrepute that public opinion will not be satisfied with anything short of its complete abolition."[14]

The most effective opposition to the means test came from organised labour. Indeed, the union campaign for abolition of the means test represented perhaps the labour movement's most successful intervention into social politics before the 1960s. Union pressure on pensions came from both sides of the border and reflected the burgeoning strength of mass industrial unionism, particularly in the steel and automobile sector, the unusual circumstances and aftermath of wartime wage stabilisation policies, and the growing political frustration of labour leaders with the fading promise of postwar reconstruction.

In the United States and Canada, union membership more than doubled during the 1940s under the stimulus of full employment and the protective umbrella of the Wagner Act and Canada's equivalent, P.C. 1003. Although workers were joining unions in record numbers, government price and income regulations restricted their ability to bargain for higher wages. Through changes in tax law, however, both the American and Canadian governments created strong incentives for occupational pension plans as a form of "deferred wages," by allowing employers in the US and employers and workers in Canada to deduct their contributions to private pension plans against the excess profits tax and personal income tax. With this new fiscal encouragement and in the absence of other economic incentives to attract or hold valued workers, companies began creating pension plans in record numbers and the percentage of the workforce included in such schemes doubled on both sides of the border between 1938 and 1947.[15]

Many, if not most, of these pension schemes were unilateral company initiatives in which workers enjoyed weak vested rights and their unions little policy input. In the Steel Company of Canada, for example, union officials complained bitterly that "the company has always taken the view that the pension

14 "Our Gestapo for the Aged," *Vancouver Sun*, 3 December 1940, as cited in James Snell, "The First Grey Lobby: the Old Age Pensioners' Organization of British Columbia 1932-1951," *BC Studies* 102 (Summer 1994): 17; Canada, National Archives (NA), RG 29, Records of the Department of National Health and Welfare, Vol. 2376, File 275-4-2, (1), "Memorandum Regarding Old Age Security," n.d but circa 1949.

15 Deaton, *Political Economy of Pensions*, 81. As Liberal MP David Croll noted in Parliament during the 1950 debates on Old Age Security, "sixty-four per cent of our present operative [pension] plans came into effect during the war . . . During the war years wages could not be raised but pensions could be granted. Employers wanted to hold their employees. Possibly other people were offering them more money, so employers provided for pensions. All the money they were paying out for pensions in the war years was deductible as it is now, except that at that time, there was more of it. Therefore, these pension plans grew," Canada. House of Commons, *Debates*, 10 March 1950, 673-4.

plan is none of our business. . . . One of the needs in our situation is to break down this attitude. . .as well as get access to company payroll records which will enable [our] actuaries to make their surveys."[16] Beginning in 1947, union leaders, particularly in the newly organised mass-production industries, began targetting pensions along with other so-called "fringe benefits" as a means of demonstrating the efficacy of their organisations to the membership, particularly in the face of restrictive labour legislation such as the *Taft-Hartley Act* and declining political support for the New Deal or postwar reconstruction policies. As Beth Stevens has recently argued, the American labour movement's "turn to employee benefits was a reaction to [its] decreasing ability to influence public sector decisions about social programs. . . [as well as] part of a counter-drive by unions to consolidate their disintegrating collective bargaining rights." For its part, the Truman administration looked favourably upon negotiations over fringe benefits as a relatively low-cost means of dampening the fires of union unrest. In a landmark decision in 1948, for example, the US National Labor Relations Board ruled that company pension plans should indeed come under the scope of collective bargaining.[17]

During the later 1940s, Canadian labour leaders faced similar challenges in their collective bargaining environment and a worsening political climate for social reform in the face of Cold War politics and waning public support for the CCF. Legislation protecting workers against insecurity in old age, the Canadian Congress of Labour's assistant research director pointed out early in 1949, was "either non-existent or at best inadequate." "Under the circumstances," he advised CCL affiliates, "unions have no alternative but . . . to bargain for the inclusion in collective agreements of pension and health and welfare schemes." Their goal should be pensions "large enough to permit retirement without dissatisfaction. . . . The employer regularly sets up reserves for depreciation and obsolescence of equipment. . . . It is only reasonable to demand, therefore, that similar reserves should be set up for employees who, to use the same expressions, have depreciated in usefulness and become obsolete due to age."[18]

As affiliates of American international unions, Canadian labour leaders also responded to a collective bargaining agenda being set south of the border. Early in 1949, for example, UAW president Walter Reuther defined his union's key bargaining objective during the upcoming Ford negotiations to be a $100 monthly pension payable at age 65 after 30 years service. Rallying autoworkers around the slogan "Too Old to Work, Too Young to Die, Enough Money to Live

16 NA, MG 28 I 103, Records of the Canadian Labour Congress, Vol. 115, File 115-3, Eamon Park to George Burt, 30 December 1949.

17 Beth Stevens, "Labor Unions and Privatization in the 1940s," in *The Privatization of Social Policy?: Occupational Welfare and the Welfare State in America, Scandanavia, and Japan.* Michael Shalev, ed. (New York, 1996), 75-6, 94-5.

18 NA, MG 28 I 103, Vol. 344, File "Group Insurance Plans," Andrew Andras, "Memorandum on Pension Plans and Health and Welfare Insurance Schemes," February 1949.

with Dignity and Security,"[19] Reuther told a mass meeting of Ford workers at Windsor that the union's "all-out drive . . . for pensions [would be] closely synchronized in Canada and the United States. . . . We'll co-ordinate our activities, pool our strength and the companies will be told we will settle only if people on both sides of the river settle." Canadian workers, Reuther vowed, would "no longer be treated as second class citizens."[20] After a difficult 1949 strike Ford workers at both Windsor and Detroit won a path-breaking $55 a month non-contributory pension.[21] But there was one key difference. In the United States, the $55 dollar Ford pension would be integrated into a $45 monthly social security benefit to produce a minimum retirement wage of $100 dollars a month. In Canada, there was no state pension at age 65. At age 70, the $55 monthly payment would simply be deducted against any income which might be available from Canada's means-tested OAP.

