Ontario Pension Policy Making and Politics of CPP Reform, 1965-2016

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Abstract:
For the first time since 1965, the Canada Pension Plan (CPP) was enhanced to expand benefits for Canadian workers. Following an extended period of "policy drift" (Myles, 2013), these reforms were shaped by the structural failures of Canada's workplace pension system, in which coverage has decreased since the 1980s. Drawing from 22 semi-structured interviews with pension experts, this article explores Ontario's central role in these reforms. The deteriorating condition of corporate plans, coupled with rising retirement income insecurity across the province's labour force fueled Ontario's campaign for CPP reform beginning in the late 2000s. Analysis of federal policy change, therefore, begins at the provincial level, examining policy making in Ontario since the 1960s and its impact on federal pension politics. The concluding discussion claims a new period of pension politics emerged in Canada after 2009 that led to CPP enhancement, moving Canadian pension policy beyond the characterization of "policy drift".

Key words: pension policy; pension politics; Canada Pension Plan; Ontario politics; policy making; risk

Introduction

On 20 June 2016, Canada's finance ministers, with the exception of Québec and Manitoba, agreed in principle to a Canada Pension Plan (CPP) enhancement to expand benefits for Canadian workers. These reforms, starting 1 January 2019, increase income replacement from one quarter to one third of pensionable earnings, along with an increase in the maximum amount of income subject to CPP by 14 per cent (Department of Finance Canada 2016). Following the signing of this agreement, former Ontario premier Kathleen Wynn claimed that that CPP reform would not have occurred without the continuous agitation and lobbying efforts by the Ontario government over the previous eight years. Decades of diminishing workplace coverage in Ontario had provided political impetus to enhance CPP. Wynne's remarks spoke to the extent in which pension politics at the provincial level were impacting federal public policy. What role did Ontario play in these reforms, and how did the internal determinants located in Ontario's private pension system impact the politics of reform at the federal level?

Using Ontario as a case study, this article explores the historical intersection between provincial and federal levels of pension policy making to explain why changes to CPP occurred in 2016. Changing CPP requires consent of two thirds of the provinces with two thirds of the population, characterizing the joint federal governance structure of this policy. Running parallel to CPP is a private pension system[i], in which each provincial (and federal) jurisdiction regulates workplace pensions (with the exception of Prince Edward Island), providing minimum standards only for workers that have employer based pension benefits. The economic context of pension politics and shifting levels of pension coverage in both the public and private sectors is considered. Failures resulting from Canada's workplace pension system have impacted welfare state politics in Canada, highlighting a new period of pension politics that emerged following the global financial crisis in 2008.

Drawing from historical institutionalism (HI) and literature on federalism and social policy, the first section introduces analytical concepts that will be used to shed light on why CPP was enhanced. In the second section, historical analysis of Ontario's political economy and involvement in national pension debates and legislation is documented. Analysis begins in the early 1960s, briefly describing the formation of Ontario's Pension Benefits Act (PBA) and CPP. In the following three sections, focus then turns to successive rounds of reform during the 1980s and 2000s in Ontario, examining how diminishing workplace pension coverage led to renewed calls to expand CPP. These sections document dynamics between political leaders, bureaucrats, pension experts within a broader context characterized by globalization and corporate restructuring. The concluding section discusses why negative feedback emerged from Ontario's workplace pension system, and how this informed a dynamic of 'collusive benchmarking' at the federal level of pension reform (Béland and Weaver 2018).

Conceptual apparatus

Historical institutionalism provides a rich theoretical toolkit that explains how and why historically constructed institutions condition the actions of policy makers and interests groups, providing both constraints and opportunities for reform (for example, Amenta, 1998; Immergut, 1998; Orloff, 1993; Skocpol, 1992; Pierson, 1994, Steinmo et al., 1992; Streek and Thelen, 2005). Scholars of this approach point to the 'path dependency' of policies. Once a policy is institutionalized, it is very difficult to change due to the various constituent communities that become vested in the benefits provided by an institution, such as pensioners who have come to depend on their pension benefits (Pierson, 1996). When this occurs, a policy will create its own base of support, generating a 'lock-in effect' (Béland, 2010), resulting in 'positive policy feedback', making the prospect for change more politically difficult (Skocpol, 1992; Pierson, 1993).

