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"Unions…understand the demographic shift in their membership and where their numbers are ultimately heading…."

The End of Unions ?

Times are Changing and so is Organized Labour

We have only to look to our neighbours to the south to observe the steady decline of organized labour in the past few decades. In 1960, 30% of American workers belonged to a union – by 2011, that number had dwindled to 11.8% (Washington Post, September 4, 2012).

While the labour movement in Canada has certainly shown some decline in the past 50 years (mainly in the private sector), Canadian union membership has not suffered to the same degree as in the U.S., despite some of the similarities in our economies and cultures.

A new paper published by the Center on Economic and Policy Research offers a partial explanation for this: Canadian Labour Law. Canadian legislation makes it much easier for workers to form a union through simplified processes such as "card checks", basically signing a card expressing a desire to join a union, and contract arbitrations which ensure that newly formed unions actually receive a contract. By contrast in the US, free will is respected and there is an additional step that involves a waiting period during which the employer can actively petition against the union -- a freedom denied Canadian employers. As a result in the US, even if the workers win an election, they only end up achieving a contract about 50% of the time.

Despite the disparity between the two systems, the future is not bright for Canadian unions either. While the decline in Canada has been much slower, we undeniably face the same issues of globalization and a softening manufacturing economy as our US neighbours. Moreover, Canadian labour law has been gradually, and not so reluctantly, shifting towards the American model, particularly in many provinces where union bids now operate by mandatory election rather than the so-called card check.

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Private Health Services Plans (PHSPs)

What you should know about this seldom discussed Benefit program

> *"...Any payment made from a PHSP is not considered part of the employee's (or owner's) income, and as such is not taxable...."*

If you are looking for a flexible and cost effective way to offer tax-free health and dental coverage to your employees, then a Private Health Services Plan (PHSP) may be for you.

PHSPs (think of them like a "health spending account") are not a new phenomenon, but they have become increasingly popular over the years as small business owners with as few as one or two employees search for an alternative to pricey and sometimes complicated group insurance plans. Given the substantial increase in the number of small businesses and sole proprietorships in recent years, its no surprise that PHSP's have been coming into their own as of late.

A PHSP is essentially a health and welfare trust that allows corporations as well as the self-employed to provide health, dental and vision benefits to employees and their dependents on a tax-free basis, while entitling the employer to a deductible business expense equal to the amount paid out as claims. Any payment made from a PHSP is not considered part of the employee's (or owner's) income, and as such is not taxable. The benefit to the business owner is that the contribution or premium paid to the PHSP is considered a tax-deductible business expense.

If you are an unincorporated sole proprietor, or a small corporate owner, a PHSP makes it possible for you have any out-of-pocket medical costs paid for by the business, as opposed to paying for them with after-tax dollars.

As with any simplified insurance plan, there are some drawbacks: PHSPs are designed to deal with routine medical expenses such as dental exams, prescription drugs and eyewear, not with major health events. For complex medical emergencies or life insurance, long-term disability requirements, group plans do offer more coverage and these very important considerations have to be reviewed to ensure those risks are being managed and covered appropriately.

However, depending on the number of employees you have and the kind of benefits you can afford to provide, a PHSP may be a good solution for you. PHSPs can be set up through third-party providers that specialize in administering these plans (the admin fees are quite reasonable, 5-10%), but it is also possible to set up a self-administered PHSP. If you don't have any coverage and are daunted by the prospect of setting up a group plan, this program may be right for you.

Pooled Registered Pension Plans

Probably not the Silver Bullet We Were Expecting

The recently proposed PRPP (Pooled Registered Pension Plan) legislation may not end up being the solution small employers and the self-employed were hoping it would be, once these programs are actually implemented. Under the legislation a PRPP is a savings plan that provides Canadians with a new way to accumulate retirement capital in a tax-efficient manner. Similar to the defined contribution registered pension plans, the main difference is a PRPP pools together contributions from multiple employers, and is administered by an independent financial institution.

PRPPs are geared towards the self employed as well as employees at small to mid-sized companies that may not have a private sector plan. The idea is that this lower-cost option will facilitate retirement plan coverage for a greater number of Canadians, addressing the existing pension coverage gap by providing a more accessible, large-scale and cost-effective option.

Though the legislation's impact is still evolving, some key features of PRPPs as outlined in Bill C-25 include:

1. PRPPs could be offered by any corporation approved by the Office of the Superintendent of Financial Institutions. This would appear to include all the traditional companies that offer group plans, including banks.
2. PRPP administrators would be subject to a “prudent person” standard of care. They would be required to offer PRPP participants a menu of risk/reward investment choices, as well as a default option. They would also be required to manage the PRPP “at low cost” and provide participants with PRPP account values on a regular basis.
3. Decisions by employers to offer their employees’ access to a PRPP and by employees to participate would be voluntary.
4. PRPP contributions would be locked-in except in cases of disability or death.
5. Provinces would be able to override any Bill C-25 feature and will need to introduce enabling legislation to make PRPPs available where employment relationships are governed by provincial law. Presently, Quebec is forging ahead with implementation while Ontario and some other provinces are taking a more cautious approach.

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Canadian Unions are well informed and highly resilient. Like any large institution, they don't always adapt to change quickly but they do appear to recognize the challenges and realities before them. The recent amalgamation of the CAW with the CEP is proof that they understand the demographic shift in their membership and where their numbers are ultimately heading. Recent negotiations among the CAW and the "not-so-big-anymore 3" likewise signal a change in the climate of Canadian labour relations and the expectations that organized employees can have of their employers in the future.

Public sector unions may also need to adopt a new perspective as recently imposed wage freezes in Ontario and elsewhere signal that the general public are only so willing to support historical guarantees. European public sector employees are acutely aware of the crunch and shift in public sentiment.

Are Unions dead in the water ? Clearly not, however, times are changing.

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When first introduced, the PRPP concept appeared to be a sought-after alternative to retirement savings offerings, particularly for the self-employed, small-to-medium businesses and companies without programs who were nonetheless interested in offering a benefit like this to their employees without the administrative red-tape. At present, it is difficult to see any clear advantage offered by this program over the already existing retirement savings programs offered by a variety of private plan administrators in the marketplace. Moreover, in order to offer low-cost administration, even with the economies of scale that will be realized, we don't expect that the same level of service or customization will be possible, as that offered by Group RSP providers presently. Still, for organizations who cannot otherwise offer any program, this is a move forward in the right direction.

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