This stark contrast galvanised the Canadian Congress of Labour into political as well as economic action on the pension front, by mobilising a national campaign to have the means test abolished. "It would be sheer folly for us to suggest that anything short of a combined company and government retirement plan could provide the workers in the industry with an adequate pension," Steelworker officials argued late in 1949. "We are most anxious to speed up the Government social security proposals and we think that a campaign on the Means Test issue can help to do just that. The Gallup Poll indicates that 77% of Canadians are opposed to the Means Test and I think we should be ready to take advantage of that public feeling to move the Government to action."[22]

In early January, just before the opening of Parliament, the Canadian Congress of Labour launched a massive two-month newspaper advertising campaign across Canada, urging readers to mail in coupons to their members of Parliament with the heading, "It's Up to Ottawa to Abolish the Means Test." "We don't apply the Means Test when we pay Children's Allowances," the ad pointed out. "There is no need to apply the Means Test to Old Age Pensions." The CCL also printed over one million postcards demanding an end to the

19 NA, MG 28 I 119, Records of the Canadian Automobile Workers, Vol. 224, File 1, annual conference of Canadian Region UAW Retired Workers' Council, 18-23 September 1977, speech by Charles McDonald.

20 "We're Going to Get Them, Says Reuther on Pensions," *Congress News*, (March 1949): 4.

21 Ontario. Archives of Ontario (AO), RG 7-12-0, Records of the Ministry of Labour, Box 19, File 1460.1, G.A. Peckham to Louis Fine, 23 May 1950 enclosing "Memorandum of Agreement on Retirement Pension Plan," May 1950 between the Ford Motor Company of Canada and Local 240 of the United Auto Workers.

22 NA, MG 28 I 103, Vol. 115, File 115-3, Eamon Park to George Burt, 20 December 1949.

means test, with the request that they be signed and mailed to local M.Ps.[23] By March, more than 25,000 of the CCL coupons had been forwarded to Ottawa, leading some members of Parliament to complain they had received "more requests about this means test than I have ever had about anything else." The Prime Minister's office, Health and Welfare Minister Paul Martin later recalled, was simply "inundated" with this correspondence.[24] By the end of March, "as the result of an overwhelming public clamour," according to one influential Liberal backbencher, the St. Laurent administration appointed a joint Senate-House of Commons Parliamentary Committee to investigate proposals for a new national pension scheme. Out of the June report of this committee emerged recommendations for a universal old-age security pension of $40 a month, payable to all Canadians upon reaching the age of 70.[25]

Labour's indirect influence on the creation of old-age security, however, was probably more effective than its advertising campaign. By forcing employers to bargain over pension plans for the first time during the 1949 and 1950 automobile and steel agreements, the labour movement shifted critical sectors of Canadian business opinion as well as right-wing elements in the Liberal cabinet in favour of a universal public pension entitlement. As *The Globe and Mail* noted late in 1949:

> the widespread labor demand for industrial pension plans as part of its 1950 collective bargaining program has had a marked influence on government thinking. . . . Today the national pension plan is being considered as something which will provide the foundations on which industrial pension plans will be built. . . . Not only has there been pressure this time from labor, but there have been approaches from industry indicating support for a national plan about which in the past it has been, to say the least, apathetic.[26]

As other media commentators noted, "Some industrialists who previously weren't too enthusiastic about the government spending money on social security have had a change of heart. . . . If the government introduces pensions for everyone without a means test, the companies won't have to foot such high pen-

23 Canadian Congress of Labour advertisement, "It's Up to Ottawa to End the MEANS TEST," *Galt Reporter* (4 February 1950); Kenneth Bryden, *Old-Age Pensions and Policy-Making in Canada* (Montreal/London, 1974), 119.

24 Canada. House of Commons *Debates*, 6 March 1950, speech by William Bryce, 489; Paul Martin, *A Very Public Life. Volume II: So Many Worlds* (Toronto, 1985), 79.

25 Canada. House of Commons *Debates*, 23 June 1951, speech by David Croll, 4568. For highlights of the Joint Parliamentary Committee, "Report on Old Age Security," see *Labour Gazette* (August 1950): 1142-1147.

26 "Old Age Pension Plan Seen Base for Canada," *Globe & Mail*, 21 December 1949.

sions bill for their own employees. And so company executives have joined the trek to Ottawa to get the means test abolished."[27]

As indeed they did. At Parliamentary Committee hearings into old-age pensions, briefs from the Canadian Chamber of Commerce and the Canadian Life Insurance Officers Association endorsed abolishing the means test and moving towards a system of univeral old-age pensions. "Everybody pays, everybody benefits," the Chamber of Commerce argued. "It is a pay-as-you go plan under which citizens lay aside so much of their yearly income to buy their means of living in later years." Money going to those who did not need it could be "partly recouped by means of taxation." Life insurance industry spokesmen agreed. Universal old-age security payments represented "nothing more than . . . an extension to the community at large of the old-time principle operated within the family itself. This method is a true pay-as-you-go basis of old age pensions and recognizes that the immediate, most pressing problem at any time consists of the current old age population."[28]

Business and Liberal government support for universal old-age security in 1950 was clearly a response to labour's success in pension bargaining as well as partly a reaction to the Cold War itself. "You cannot triumph over communism by force alone," Paul Martin reminded Parliament in defence of the legislation once the Korean War broke out.[29] But it also reflected the fact that the

27 Robert McKeown, "What's Ahead for Pensions?" *Canadian Welfare* 26 (15 April 1950). This view was pushed most adamantly by Health and Welfare minister Paul Martin, whose Windsor riding was the site of the path-breaking 1949 Ford strike over pensions. Once the Ford strike had been settled, Martin tentatively endorsed the idea of a non-contributory universal old-age pension. As the *Toronto Star* commented, "he tied it in with the recent announcement by Ford in the U.S. of a $100 a month pension plan for its workers. . . . This is how it would work out. There is a tremendous move in industry today for retirement pensions. . . . It is believed that if companies knew their employees would get, at 70, $40 a month from the federal government, more of them would proceed with retirement plans. A firm could retire an employee on $80 a month at 65 and then reduce its contribution to $40 a month at 70 when the federal government plan benefits were available." Robert Taylor, "See Firms Giving $80 Retirement Pay at 65 Until Pensions Due at 70," *Toronto Star*, 4 October 1949. Conservative opposition members of Parliament also linked their support of universal pensions to labour unrest. "Adequate provision for retirement in advanced years is one of the avowed objectives of organized labour. A national contributory pension plan can make a major contribution to industrial peace," Canada. House of Commons *Debates*, 10 March 1950, p.651, speech by Donald Fleming.