Policies can also generate 'negative feedback' (Weaver, 2010; Patashnik and Zelizer, 2013; Jacobs and Weaver, 2014), when a policy fails to establish or maintain satisfactory benefits and eventually loses political support, providing new impetus for path-departing change. In his analysis of public pension regimes across industrialized countries, Weaver (2010) claims positive and negative feedback intersect, along with incremental reform options, generating likely trajectories for policy change. Jacobs and Weaver (2014) argue 'endogenous' forces created by a policy itself will generate new pressures for policy change, often through "*unanticipated policy losses* mobilized social interests" (original emphasis)(p. 442).

Earlier HI scholars subscribed to a 'punctuated equilibrium' model that depicted change as occurring abruptly during moments of crisis or significant 'policy junctures', stemming from an 'exogenous shock' situated between extended periods of 'institutional stasis' (Steinmo et al., 1992; Hall, 1993). More recently, HI scholars (Campbell, 2004; Hacker, 2004; Peters, Pierre, and King, 2005; Streek and Thelen, 2005) point to how institutional change in advanced political economies is occurring incrementally, often under the radar in the absence of clear exogenous shocks through processes such as 'drift' (when a policy is not maintained to meet new social risks) and 'layering' (new elements are appended to an existing institution),(Streek and Thelen, 2005). For example, Myles (2013) describes the federal government's introduction of Pooled Registered Pension Plans (PRPPs) in place of CPP expansion (in 2011) as a "severe case of policy drift"(p. 329), in which PRPPs were a "minimalist response to the national problem faced by today's workers and future retirees" (p. 330). Here, drift is understood as the avoidance of institutional maintenance in the face of changing external conditions, or "strategic neglect" (Streek and Thelen, 2005).

The role that federal governance structures and the relationship between private and public policies can also shape policy outcomes. Béland and Myles (2012) compare old-age and unemployment insurance reform in Canada during the 1990s to underscore how different institutional legacies shape governance structures, creating obstacles and opportunities for policy reform. 'Joint decision federalism' is used to describe CPP due to the agreement between federal and provincial jurisdictions that requires two thirds of the provinces with two thirds of the population to implement policy change. Subsequently, multiple 'veto points' are established in CPP's institutional design, diminishing the prospect of significant policy change (Weaver 2010). Similarly, Béland and Weaver (2018) analyze governance structure to explain CPP reform in 2016. They argue that through the initiative of Ontario, CPP expansion can be understood, in part, through the dynamic of 'collusive benchmarking', in which one government will seek consensus to avoid a less desirable position that compels them to compete with other jurisdictions (Harrison, 2006). Through this dynamic, Ontario was able to pressure the newly elected federal Liberal government of Justin Trudeau to, "…strike a deal with the provinces to bring about CPP reform" (Béland and Weaver, 2018: 2).

The following sections go into further detail to explore the dynamic between private and public pension policy, CPP's governance structure and Ontario's historical capacity in it, and the role of risk as a driving political force. These factors help to explain why Canada expanded social benefits at a time when other wealthy countries were making cuts to similar programmes. Indeed, pension policy making in Ontario and other provinces, along with it's impact on federal pension politics has received limited attention, where many local factors that inform national debates have been overlooked. As the remainder of this article will highlight, drift and layering was occurring within Canada's private and public pension systems, intensifying demands for path-departing change to CPP. Policy drift in Ontario's workplace pension system proved to be a source of negative feedback at the national level, resulting with renewed demands for CPP reform in the late 2000s. As will become clearer, this process was filtered through the structure of Canada's retirement income system (RIS) that had been established over fifty years earlier. The emergence of new risks produced by policy drift became a central political force that produced new policy windows for change, albeit incrementally in a context of neoliberal retrenchment.

Ontario Policy Making and Federal Pension Politics in Canada: 1963-1990

A comprehensive account of all factors that have shaped pension politics in Ontario and Canada during the postwar period is beyond the scope of this article. However, several items can be highlighted. The PBA, enacted in 1965, was pioneering legislation for its time and was a factor in shaping the development of the C/QPP legislation, leading to the 'joint federalism' governance structure of CPP (Béland and Myles, 2012).

Led by the Ontario Progressive Conservative party under Premier Leslie Frost, initial drafts of the PBA planned to make workplace plans *mandatory* for every worker in the province (Weitz, 1992; Arthurs, 2008). The PBA was designed to establish "minimum standards" of pension regulation that would encourage the expansion of the pension system, improve solvency to meet best practices, limit the waste of pension contributions while facilitating the needs of a mobile workforce.

