Federal Task Force on **Financial Literacy**

CUPE, Canada's largest union

CUPE represents 600,000 members in almost every community across the country. As a strong and democratic union, CUPE is committed to improving the quality of life not just for union members, but for all working people in Canada.

Paul Moist has served as National President of CUPE since 2003. CUPE represents workers across a broad range of sectors including health care, emergency services, primary, secondary and post-secondary education, early learning and child care, municipalities, social services, libraries, utilities, transportation and airlines.

CUPE is one of the few unions in Canada that provides literacy training for its members.

CUPE has approximately 3,400 collective agreements with employers; 70 per cent of which are with locals of 100 members or less. On average, CUPE members ratify at least four collective agreements every working day.

Our members' collective payroll is $21.5 billion per year. Our members contribute $3.4 billion in yearly income tax payments and $600 million in GST. The average CUPE member earns an annual wage of $35,000.

To achieve financial literacy, we must address basic literacy

Since Canadians spend a lot of time on the job, workplaces provide an excellent opportunity to communicate with workers about pension and benefit issues. Here, governments, employers and unions should play a vital role.

Financial literacy is only one piece of the puzzle. Nine million adults in Canada have functional literacy issues. We cannot address financial literacy issues without acknowledging that there are significant literacy challenges in the workplace. This starts with a commitment from the federal government to invest in – and not cut – literacy and education training.

CUPE is one of the few unions in Canada that provides literacy training for its members. We also strive to make information about pension choices, benefit programs and other financial and economic information available to our members in accessible, clear language.

At CUPE, our goals are two-fold: provide people with what they need to know, and ensure that we produce materials that are easy to understand. This includes accessible, neutral information about risks and rewards. Wherever possible, we try and work with employers to provide this information together.

CUPE's financial literacy training has made good use of materials produced by Service Canada, the Canadian Securities Administrators, the Ontario Securities Commission and other provincial securities commissions.

To truly protect Canadians from fraud and market instability, we need more tightly-regulated financial markets, and tougher penalties for white collar-crime.

These are good examples of objective materials provided in an accessible and clear way.

To stop financial fraud, we need stronger regulations and controls

Financial literacy – while important – will do very little to protect Canadians from economic downturns, or from the vagaries and manipulations of financial markets.

- A high level of financial literacy did not prevent some of the most sophisticated investment banks in the world – UBS and HSBC – from losing billions of their clients' money in the Madoff Ponzi scheme. Closer to home, financial sophistication didn't prevent the Caisse de dépôt from losing billions in Canada's asset backed commercial paper scandal.
- Nortel's highly educated and financially literate workforce hasn't insulated employees from losing their pensions and benefits.

To truly protect Canadians from fraud and market instability, we need more tightly-regulated financial markets, and tougher penalties for white-collar crime. Hedge funds, private equity funds and derivatives should be more tightly regulated in Canada and around the world. A financial transactions tax would slow down the destabilizing rate of international financial speculation and manipulation.

Many Canadians know how to save – they just don't have the money

The average real wages and median incomes for a majority of working Canadians have been stagnant for the past 20 to 30 years, while the costs of living continue to rise.

For many people, failure to stick with a financial savings plan is not the result of "procrastinating" – it is a matter of income. The reality is that many Canadians cannot afford to invest in the financial savings plans available to them.

The RRSP savings model is failing because few Canadians are able to afford, are eligible or are willing to make contributions. In fact, only about 25 per cent of tax filers do. And the global meltdown has exposed individual RRSP investors to extreme risk and significant financial losses.

For the few who can invest, the options are overwhelming. There are more than 10,000 different mutual funds available for sale in Canada – three times the total number of different companies listed on the Toronto Stock Exchange. Mutual funds were supposed to pool and reduce risk; instead, many of them have become marketing gimmicks for financial companies trying to persuade investors to chase the latest thing.

Participation in the private RRSP savings model has dropped significantly over the last decade – largely due to the inaccessibility and confusion it creates. In 2008, less than ten per cent of low income Canadians made any sort of private retirement savings at all – and only three per cent were able to afford an RRSP contribution. Even among high-income Canadians, the rate of participation in RRSPs has steadily declined over the last ten years.

We need a pension system that works for all Canadians

People will be encouraged to plan earlier for retirement if they know the system works for them. But across the country, defined-benefit pension plans are degrading to defined-contribution plans. The recession has exposed the volatility of RRSP savings, and laid off workers are seeing their pension savings deteriorate in cases of corporate bankruptcy.

People will be encouraged to plan earlier for retirement if they know the system works for them.

We can start to fix this crisis through a balanced approach that combines strong workplace pensions with public pension plans that cover all working people. We can strengthen the Canada Pension Plan (CPP) with a phased-in doubling of benefits to a maximum of about $23,000 a year. This would offer secure and enhanced pension benefits for the 93 per cent of Canadians who make CPP contributions.

CUPE's solutions for improving financial security for working Canadians:

- We cannot address financial literacy issues without acknowledging that there are significant literacy challenges in the workplace. Governments must invest in literacy and training programs, and unions and employers must work together to ensure that pension and benefits information is communicated clearly and accessibly.
- To truly protect Canadians from fraud and market instability, we need more tightly-regulated financial markets, a financial transactions tax to act a disincentive for speculators, and tougher penalties for white-collar crime.
- Canadians will be more enthusiastic about savings plans they can actually afford. Private savings models, such as the RRSP system, exclude too many of Canada's low-income workers.
- Mandatory enrollment and shared risk among a large group of people better serves the majority of Canadians, as opposed to voluntary enrollment and individual risk. Expanding the CPP would provide the most secure retirement savings plan to the largest number of Canadians.

hgb*cope491