28 "Pensions: a Business Viewpoint," *Canadian Business* (June 1950): 9-10; William M. Anderson, "Economic Security for Older Canadians," *Canadian Welfare* (October 15 1949): 2-7. Anderson was the general manager of North American Life Assurance and past-president of the Canadian Life Insurance Officers' Association.

29 Canada. House of Commons *Debates*, 21 June 1951, p.4422. The link between old-age security and the search for political security was also noted at the time by other media commentators. As *Saturday Night* pointed out, "No doubt the universal feeling of political insecurity – communism and atom bombs – inclines us to seek security wherever we may find it. I suppose this is at least part of the reason for the apparently widespread popular approval of the labor unions' demand for workers' retirement pensions. . . . But also he uneasily remembers the depression thirties and wants security most of all." "Who'll Pay the Pensions?" *Saturday Night* (21 March 1950).

Old Age Security Act, which the St. Laurent administration passed through Parliament, was a thoroughly minimalist and residual pension scheme. In contrast with the $50 a month non-contributory pension payable at age 65 demanded by the Canadian Congress of Labour, indexed to a 2 per cent annual productivity adjustment in order to track rising living standards, or the $60 contributory pension advocated by the Trades and Labour Congress of Canada, Ottawa's $40 OAS payment represented no real gain in constant dollars over the $20 OAP maximum first set in 1927. Nor did it contain any formula for indexation. For those with no other source of income it was "an outrageous pittance," the Canadian Congress of Labour argued. "The government has achieved the political minimum," social work observers quipped. "The lowest sum per month at the highest age that they dared to suggest."[30]

Yet ensuring either adequacy or early retirement for the elderly was never Ottawa's intent. "It would be a great mistake for Government even to appear to monopolize the field by undertaking a complex and ambitious insurance scheme which would be expected to provide adequate pensions on retirement for everybody," Health and Welfare officials advised the Liberal cabinet in designing the scheme. By providing low benefits and a high age threshold for eligibility, they argued, OAS would encourage individuals, along with their employers, "to build on top of the admittedly inadequate government provision," establishing the "*more wholesome approach* . . . that government is not wholly responsible for providing for the retirement needs of its aged people." In the context of the tight labour market of the early 1950s, the scheme was also designed to keep those aged 65 to 69 in the labour force. Unlike the social insurance model of American social security, the OAS plan also did not necessitate the administrative complexity of keeping track of individual contributions or managing huge reserve funds. Adopting arguments borrowed almost directly from the writing of leading insurance industry executives, Department of Health and Welfare officials boasted that the scheme's non-contributory, pay-as-you-go basis avoided "what could be a very dangerous and *unwholesome*

30 "Congress Presents Brief on Old Age Security," *The Canadian Unionist* (June 1950): 130-1; "Labour Congresses Submit Briefs on Old Age Security," *Labour Gazette* (July 1950): 1011-13; John S. Morgan, "Social Security: One Step at a Time," *The Canadian Forum* 31 (December 1951): 198-9; Canada. House of Commons *Debates*, 11 April 1951, 1927, speech by Stanley Knowles pointing out that "the result of the index reaching 179.7 is that the $40 being paid to old age pensioners is only $22.25 in terms of 1935-39 dollar value. That means that all the fighting we have done to get a better deal for the old age pensioner in terms of the amount of the pension has been wiped out by the inflation that has been permitted to take place."

influence in the field of private enterprise [and a] serious interference with the operations of private investment houses."[31]

In abolishing the means test and reconstructing pensions as a universal social right, OAS did represent a key policy breakthrough. It also reinforced the equal treatment of men and women begun in the earlier OAP scheme of 1927, a point that received virtually no mention in the hundreds of pages of parliamentary debate on the topic.[32] Nonetheless, government arguments in favour of OAS were premised on the need for creating further room for the expansion of the private pension sector and by a shared understanding with business concerning the "wholesome" and "unwholesome" boundaries that separated private and public responsibility for pension adequacy, as well as the mobilisation and management of investment capital.[33]

Throughout the 1950s, in response to aggressive union bargaining, a buoyant economy, and the new income floor provided by old-age security, private pension coverage jumped from 17 per cent to 28 per cent of the Canadian labour force between 1947 and 1960.[34] Meanwhile, Ottawa's minimal $40 monthly OAS payment first established in 1950 remained unindexed to inflation, despite an 18 per cent increase in the cost of living between 1949 and 1956.[35] The progressive liberalisation of American social security coverage and benefit levels for the elderly throughout the decade also cast Canada's flat-rate

31 NA, RG 29, Records of the Department of National Health and Welfare, Vol. 2376, File 275-4-2 (1), "Memorandum Regarding Old Age Security," n.d. but circa December 1949, pp.20-5, 14 (my emphasis) ; Canada. House of Commons *Debates*, 23 June 1951, speech by Paul Martin, 4550 noting that *"payment of a universal pension at 65 would tend to encourage premature retirement* at a time when a full labour force is needed in the national interest," (my emphasis). For insurance industry warnings against the "grave dangers" of huge state pension reserve funds, see William Anderson, "Economic Security for Older Canadians," *Canadian Welfare* (October 15, 1949): 5.

32 The sole reference to "housewives" earning a pension entitlement through their "contribution to the building up of this country" is made in passing in a speech by Paul Martin, Canada. House of Commons *Debates*, 25 October 1951, p. 386.

33 Jill Quadagno makes a related point in her analysis of the creation of old-age insurance in America's *Social Security Act* of 1935. "The OAI provisions . . . represented an approach to social welfare created by private businessmen. They retained the joint contributory format of private pension plans and did little to redistribute income. Only wage earners received benefits, ensuring that America's social welfare system would be tied to the private labor market. The contributory structure, which maintained a relationship between benefits and wages, guaranteed that OAI would not undermine existing wage levels." Quadagno, *The Transformation of Old Age Security: Class and Politics in the American Welfare State* (Chicago, 1988), 113; Edward D. Berkowitz and Kim McQuaid have also noted the key influence of business in the original design of OAI as well as the corporate sector's strong opposition to the creation of large reserve funds within the scheme, see their *Creating the Welfare State: the Political Economy of 20th Century Reform* (Lawrence, 1992), 121, 125.