Early on, Ontario's new legislation gained the attention of the Québec government who saw pension reform as a mechanism for establishing provincial sovereignty (Little, 2008). Premier Jean Lesage was exploring policies that could expand Québec's financial and economic independence, and conducted a review of Ontario's PBA. When Lesage caught wind of the federal government's plan to introduce a pay-as-you-go CPP, Lesage called for a Québec plan to build up a large fund that would use the savings of Québec's workforce to invest in provincial economic development (Little, 2008: 25-26). Ontario, on the other hand, was promoting the expansion of its private pension system as an alternative to CPP. This position was driven in part by Ontario's strong life insurance industry that saw a public contributory pension plan as threat to their industry. Eventually, Québec refused to support the federal government on CPP unless Pearson agreed to create a separate QPP. To win Ontario's support, Pearson agreed that any future changes to CPP would require two thirds of the provinces with two thirds of the population, virtually giving the province a veto on any future amendments. Once the final framework for

C/QPP was established and promulgated, the Ontario government reformed their PBA, removing the provision that would make workplace coverage mandatory for workers in Ontario. Given that all Canadian workers would be partially covered by a federal public plan, workplace plans would voluntarily exist beside the CPP rather than replace it. At the same time, CPP was designed to supplement other retirement savings, replacing up to only 25 per cent of the average industrial wage. This period, and the dynamics between the federal, Ontario, and Québec governments established two important pillars of Canada's RIS through the development of a legislative framework for a private and public pension system[ii]. It was the structure of this RIS that would shape pension politics into the 21st century.

By the mid-1980s, the PBA was almost 20 years old and in need of reform, where Ontario would be the first province to reform provincial pension legislation[iii]. In the 1970s, the downturn in the global economy led to economic crisis that culminated with severe cutbacks of industrial operations, where plant re-location or closure by domestic, American and other foreign firms became common. Many of Ontario's workers and pensioners experienced job loss and/or considerable reductions to benefits built up over years of contributions, bringing into focus the limitations of existing pension legislation. This led to a new source of negative feedback at the provincial level, pressuring the Ontario government to provide more security through policy reform.

Also in the 1980s, workplace pensions entered into the fray of economic globalization, linking worker retirement income security to transnational corporate governance practices and global financial markets. Conservative blue-chip investment portfolios were replaced with modern portfolio theory, while professional pension consultancy emerged as a voice of authority over pension governance and decision making (Marmer, 1997; Carmichael, 2005). Defined contribution (DC) plans grew as a popular alternative that was layered onto Ontario's existing DB pension system (Myles, 2013), allowing workers to profit from high interest rates. Job tenures were shrinking, catalyzing demands for mobile retirement saving vehicles. It is in this context that the risk of saving for retirement became more individualized (Christensen, 2016).

Unionization levels in Canada in the 1980s began to drop dramatically, particularly for men working in private sector industrial jobs. As Figures 1 and 2 illustrate, the drop in pension coverage for men coincided with dropping unionization rates beginning in the mid-1980s. As economic integration with the United States deepened, the balance of class forces in the private sector was tipping further in favor of capital, resulting with diminishing pension coverage of remunerative industrial jobs.

These changing economic conditions fueled new ideas on how to remedy growing levels of risk. The pension policy transformations occurring in Ontario were part of a broader national discussion termed the "Great Pension Debate" that involved discussions over expanding the C/QPP and the role of workplace pension plans (Béland and Myles, 2005; Little, 2008). Given the transformation underway in Canada's economy, and the reality that the majority of Canadian workers had no workplace pensions, stakeholder groups across civil society, the business community and government produced a corpus of policy reports on how to improve income security for Canadian workers. The C/QPP was just over ten years old in the late 1970s, and according to Little (2008), "…the tenor of the times was such that grand proposals for new social programs were still very much on the agenda" (p. 51). Labour groups and other activists pushed for a doubling of CPP to 50 per cent income coverage (up from the then current of 25 per cent). Although this campaign had developed considerable momentum, it ultimately failed by the early 1980s under recessionary economic conditions, followed by a period of "claw-backs" (Rice and Prince, 2013). An early period of policy drift was thus established as the "big" ideas of the 1970s fizzled, encouraging a new pessimistic view about the future of CPP expansion.