34 Deaton, *Political Economy of Pensions*, 81.

35 Bryden, *Old-Age Pensions and Policy-Making in Canada*, 127.

pension scheme in an increasingly unfavourable light.[36] The clearest evidence of this point was revealed by a serious political blunder of the Liberals as they headed into the 1957 federal election. Despite forecasting a huge budgetary surplus, Finance Minister Walter Harris agreed to only a $6 increase in monthly OAS payments. Although this $6 adjustment did reflect changes in price levels since 1952, the Liberals, according to cabinet minister Jack Pickersgill, were afraid to make this argument in its defence, "for fear of creating the expectation that old age pensions would in future be tied to the cost of living."[37]

Health and Welfare Minister Paul Martin, who had lobbied hard for a $10 increase, complained privately to the local Windsor-area press that the $6 boost was "cheese-paring, Chiselling. We would have been better off to have left it alone than to come up with $6. It's psychologically cockeyed because it looks and sounds mean." The government was hammered in Parliament and in the media by Conservative opposition leader John Diefenbaker who gleefully dubbed the finance minister "Six Buck Harris."[38] The miserly nature of the pension increase played a significant role in the Liberals unexpected defeat by Diefenbaker in the 1957 federal election.

On forming a minority government, Diefenbaker wasted no time in boosting old-age security payments to $55 a month. But this 37.5 per cent increase in the basic flat-rate pension between 1957 and 1958 prompted both the Conservatives and Liberals to begin re-examining some of the fundamental premises of Canada's universal pension system, and to take a closer look at America's alternative. Going into the 1958 federal election, Diefenbaker promised that it would "not be very long before we will be in a position to introduce in the new parliament a contributory social security system." American workers, he noted, could now draw retirement benefits "as high as $108.50 a month at age 65." Accordingly, he appointed a federal inquiry to discover "how best we can expand the present old age pension system by the addition of an insurance system similar to that of the United States."[39] Not to be outdone, the Liberal party's

36 As John Myles points out, America's Social Security Act provided "a policy framework of earnings-related benefits that allowed subsequent generations of reformers to construct a system of retirement wages through what would appear to be a series of incremental reforms rather than a radical transformation of the policy structure itself." Within Canada, in contrast, "comparable results could be achieved only through radically new policy initiatives to construct an earnings-related system on top of the existing flat-rate benefit structure." Myles, "Postwar Capitalism and the Extension of Social Security into a Retirement Wage," in *Critical Perspectives on Aging: the Political and Moral Economy of Growing Old.* Meredith Minkler and Carroll L. Estes, eds. (New York, 1991), 299. For an excellent study of the importance of bureaucratic leadership in the incremental liberalisation of OAI in the United States, see Edward D. Berkowitz, *Mr. Social Security the Life of Wilbur J. Cohen* (Lawrence, 1995).

37 J.W. Pickersgill, *My Years With Louis St. Laurent: a Political Memoir* (Toronto, 1975), 318.

38 Martin, *A Very Double Life*, 291-3, 300.

39 *Globe & Mail*, 14 January 1958; "Canada's Social Security May Follow U.S. Plan, Extended Soon, PM Hints," *Sudbury Star*, 26 February 1958.

new leader, Lester Pearson, announced two months later that if elected, his government would also "introduce a national contributory pension scheme at age 65, with payments made by employees, employers, and the Federal government . . . in addition to the existing $55 a month universal pension available to all those 70 years or older."[40] Fundamental reform of Canada's pension system was once again in the thick of federal politics.

In the face of this potential bi-partisan movement to create a new national contributory pension scheme along the lines of American social security, officials in the province of Ontario grew alarmed. Ontario was home to more than half of all private pension plans in Canada, as well as the increasingly powerful insurance and investment industry that managed their assets. "A large proportion of Canada's workers already possess supplementary retirement coverage," chief provincial economist George Gathercole advised Conservative Premier Leslie Frost shortly after the 1958 federal election:

> Would it therefore be wise at this time, when the basic pension has recently been increased and the provincial and federal governments are embarking upon a joint hospital insurance program, to channel substantially greater funds into a field which is being met reasonably well by the combination of old age security programs, both public and private, now in force? . . . [T]o jettison the Canadian social security system for the American plan would be a mistake.[41]

Insurance industry organisations agreed. State pensions should be "limited to providing only a minimum subsistence level of income" rather than a "standard of living in old age equal to that enjoyed during pensioners' working years. . . . Further provisions . . . must be the responsibility of the individuals concerned."[42] A $55 monthly pension was "already high in relation to earnings in certain low income areas." To add on a state contributory plan, industry executives argued, "would take us well . . . into the area of major income redistribution. It would begin to compete seriously with private pension plans."[43] In the spring of 1960 they formed the Canadian Pension Conference, a permanent lobby group composed of insurance officials, actuaries and employers with major pension plans, to "act as an unofficial watchdog over governments in the area of pensions."[44]

40 "Contributory Pensions New Liberal Plank: Benefits at Age 65 in Pearson Plan," *Windsor Daily Star*, 20 March 1958.

41 AO, RG 6, Records of the Ministry of Treasury and Economics, Series III-1, UF 68, File "American OASI," George Gathercole to Leslie Frost, 16 June 1958.

42 Ibid., File "Old Age Security Program," Department of Economics memo, "A Survey of the Old Age Security Programme Existing in Canada," February 1960, p. 2.

43 Ibid., UF 74, File "Portable Pensions," address of Laurence Coward, vice-president and chief actuary of William Mercer Ltd., September 1958.

44 "Canadian Pension Conference New Watchdog on Lawmakers," *Financial Post*, 11 June 1960.