1990s to 2000s – Workplace Pensions Limp into the 21st Century

While economic globalization and corporate restructuring during the 1980s began to unhinge the post-war industrial employment relationship, employers seeking to exit the provision of retirement income *en masse* characterized the 1990s. This was a period in which attempts were made to "layer" and "convert" new policy objectives onto and away from public pension policy (Hacker, 2005; Myles, 2013). Economically, growing regulatory and accounting standards, unfavorable court rulings and deteriorating economic conditions highlighted the "asymmetry of risk" involved with plan administration from an employer and plan sponsor perspective. Also, decreasing unionization levels continued into the 1990s, particularly for men in the private sector, allowing more employers to diminish pension benefits with less resistance from workers (see Figure 5.2)(Garlarneau and Sohn, 2013). An economic recession began in 1990 in Ontario, resulting with more plant closures, displacing thousands of industrial workers. Unemployment levels in Ontario rose to 10.2 per cent by 1992, representing the loss of 250,000 jobs (Evans and Smith, 2015). Given these conditions, the 1990s saw the rapid rise of new social risks in which saving for retirement became increasingly individualized amongst the provincial workforce, in part reflected through the expanding use of DC plans and overall decreasing pension coverage (Christensen, 2016). Slippage between the PBA and emerging economic context was intensifying. This combination of factors resulted with a range of governmental policy responses in Ontario that layered new policy onto the existing workplace pension policy framework. This included temporary solvency relief measures and initiatives to facilitate joint sharing of risks and costs associated with pension funds through the establishment of jointly-sponsored pension plans (Ambachtsheer, 2007).

By the 2000s, private and public pension policy became increasingly contentious at the provincial and national levels, generating new market driven and market accommodating ideas aimed at retrenchment. An anti-pension discourse had taken root amongst different groups across Canada attempting to privatize Canada's public pension system, led by organizations such as the C.D. Howe Institute, Fraser Institute, the Association of Canadian Pension Management (ACPM) and Reform and Alliance political parties (Townson, 2001). This discourse was linked to a transnational neoliberal project that sought to privatize public pension systems around the world (Orenstein, 2008). Leading the way was the World Bank, in which advocates justified their ideas through claims of an impending "demographic time bomb" that would be disastrous for national economies (Townson, 2001; Blackburn, 2002; Béland and Gran, 2008). The Reform party (in which Stephen Harper was a Member of Parliament at the time) had been advocating for the abolishment of the CPP to be replaced with "Super-RRSPs". At the same time, the Alliance party led by Stockwell Day made attempts of policy conversion, threatening to take Alberta out of the CPP unless other finance ministers agreed to allow people to opt out of a CPP and set up individual savings accounts (Townson, 2001). As economic conditions shifted and demands for CPP retrenchment circulated, pension policy was neglected resulting in a continued period of policy drift.

By the early 2000s, policy drift in Ontario was deepening as a combination of issues intersected, creating a tense political environment in which political leaders were fearful to touch the pension file (Leech and McNish, 2013). During the five years of Harris' Conservative neoliberal policy agenda, unionization rates had sunk to 27 per cent in 2002, making Ontario ninth in union density amongst Canada's ten provinces (Haddow and Klassen, 2006). The first baby boomers began to retire, generating new demographic pressures. As long-service workers in Ontario's traditional industries were leaving the workforce, younger workers were not being offered the same level of employment protection. At the same time, the Ontario government became embroiled in a series of high profile corporate restructurings in the steel, automotive and tech industries[iv], negotiating with unions and corporate employers who had become insolvent and faced bankruptcy, threatening the security of private sector DB plans for tens of thousands of workers and retirees across the province. Pension jurisprudence continued to play a leading role in defining pension policy in the absence of new legislation. And funding concerns replaced discord over surplus entitlements. The decade ended with the largest global recession in economic history. As such, in the 2000s, adequate pension coverage had become a "crucial public policy objective" (Kaplan and Frazer, 2013: 74). As workplace pension policy grew increasingly contentious, mounting failures contained in pillar three of Canada's RIS crossed jurisdictional boundaries of policy making, generating new calls for CPP reform. This simmering mix of issues portended a trenchant period for pension politics that would eventually lead to policy reform at both levels of government.

Ontario Expert Commission on Pensions (OECP) – Time for Change.

In a context of diminishing pension coverage (Leech and McNish, 2013), the PBA was also becoming an impediment for doing business, making corporate restructurings more difficult around items such as asset transfers. The courts had become de facto pension policy reformers as the PBA failed to provide rules on emerging issues. For many in Ontario's pension community, letting the courts decide pension policy was problematic.

In this context, by the early 2000s, bureaucrats within Ontario's Ministry of Finance had begun pushing for a commission during the tenure of the Eves government. But this was viewed as politically unfeasible. In late 2002, the Eves government suffered severe political backlash on Bill 198, *Keeping the Promise for a Strong Economy Act*. Embedded in what was a budget bill, the bill's pension provisions were interpreted by workers and unions as removing surplus rights of pensioners and members retroactive to 1988, igniting the collective ire of workers, unions and pensioners across the province. A recent court ruling[v] had just asserted employee rights to surpluses during a partial wind-up. Ecker's legislation was seen as supplanting this decision, leading to a mass rally at Queen's Park of angry pensioners. Within a month of tabling Bill 198, Ecker and Premier Eves promised to excise the pension provisions from the bill, embarrassing the provincial government.

The victory of the Liberal party in 2003 led by Dalton McGuinty provided a new policy window (Kingdon, 1984) for officials in the Ministry of Finance to establish an independent review of pension policy in Ontario. In 2006, nearing the end of McGuinty's first term in office, Finance Minister Greg Sorbara agreed to move forward on what would become the OECP. The McGuinty government saw this an opportune time, in which a commission could be used to push the issue forward into the next election cycle. To remove pensions from the immediate agenda, Sorbara appointed law professor Dr. Harry Arthurs to look at the mix of simmering issues. Sorbara had been a student of Arthurs at Osgoode Law School in the 1970s and had worked with Arthurs as Minister of Colleges and Universities and Minister of Skills Development from 1985 to 1987 when Arthurs was President of York University. The OECP was mandated to examine *only* voluntary workplace DB pensions in Ontario to develop new strategies to protect and expand DB plans.

The OECP was presented to the Ontario government October 31, 2008, shortly after the most dramatic events of the global financial crisis of 2007-2008. When the government did begin to mull through the report, they heard from constituents and stakeholders who were concerned about the effects of the recent crisis on their retirement savings. The global financial crisis had increased the profile of the pension file, where public fears regarding their financial security was being stoked. Given low interest rate levels and the proximity of baby boomers to retirement, DB plans were viewed as important by more members of the public.

Stakeholder groups were pleased that there was movement finally on some of the key issues, particularly around issues of asset transfers, which had generated a lot of problems in the early 2000s with large corporate and public sector restructurings. Some of the OECP's recommendations informed Bill 236[vi] and Bill 120[vii], which came into effect in 2010, reforming aspects of the PBA for the first time in over twenty years. But these changes were only protecting workers with a workplace plan, and did nothing to mitigate new social risks as the broader conditions of decreasing workplace pension coverage deepened.

Growing tensions with Ontario's workplace pension system and CPP surfaced during the consultation rounds undertaken during the OECP. Commissioner Harry Arthurs documented the deepening degree of pessimism amongst stakeholders on both sides of the ideological spectrum regarding Ontario's pension system. These views ranged from claiming the system was "experienc[ing] serious difficulties" to being "on life support" or even "dead" (OECP, 2008: 189). Considerable innovation would be required to remedy the future of DB plans in Ontario.

Because of the limited scope imposed on the OECP's mandate, Arthurs never explicitly called for CPP expansion. Yet, in acknowledging "market factors" and "shrinking union density" as structural forces that diminished pension coverage, Arthurs conceded there were "intrinsic limits to the kinds of recommendations I might make to improve coverage and strengthen the system" (OECP, 2008: 190). Indirectly, the OECP had become a platform that legitimized calls for CPP expansion given the growing consensus across Ontario's pension community that the PBA was fundamentally flawed requiring broader policy reform. Subsequently, reports such as the OECP served to reinvigorate a national debate on worker insecurity, shaping a new period of pension politics in Canada that would lead to significant policy change.

2010s – The Return of Big Ideas

With the slow recovery from the global financial crisis, along with the downward trend in pension coverage in the private sector, and the belief that many workers would not have access to workplace pensions, a new policy window emerged in which big ideas on how to expand coverage began to take precedence in Canada once again, with Ontario playing a leading role. Ontario finance minister Dwight Duncan wanted to expand CPP to address Ontario's beleaguered private sector workplace pension system. Workplace pension coverage had dropped from 45 per cent in 1992 to 39 per cent in 2009 (Townson, 2011) and unionization levels had dropped to historic lows below 30 per cent (Galarneau and Sohn, 2013). Policy makers around the country believed a pension crisis was unfolding in Canada, questioning the capacity of workplace pension systems to adequately provide security for the majority of Canadian workers. Consequently, the simmering problems located in the workplace pension system at the provincial level were spilling over into the realm of public pension policy making.