While the pension industry was mobilising its forces in Ontario against the move towards a contributory scheme, other reports began painting a different picture of the world of private pensions. A two-year research study of the "Economic Needs and Resources of Older People in Ontario" issued by the Ontario Welfare Council in 1959 pointed out that while 30 per cent of the work force belonged to private pension plans, only 10 per cent of those 65 and over received any benefits from them, with the average payment running at less than $500 a year. The majority of plans required more than ten years service for the vesting of pension benefits. In almost half the plans surveyed 20 years of service was the required standard. As a result, "most workers, being employed by a series of firms during their working life, are unable to build up adequate, if any, pension credits." Arguing that $86 to $98 a month for a single person and $135 to $149 for a couple was the minimum income necessary for a "modest budget . . . consistent with health, decency, and self-respect," the report claimed that "at least forty per cent and perhaps as high as sixty per cent of Ontario's population aged 65 and over do not have incomes . . . [at this] level." A compulsory government contributory pension scheme was the "best means for most people to achieve economic security in old age."[45]

A more definitive study of Canada's elderly completed by the Dominion Bureau of Statistics a few years later revealed that 54 per cent of those aged 65 or over had incomes below $1000 a year. While households led by the aged in 1961 represented only 12 per cent of all Canadian families, they comprised almost one-third of those earning less than $2000 annually. Put differently, 37 per cent of all families led by the aged were defined as low income. For the aged living on their own, the risk of poverty was more severe as 60 per cent lived on less than $1000 a year. Elderly women, who represented two-thirds of this number, had the greatest chance of being poor. Seventy-one per cent of single women age 65 or over had annual incomes of less than $1000, compared to 37 per cent of single men. Statistics such as these led the 1966 Special Senate Committee on Aging to conclude that "older people are a low-income group, and . . . many of them eke out an existence at or near the subsistence level."[46]

By the second half of the 1950s, a host of federal and provincial reports on the "Problem of the Older Worker" had also singled out the "curious paradox that employee pension plans, whose main purpose is to benefit older persons, are being widely blamed . . . for preventing many older workers from obtaining employment." Among large firms surveyed by federal labour department offi-

45 AO, Ontario Welfare Council Records, Series 11, Box 62, Report of the Committee on Public Welfare Policy, *Economic Needs and Resources of Older People in Ontario*, (Toronto, 1959), 12-13, vi-vii.

46 Canada. Special Senate Committee on Aging, *Final Report* (Ottawa, 1966), 9-10, Appendix U-1. J.R. Podoluk, "Income Characteristics of the Older Population," 1261-1263.

cials, pension plans were cited as the most frequent reason for not hiring workers over the age of 40.[47] Since most men could not transfer their previous employer's pension credits with them when they left their jobs, unit benefit costs were higher for including them within new schemes. Most employers, provincial economist George Gathercole conceded, were also "reluctant to engage an older worker because they fear that he would become an embarassment to them, and would not be able to accumulate an adequate pension during his remaining years of service. . . . The employer . . . prefers to avoid the problem by simply barring him from employment." As study after study pointed out, "a pension plan with its advantages for a firm's employees seems to have the disadvantage of raising a barrier against the hiring of . . . older people."[48]

When unemployment deepened during the recession years of 1958-1962, the contribution of pension plans to the newly discovered phenomenon of age discrimination and the prolonged joblessness of men over 40 drew wider public outrage, particularly among trade unionists. "Industry today is going out of its way to force the . . . union movement to revise all its thinking about pensions," the Ontario Federation of Labour argued in 1959:

> Industry has decided that a man is old at 40. Read the 'want ads.' Almost all . . . say 'men wanted, up to 35 years old.' If a man is too old to get a new job at 40 then it's time we thought of providing pensions starting at 40. And charge the cost against industry . . . What industry is saving in insurance costs by setting a ridiculous age limit, it should be made to pay into a special pension fund to care for the people against whom it is discriminating.[49]

In the Ontario legislature even Premier Leslie Frost agreed that "Canadian employers have 'gone wild' in requiring prospective employees to be under a certain age."[50]

In the face of growing pressure at the federal level for the creation of a new national contributory pension scheme and mounting public and labour dissatisfaction with the poor coverage, rigid vesting requirements, and discriminatory practices of private pension plans, Leslie Frost, with the encouragement of key insurance industry executives, decided to intervene to save the private pension field from being eclipsed by the widening political push for better public pen-

47 Canada. Department of Labour, *Pension Plans and the Employment of Older Workers* (Ottawa, 1957), 7; Canada. Department of Labour, *The Problem of the Older Worker* (Ottawa, 1953).

48 Canada. Department of Labour, *Speaking Out...About the Older Worker Problem* (Ottawa, 1958), 15; AO, RG 6, Series III-1, UF 74, File "Pensions," Canadian Pension Conference, "Proceedings of Meetings Held in the Royal York Hotel," Toronto, 6 December 1961.

49 AO, F 4180, Records of the Ontario Federation of Labour, Box 7, "Old Age Pensions at 40?" *Ontario Labour Review* (November-December, 1959); Ibid., "Ban Age Discrimination," (September-October, 1958).

50 "Frost Condemns Regimenting by Age," *Toronto Star*, 10 March 1959.

sions. Early in 1960, he established a five-man Committee on Portable Pensions to devise ways of bringing order and standardisation to the industry and so protect its dominant position in the financing of retirement. "The loss of pension rights . . . cannot be permitted to continue," Frost warned members of the Canadian Pension Conference in justifying his intervention. "In this age of rapid technological change the economy demands that our labour force be relatively mobile. . . . I do not think employees who have not left their jobs of their own choice should forefeit their right to a vested pension. Nor should a pension be a means of tying an employee to a job for which he may not be suited and which he may not like." The premier also told the industry executives that too many plans across the province were "inadequately administered . . . [or] in a precarious financial position." Unless these problems were solved "in a businesslike and sound way, without overloading our Governments with vast welfare expenditures," there was the possibility "that other arrangements will be devised by the people, other people, to meet the demand for wage-related retirement income."[51]

After deliberating for over two and a half years and consulting widely among the insurance industry and Ontario employers, the portable pension committee produced two drafts of a Portable Pension Plan bill, which finally passed through the Ontario legislature in April 1963. Its principal features were to make the creation of private pension plans mandatory for all firms in Ontario employing 15 or more workers. Employer contributions would be vested for all workers with at least ten years service upon reaching the age of 45 and employees would also be unable to withdraw their own pension contributions after this point. Plans would be financed so as to yield a minimum $100 monthly pension at age 65 after 35 years of service. An Ontario Pension Commission would oversee the registration and standards of solvency for all private pension schemes in the province.[52]

The Portable Pension Act reflected "the virtues of the Ontario free enterprise approach," government officials bragged. Although the benefits were "admittedly modest," they had been set "at a level that avoids imposing on industry a burden that might adversely affect its competitive position." Nor did the plan "involve any taxation, subsidization, or cross-subsidization." In particular, because the benefits paid would be fully funded, they did "not involve substantial subsidies from one generation to another." The plan would also provide Ontario industry with "sufficient savings . . . to furnish the needed capital to finance our expansion" and reduce its dependence on foreign capital through

51 AO, RG 6, Series III-1, UF 74, File "Welfare-Portable Pensions," Canadian Pension Conference, Toronto, "Proceedings of Meetings Held in the Royal York Hotel," 6 December 1961, 29-32.

52 AO, RG 7-12-0, Box 41, File 2839, "Statement by John Robarts on the Introduction of Bill 110 (the Pensions Benefits Act) in the Ontario Legislature, 19 March 1963"; NA, RG 29, Vol. 1278, File 30-6-2, pt.2, "Proceedings of the Canadian Pension Conference," 7 May 1963, 14.

the "very substantial reserves" that would be built up. Since these funds would be "handled by a great many different individuals and organisations . . . a real diversity of investment results," Ontario officials argued, in contrast with American and British state pensions whose reserves were "entirely invested in government securities."[53] For those pension industry and employer critics who were aghast at the degree of compulsion involved, provincial economist George Gathercole had a simple message. If the confusion and uncertainty of the private pension sector were not quickly reformed, "we are going to witness the extension of a government programme which might even be more drastic than what we are suggesting."[54]

Two months after the passage of Ontario's *Portable Pension Act*, Gathercole's prediction proved correct. A newly elected Liberal government, led by Lester Pearson, promised to introduce legislation leading to a new state contributory pension scheme – the Canada Pension Plan – within 60 days of coming to power, a development that caught Ontario's Conservative government fully off guard. Prior to the introduction of the Canada Pension Plan, federal officials noted, "it was apparent that the Ontario Government considered that [its portable pension] approach would complement the flat rate old age security benefit and that no public contributory program would be necessary if the other provinces and the federal government would adopt comparable legislation."[55] In essence this was both Leslie Frost's and John Robarts' vision for a new national pension system. The moment the details of the Liberal plan were announced by Health and Welfare Minister Judy LaMarsh at a federal-provincial conference in July 1963, however, Ontario's Portable Pension bill was politically dead. The Ontario Federation of Labour quickly pointed out the key difference for the province's workers between the two schemes:

> Under the Ontario plan, a man could work 40 years and still get only 20% benefits. . . . Under the proposed federal plan, a man could get 30% benefits after working only 10 years. The Robarts plan for this province is a bonanza for the insurance companies and pension specialists. It sets out the conditions and then turns the pension business, including control of the funds, over to the private companies . . . . The federal plan is a public enterprise concept . . . That's the main reason why . . . it's coming under heavy fire from private enterprise.[56]

53 "Proceedings of the Canadian Pension Conference," 7 May 1963; "Statement by John Robarts on the Introduction of Bill 110, 19 March 1963."

54 Canadian Pension Conference, "Proceedings of Meetings Held at the Royal York Hotel," 6 December 1961.

55 NA, RG 29, Vol. 2431, File 5004-2-1, pt.1, Judy LaMarsh, memorandum to cabinet, "Position of the Federal Government at the Federal-Provincial Conference on Pensions, 9 and 10 September, 1963," 3 September 1963.

56 "The Battle of the Pension Plans," *Ontario Labour Review* (September, 1963).

Over the next 18 months, Robarts continued to fight a rear guard delaying action against the CPP. At one point, during the late autumn of 1964, provincial finance officials were even put to work designing the framework of an alternative Ontario Pension Plan which would be portable and compatible with both the Quebec and Canada plans. But they soon concluded that within the newly-defined parameters of a public contributory system which paid out full benefits within ten years, a made-in-Ontario plan would cost employers more and provide workers with inferior benefits to the design already on offer from Ottawa. However, the main obstacles to an independent provincial scheme, Robarts' advisors warned, were political, not financial. By going it alone, "Ontario would be accused . . . of aiding the balkanization of Canada, of scuttling the national pension plan, and impairing national unity. It will be said that Quebec has special reasons based on culture and tradition making it necessary for that province to contract out, but that these do not apply to Ontario."[57]

As a result, in January 1965 Robarts grudgingly announced that Ontario would participate in the CPP. Nonetheless, by holding out for so long his government won a number of key concessions from Ottawa, including an effective Ontario veto over any future changes to the plan and exclusive provincial access to borrowing at favourable terms from the CPP Investment Fund. Pension benefit levels were also pegged at 25 per cent of the average industrial wage, compared to the 30 per cent level envisaged in the first Liberal government proposal.[58] As federal officials conceded, the low contribution and benefit levels of the CPP "left the private sector the scope that it needed" for continued expansion in the domain of financing an adequate retirement wage.[59]

57 AO, RG 29-01-1529, Records of the Ministry of Community and Social Services, Box 39, File, "Interdepartmental Committee on Pensions – Report – 1964," D.W. Stevenson to John Robarts, 30 December 1964, attaching "Report of the Special Committee on the Canada Pension Plan and Proposed Ontario Pension Plan"; Ibid., File, "Interdepartmental Committee on Pensions – Background Papers – 1964," L.E. Coward to Robarts, 11 December 1964, "Should Ontario set up its own pension plan?"

58 Robarts demanded and got agreement that any changes to the CPP could only occur if "assent is given by two-thirds of the participating provinces with two-thirds of the population of the participating provinces." This gave Ontario, he noted, "an effective veto over changes of substance with which . . . it may not agree," Ontario. *Legislative Debates*, 21 January 1965, speech by John Robarts, 23-26. The move backwards from 30 per cent to a 25 per cent average wage replacement formula, the Ontario Federation of Labour complained, constituted a "very drastic revision in the benefit level [which was] done to satisfy the desire of some of the provinces for a large pool of investment funds and to protect the commercial pension interests." AO, F4180, Acc/84/192, Box 5, File "Ad-Hoc Committee on Pensions, Reports and Correspondence," Douglas Hamilton, secretary-treasurer of the OFL, "Comments on the Proposed Canada Pension Plan Made to Canadian Pension Conference, 23 April 1964," p. 10.