In May 2009, Federal-Provincial-Territorial Ministers of Finance created the Research Working Group on Retirement Income Adequacy. A Ministerial Steering Committee, chaired by Alberta MP Ted Menzies on behalf of federal finance minister Jim Flaherty, hired Jack Mintz, an economist from the University of Calgary, as research director overseeing a commission that produced several reports on income adequacy in Canada. On 18 December 2009, Mintz submitted the *Summary Report on Retirement Income Adequacy Research*, summarizing the findings of these reports.

Just a month earlier, Bob Baldwin, former policy director of the Canadian Labour Congress (CLC), had submitted a report[viii] to the Ontario government also on the adequacy of Canada's RIS. Although Ontario was involved with the Federal-Provincial-Territorial Minister of Finance Research Working Group on Retirement Income Adequacy, the Ministry of Finance, shortly following the OECP, hired Bob Baldwin to conduct a separate report that would not be under the purview of Jack Mintz. Mintz was viewed by some pension officials in Ontario as business friendly and wanted to conduct an independent report produced by a specialist with a labour background. Research completed for Mintz's report, along with Baldwin's report were presented at an "Experts Day" conference on pension policy in October 2009, attended by professionals and experts involved with Canadian pension policy (Baldwin, 2009; Mintz, 2009).

The reports submitted by Mintz and Baldwin provided different conclusions on the adequacy of Canada's RIS. Baldwin estimated that approximately one third of Canadians in the latter stage of their careers would likely have inadequate income to maintain their current standard of living in retirement. The Mintz report, on the other hand, denied that there was a crisis, concluding, "Canadians [were]…doing relatively well in ensuring that they have adequate savings for retirement", and that only minor changes were required to improve the system (Mintz, 2009: 26). Different groups on the political spectrum cited these reports over the coming year.

Ontario finance minister Dwight Duncan had communicated to his federal and provincial colleagues that expanding CPP was the best means to address Canada's decreasing pension coverage. Due to the joint-governance structure of CPP, Duncan had to lobby federal and provincial leaders on this issue. The CLC was also actively lobbying the Harper government and provinces to double CPP from 25 per cent to 50 per cent of average adjusted pensionable earnings that would be phased in over a period of several years (Townson, 2011). Initially, federal finance minister Jim Flaherty agreed to discuss incremental expansion of the CPP. Hassan Yussuff (now current CLC president) was organizing meetings with various finance ministers and others, where the CLC's campaign had gained some traction, garnering widespread support from various organizations, including the Canadian Federation of Municipalities.

Other experts came out in support of expanding CPP, including Simon Fraser University economist J. Rhys Kesselman, (who was also former assistant to chief statistician Michael Wolfson) and Jack Horner, former federal Finance Department official, both producing reports[ix] indicating fundamental reform should be pursued. Baldwin's report was also cited in support of expanding CPP. On the other side, business lobby organizations such as the Canadian Life and Health Insurance Association (CLHIA), the Canadian Federation of Independent Business (CFIB) and think tank C.D. Howe Institute came out in favour of Pooled Registered Pension Plans (PRPPs), a market based voluntary investment vehicle that would allow workers without an employer pension plan to pool their retirement savings with other workers. Also, Alberta finance minister Ted Morton had made clear he did not support any expansion of CPP. A new national pension debate was emerging; different governments were hiring different experts to analyze Canada's RIS, drawing competing conclusions that supported their ideological positions on how government should respond.

Flaherty was initially open to the idea of expanding CPP and that there was a general sense of commitment by governments across Canada. But at a finance ministers meeting in December 2010, the federal government changed its tone, refusing to expand CPP, instead indicating it would move ahead with PRPP legislation (Townson, 2011). The federal government had chosen a private sector solution to address Canada's "pension crisis", exemplifying in Myles (2013) view, a "severe case of policy drift" as the federal government dodged demands for policy reform (p. 329).

The federal government was concerned this would alienate the government's business constituency. Moreover, given Harper's track record of criticizing CPP as a Reform Party MP and member of the National Citizens Coalition in the mid-1990s, Harper had staked an ideological claim against CPP, a position he did not equivocate from as prime minister (Townson, 2001).

This announcement on PRPPs had come as a shock to the CLC and others who perceived some form of CPP expansion would occur. The CLC were so taken aback that they, "…launched an Access to Information request to try to find out who had torpedoed the attempt to expand the public system" (Townson, 2011: 12). The official response from the federal government was that the economy was too fragile and expanding CPP would hinder Canada's economic recovery following the financial crisis.