59 As cited in Deaton, *Political Economy of Pensions*, 165-6.

Over the next 20 years, successive Ontario Conservative governments would use the province's veto to block campaigns launched by the labour movement, seniors' organisations, women's groups, and key branches of the federal government to liberalise CPP coverage to at least 50 per cent of the average industrial wage. "Ontario, through its treasurer, has been the principal government voice supporting the private pension system, "the Ontario Pension Commission boasted in the 1970s. "The private sector looks to Ontario for support on pivotal pension issues which could determine the balance of government-private sector pensions."[60]

Sweeping amendments to America's Old Age Insurance scheme in 1972 during this same era marked "a turning point for social security" south of the border. Vigorous lobbying by members of the American Association of Retired Persons, which by the early 1970s had effectively replaced a divided and shrinking labour movement as the key advocate for more generous public pensions, combined with projections of a trillion-dollar social security reserve fund by the year 2025, led the US Congress to legislate "the most substantive structural change in the program since 1935." Benefits were increased by 20 per cent and were fully indexed to inflation. By 1975, the wage replacement ratio of OAI for American married men earning average wages reached 67 per cent. The total share of income America's elderly derived from social security between 1967 and 1984 jumped from 28 to 36 per cent, leading commentators to conclude that "for the first time in U.S. history the middle class was fully incorporated into a national welfare program."[61]

In Canada, in contrast, the pension balance remained skewed in favour of private provision which, federal officials conceded, had become "the great disappointment in social programs in the 70's." Because of frequent job changes and poor vesting requirements, only 53 per cent of male and 28 per cent of female pension plan members ever actually received a retirement benefit, a

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60 As cited in Keith Banting, "Institutional Conservatism: Federalism and Pension Reform," in *Canadian Social Welfare Policy: Federal and Provincial Dimensions*. Jacqueline S. Ismael, ed. (Montreal/Kingston, 1985), 65. On the key importance of Ontario's opposition to liberalizing the CPP, see also Deaton, *Political Economy of Pensions*, 107-15

61 Jill Quadagno, "Generational Equity and the Politics of the Welfare State," *Politics & Society* 17:3 (1989): 355; Jill Quadagno, "Interest-Group Politics and the Future of U.S. Social Security," 40-2. The sweeping liberalisation of social security by the Republican Nixon administration was proof that "the elderly apparently no longer needed labor's support," Quadagno argues. Launched in 1958 the AARP, by the 1980s, had a membership of 28 million or one out of nine Americans and published *Modern Maturity*, the nation's third largest mass-circulation magazine. No Canadian organisation of senior citizens even closely approximates its size or political clout. See also Theda Skocpol, "Targeting within Universalism: Politically Viable Policies to Combat Poverty in the United States," in *Social Policy in the United States: future possibilities in historical perspective*, Theda Skocpol, ed. (Princeton, 1995), 265.

Health and Welfare Canada survey pointed out in 1977. A second government study in 1983 revealed that only 40 per cent of the elderly were receiving any private pension benefits. Canadians who retired between 1971 and 1981 saw an average annual inflation rate of eight per cent erode the purchasing power of their unindexed pensions by 65 to 75 per cent.[62]

In other words, depending on private pension plans as the main instrument of income security in old age was a bad deal, a point made with increasing vigour once again by the Canadian Labour Congress. The CLC launched its third national campaign for fundamental pension reform in the late 1970s by calling for a doubling of the CPP benefit level to 50 per cent of the average industrial wage, which would make the public scheme, like American social security, the basic retirement income vehicle for most working Canadians. Together with old-age security, an enriched CPP could provide the average Canadian worker with a retirement income pegged at 70 to 75 per cent of pre-retirement earnings, the level deemed necessary to maintain pre-retirement living standards.[63] The labour movement's call for a greatly expanded CPP was also endorsed by the 1979 final report of the Special Senate Committee on Pension Reform, *Retirement Without Tears*, and received support within the federal government from Health and Welfare Minister Monique Begin and her department's officials.[64]

So began the "Great Pension Debate" which lasted eight years between 1976 and 1984 and consumed the attention of business lobbies, organised labour, women's groups, social advocacy and anti-poverty organisations, senior citizen associations, and the federal and provincial governments. All parties to the debate agreed at the outset that pension coverage in Canada was inadequate. The fault line divided over whether the appropriate remedy lay primarily through an expanded CPP or through improved regulation of private pensions. Different branches of the federal state were divided on the direction pension reform should take. While Health and Welfare officials favoured an expanded CPP as the simplest and most effective means of ensuring more adequate retirement income for average Canadians, these arguments ran into strong resistance from the Department of Finance. Reflecting a residualist position on public pension entitlement which stretched back to the 1940s, the department argued that

62 Deaton, *Political Economy of Pensions*, 84, 75, 96, 98-9.

63 AO, RG 6-70, Box 139, File 07-05, "Submission to the Royal Commission on the Status of Pensions in Ontario from the Canadian Labour Congress," 23 March 1978; Banting, "Institutional Conservatism," 61.

64 Myles and Teichroew, "The Politics of Dualism," 93; Canada, Special Senate Committee on Retirement Age Policies, *Retirement without Tears*, (Ottawa, 1979); Canada, Task Force on Retirement Income Policy, *The Retirement Income System in Canada: Problems and Alternative Policies for Reform* (Ottawa, 1980).

improved retirement income should come exclusively through enhanced private pension coverage and wider tax incentives for individual retirement saving.[65]

Finance Department opposition to liberalising the CPP received support from private capital through a revitalised Canadian Pension Conference, which argued vehemently that if the CPP/QPP were expanded along the lines advocated by organised labour, the public scheme would "begin crowding out private pensions," causing this "important source of investment capital to dry up." Because it was partially funded, an enriched CPP would also "result in a major transfer of control over capital from the private sector to the state."[66] In Quebec alone, the Caisse de Dépôt controlled $25 billion in QPP assets and was already the single largest player in Canadian financial markets. Business interests, mobilised through the Canadian Pension Conference and the financial press, vehemently opposed any expansion of the "Quebec model" through wider CPP coverage.[67]

This position received strong support from an old ally, the Ontario government, which throughout the Great Pension Debate "continue[d] to oppose an enrichment of CPP benefits." Ontario's Conservative government treasurer warned Ottawa that his province would "not let the CPP degenerate into another federally-administered welfare plan." As Keith Banting argues, throughout the 1970s and early 1980s Ontario's "basic approach [did] not change: the CPP should not be a tool of income redistribution, and the private sector should be the primary vehicle of retirement saving." With a veto over any changes to the CPP, the province's staunch support of the private pension sector (the banking, insurance and mutual fund industry) and industrial capital and its opposition to enriching CPP benefits remained a critical factor in the realpolitik of pension reform.[68]

So too did the weakness of Canadian seniors' organisations which lacked the equivalent size, strength and media sophistication of the American Association of Retired Persons, the National Council of Senior Citizens, or the umbrella seniors' coalition, Save Our Security, south of the border. In contrast to the effective grassroots campaign by AARP and NCSC for liberalising social security in 1972 or their defence of these entitlements working through the SOS coalition ten years later, Canada's Great Pension Debate was "conducted 'over the heads' of most Canadians by policy elites from business, government, labor and the 'social movements'," and remained bifurcated by the divided jurisdiction between Ottawa and the provinces over pension policy.[69]

The window for liberalising Canada's public pension system was quickly

65 Banting, "Institutional Conservatism," 68.

66 Myles and Teichroew, "The Politics of Dualism," 93.

67 Banting, "Institutional Conservatism," 59-62.

68 Ibid., 64-5.

69 Quadagno, "Interest-Group Politics," 41-2; Myles and Teichroew, "The Politics of Dualism," 103.

closed by the severe 1982-83 recession, which became the "death-knell for the pension reform movement." As Myles and Teichroew argue, "labor had all it could do to defend jobs and unemployment benefits for workers, and the Liberal government of the day was even less willing to do anything that might depress 'business confidence' and delay recovery."[70] As a result, for ordinary Canadians looking forward to retirement, few tangible benefits actually emerged out of the eight years of discussion. The CPP/QPP was left virtually unchanged. The main reforms made modest improvements to private pension coverage through requiring earlier vesting of employer contributions, mandatory survivor benefits, provision for pension eligibility of part-time workers, and more portability in the transfer of private pension credits for employees changing jobs. More significantly, the 1985 federal budget expanded the tax shelter provided to more affluent Canadians through Registered Retirement Savings Plans. The end result, as Myles and Teichroew point out, was to "reinforce the economic divisions that generated the [Great Pension Debate] in the first place: better-quality occupational pensions (for those covered), more tax shelters for the well-to-do (RRSPs) and little or nothing for those whose retirement income depends almost exclusively on the public sector."[71] By the end of the 1980s Canada continued to spend a smaller percentage of its GDP on public pensions than any other OECD nation except Australia and Japan and provided one of the lowest ratios of average wage replacement for retirees.[72]

As this analysis of key developments in Ontario has shown, organised labour, the federal and provincial state, along with the burgeoning private pension industry shaped and constrained the evolution of Canada's pension system within particular limits arising out of the legacy of the earlier means-tested pension scheme. Labour's success in incorporating pensions in the framework of collective bargaining during the 1940s and 1950s pushed the boundaries of both federal and provincial pension policy in two significant ways. First, pension bargaining by industrial unions between 1949 and 1950 played a key role in moving both the federal cabinet and business leaders towards creating a universal, basic public pension entitlement that could be blended into industry plans. Second, throughout the 1950s, the rapid expansion of private plans through collective bargaining triggered a growing awareness of new problems being created by pensions themselves.

Age discrimination against older workers, inadequate vesting and portabil-

70 Myles and Teichroew, "The Politics of Dualism," 95.

71 Ibid., 96; Deaton, *Political Economy of Pensions*, 114.

72 Myles and Teichroew, "The Politics of Dualism," 86. In 1985, Canada spent 5.4 per cent of GDP on public old-age pensions. "The United States, with a similar age profile, spent 7.2 per cent of GDP." According to *The Economist* (November 30-December 6, 1996), out of 16 leading industrial nations Canada ranked number 12 in its percentage (33 per cent) of average wage replacement through public pensions.

ity of hard-won worker pension rights, weak financing of many private schemes, and the low percentage of workers who actually collected a private pension upon retirement were all singled out as glaring evidence of the need for fundamental policy reform by the decade's end. The contradictions and inefficiencies of the private pension system alongside the basic inadequacy of Ottawa's unindexed old-age security scheme converged, by 1958, to create the political momentum for support of a new second-tier contributory public pension scheme. The continued liberalisation of America's old-age insurance for the elderly throughout the 1950s also intensified political pressure for providing comparable levels of wage replacement to Canadian workers on their retirement.

At this critical policy juncture, decisions by the Ontario government and the province's burgeoning private pension industry played a significant role in constraining the subsequent path of pension policy development. To forestall the growing movement for contributory public pensions, successive Ontario Conservative governments, led by Leslie Frost and John Robarts, worked to develop a regime of regulated and mandatory private pensions which they hoped could be expanded, through federal-provincial co-operation, into a national pension system. When this campaign was blocked through the launching of the Canada and Quebec Pension Plans, neither successive Conservative governments within Ontario, nor the private pension industry were reconciled to anything more than grudging acceptance of a residual role for contributory public pensions, a position vigorously defended with the help of Ontario's veto over CPP reform during the Great Pension Debate between 1976-1984. As a consequence, both the province and its insurance industry allies have worked consistently over the past two decades to keep the income security guarantees of Canada's public pension system among the lowest in the Western industrialized world.

This policy legacy may have important consequences for pension reform in Canada in the next century. South of the border, as Theda Skocpol points out, "there has been . . . no political backlash against Social Security," even during the highwater mark of neo-conservative ascendancy during the Reagan era, because of its broad coverage and high levels of retirement benefits paid out to the tax-paying middle and working class. "[O]nce established . . . its administrators worked to make benefits higher for everyone, and relatively better for the less privileged, so that benefits could be closer to a sufficient retirement income." Through such "targetting within universalism," social security, by incorporating a broadly based middle-class constituency, became "not only the most politically unassailable part of U.S. public social provision, but also America's most effective antipoverty program."[73]

73 Skocpol, "Targeting within Universalism," 264-5.

More residualist from its inception, Canada's public pension system, in contrast, has failed to develop comparable levels of middle-class incorporation and is now moving in the opposite direction, away from universality and towards a return to means-tested social assistance rather than social insurance.[74] With weaker levels of wage replacement and rapidly ballooning costs, public pensions in Canada thus face a more uncertain future as the baby-boom generation heads into retirement over the next three decades.

74 Myles and Teichroew, "The Politics of Dualism," 84-104; Lynn McDonald, "Editorial: Retirement for the Rich and Retirement for the Poor: From Social Security to Social Welfare," *Canadian Journal on Aging* 14 (1995): 447-51