The federal government's position on CPP deeply frustrated the Ontario government (Artuso, 2012). Allowing CPP to drift was increasingly viewed unacceptable from Ontario's perspective, given rising levels of risk amongst its labour force. Although most provinces supported PRPP legislation, many hoped the federal government would at the same time move forward with CPP expansion as a form of political compromise. When it became clear that this would not happen, in protest, Dwight Duncan refused to meet with Ted Menzies to discuss PRPP legislation the following summer. Duncan said his government would only introduce complementary provincial PRPP legislation if the federal government would agree to incremental increases to the CPP. Critics of the PRPP proposal, including Duncan, argued that providing another voluntary system would not mitigate the largest problems facing Canada's RIS (Brown and Meredith, 2012; Ambatchtsheer and Waitzer, 2011). Canada's $900-billion in unused RRSP contribution space suggested workers were not taking advantage of voluntary savings options (McFarland, 2011). These events deepened federal-provincial tensions between Ontario and Ottawa, providing a new rationale for Ontario to develop its own provincial public pension system – the Ontario Retirement Pension Plan (ORPP).

The ORPP can be viewed partially as the product of poor federal/provincial relations between Ontario and Ottawa, largely premised on ideological differences regarding fiscal management and the extent to which government should provide retirement income security for workers. Ontario desperately wanted to expand CPP as economic conditions pushed pension coverage lower in the province. But they could not do so unilaterally. Although the majority of provinces supported expanding CPP to some extent, there was not consensus among the provinces, facilitating inaction on Harper's part, thus eliminating a major policy mechanism from Ontario's toolkit. When Kathleen Wynne replaced McGuinty as premier in 2013, she responded politically with the ORPP to apply pressure on the federal government.

In the absence of a federal commitment, Wynne established the ORPP as a central policy of her party's platform leading up to the 2014 provincial election. With a surprising majority victory, Wynne had a new mandate on Ontario's pension file. Shortly following the election, Wynne had let it be known that door was open if the federal government changed its mind, hoping the ORPP would pressure the federal government to reconsider. But at a meeting in December 2014, junior minister of state Kevin Sorenson refused to discuss CPP reform. Sorenson went on the offensive with an op-ed in the *Financial Post*, calling plans to expand CPP as a "job-killer" that would cost Canada's economy between 17,000 to 50,000 jobs. Sorenson defined raising CPP contributions as a "tax" on employers and cited a CFIB report that claimed small businesses would reduce investments in their businesses and decrease the number of employees if CPP was expanded (Sorenson, 2014). In the same piece, he criticized the Ontario government's proposed ORPP and their unwillingness to set up PRPP legislation. The Conservative federal government had publically castigated the Ontario government's public pension policy objective as imprudent. Ontario/Ottawa relations were at an all-time low. This became a tipping point for the Wynne government and through 2015, the Wynne government began to move forward with the ORPP by organizing an expert task force that included ex-Prime Minister Paul Martin and future finance minister Bill Morneau.

A new policy window opened when the Liberal party led by Justin Trudeau won a majority victory, painting the way for a collusive benchmarking dynamic between Ontario and other governments (Béland and Weaver 2018). Trudeau had campaigned on a platform that included pension reform, ideologically aligning his party with the Ontario Liberals, while establishing a clear difference with Harper's electoral platform on retirement income. At a meeting in June 2016, Canada's finance ministers, with the exception of Québec and Manitoba, came to an agreement to enhance CPP replacement rate from 25 per cent to 33 per cent. Payroll rates would be increased from 9.9 per cent to 11.9 per cent, phased in from 2019 to 2023, shifting the limit of maximum earnings from $54,900 to $82,700 between 2016 and 2025 (McFarland, 2016). The election of the NDP party in Alberta in 2015 diminished Alberta's previous opposition to CPP expansion (Béland and Weaver, 2018), while Saskatchewan was persuaded to sign on when Trudeau agreed to delay the start date of the enhancement to 2019 and extend phase-in implementation to 2025 (Wherry, 2016). Manitoba signed on to the agreement several weeks later (Canada Press, 2016).

Discussion

Over the past 30 years, public pension policy in Canada has successfully escaped austerity measures. Béland and Myles (2005) and Myles (2013) describe the reform attempts of the 1980s and 1990s as a series of failed assaults on the "universality" of the pension system. Mulroney and Chrétien both attempted to introduce "targeted" measures based on means testing that ultimately failed, illustrating what Myles views as the "path-dependency" of Canada's pension structure that have made policy reform difficult (2013: 324). But the CPP enhancements that were agreed to in 2016 exemplify a historically unique moment of path-departing change. Although this change may be considered *modest* or *incremental*, in that these reforms did not radically transform the structure of CPP, the enhancement from a maximum of 25 per cent to 33 per cent of earnings can be understood as a *significant* by historical standards. By expanding CPP benefits, the federal government, along with many provincial governments, acknowledged that the workplace pension system was *failing* to meet its intended objective of providing adequate retirement income. As the above sections have made clear, political and economic conditions that were shaping workplace pension policy at the provincial level was a central driver of CPP reform in 2016, illustrating the extent to which a political limit exists to how long drift is tolerated before path-departing change occurs, even if incremental. This provides insight as to why retrenchment of retirement income benefits has not occurred in Canada, particularly during the most recent round of reform.

Emergent social risks have proved to be a key-determining factor to CPP enhancements. Expanding slippage between the PBA and nascent social risks localized in Ontario had been generating negative policy feedback at the provincial level since the 1980s. This should not be a surprise given the historical design of CPP benefits was intended to cover the holes left over by an expanding workplace pension system pursued by large industrial employers (Weitz, 1992; Shilton, 2016; Christensen, 2018). As workplace pension coverage diminished from the 1980s onwards, the successive rounds of reform to the PBA in Ontario, first in the 1980s and then 2010s, generated compounding negative feedback in the province. These reforms never rectified expanding conditions of social risks for workers, a point that became more acute as workplace pension coverage shrank. Therefore, Ontario's economic conditions provided an endogenous source for policy change *within* Canada's RIS, spilling over from the provincial to national level, and from the private to public pillar of income security. This was augmented by the exogenous shock of the global financial crisis in 2008, increasing public awareness of pension issues while further invigorating an already growing consensus amongst provinces and stakeholders of retirement inadequacy. The locked-in effects of original CPP benefits of 25 per cent were increasingly viewed as inadequate.

These political economic conditions alone, however, did not guarantee reform would occur. Ontario had little success in their lobbying efforts under Harper's federal conservative government. Ontario made the subsequent policy gambit with the ORPP, moving ahead with their own provincial plan to assert new pressure on the federal government. This move also constrained other provinces such as Saskatchewan who were originally opposed to pension reform. A new policy window opened with the election of Trudeau's federal Liberal party that ran on a platform that included CPP enhancement. This, along with Ontario's ORPP, generated a collusive benchmarking dynamic between Ontario and other provinces, benefiting the new federal government's ability to push for CPP enhancements (Béland and Weaver, 2018). Following the new CPP agreement in June 2016, Saskatchewan's finance minister Kevin Doherty said, "If the province of Ontario went on their own [with the ORPP], we would never be back at the table talking about changes to CPP because the way the formula is" (quoted from Wherry, 2016). The "joint federalism" governance structure of CPP meant that the ORPP would effectively limit the autonomy of other provinces to negotiate future CPP reforms. In 1965, to get Ontario to agree to the CPP that had been negotiated behind closed doors with Québec, prime minister Lester Pearson made the compromise that meant any future changes to CPP required seven of ten provinces representing two-thirds of population, ultimately giving Ontario (Canada's most populous province) veto power without their consent. 50 years later, this veto aided the Wynne government in the attempt to pressure other provinces into a collusive benchmarking dynamic. As such, the institutional legacy of CPP's governance structure is necessary to understanding Ontario's ability to push for path-departing change.

The relationship between Ontario's workplace pension system, other provincial jurisdictions, and the historical political dynamics of federal public pension policy is complex, this article does not exhaustively identify every variable. Rather, it has documented Ontario's central role along with key institutional dynamics and demographic trends, while pointing to the role of various bureaucrats, political leaders and lobby organizations, which together contributed to path-departing change. Furthermore, these factors were analyzed in how they intersected at the jurisdictional crossroads of public and private pension policy. More research about the local political economic conditions of different provinces beyond Ontario and the diverse roles of various stakeholders is needed to provide a more detailed analysis of why CPP was reformed in 2016.

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[i] Workplace pensions are also commonly referred to as "employer-sponsored", "occupational" and/or "private" pensions. The terms "private" and "workplace" will be used throughout this article to refer to pensions that are provided by employer contributions in both private and public sectors.
[ii] For a more detailed account of this history, see Little (2008)
[iii] Bill 120, *An Act to Revise the Pension Benefits Act,* 1987
[iv] These negotiations included Algoma Steel, Stelco, General Motors and Nortel.
[v] *Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services*)
[vi] Bill 236, *Pension Benefits Amendment Act, 2010.*
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