Coughlin Courier

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Take steps to retain working boomers

Canada's economic growth would be seriously jeopardized if the baby boom population retires from the labour market en masse, the Organization for Economic Co-operation and Development (OECD) says.

While Canada's population is not aging as quickly as that of Europe or Japan, it still needs to conduct a major overhaul of its retirement practices and laws to avoid looming labour shortages fostered by the retirement of the largest segment of the workforce, the international economic body reports. The baby boom generation accounts for approximately 40 per cent of workers.

"*Governments and companies have rules and incentives that are skewed towards encouraging early retirement,*" the OECD says. "*Many public policy measures and private workplace practices pose serious barriers to work, both paid and unpaid.*"

Among its recommendations to encourage older workers to stay on the job are:

- eliminating mandatory retirement at both the federal and provincial levels;
- scrapping the Canada Pension Plan's stop-work clause requiring workers to cease working for at least one month before they can collect their CPP benefits;
- eliminating rules preventing people from working and collecting a portion of a pension at the same time;
- tightening RRSP contribution rules since "*these plans may create strong work disincentives*";
- introducing age restrictions on when RRSP savings can be accessed;
- reducing RRSP tax incentives; and
- enhancing Employment Insurance benefits that encourage the retraining of older workers.

The Certified General Accounts (CGA) Association of Canada echoed the OECD's worries.

In an October 25, 2005 presentation to the House of Commons Standing Committee on Finance, the CGA group urged the federal government to take steps now to address the pending labour shortage.

"*Our aging population necessitates more progressive measures aimed at the looming prospect of labour and skill shortages in the years ahead,*" the group told the committee.

In addition to adapting the OECD's recommendations to eliminate mandatory retirement at age 65 and encouraging phased-in retirement, where workers may collect a pension and a wage at the same time, the group also recommended the introduction of:

- flex-time and job sharing in the workplace;
- tele-work;
- workplace child care;
- recognizing immigrants' previous training and qualifications;
- encouraging job sharing and mentoring between young people entering the workforce and those at or near retirement; and
- better alignment between the education system and students' career or occupational aspirations.

In addition to these recommendations, the CGAs called for a lowering of Canada's tax rates, which it called the second highest among the 36 leading developed countries. It also called for more stringent auditing of government programs and services to ensure that government plans are in step with changing demographics of the nation.

"*Canada's aging population and the forecast rise in age-related health care costs obviates the requirement for careful planning,*" CGA Canada said in its brief. "*Today's health care challenge risks becoming tomorrow's nightmare unless current and future taxation accounts for the projected costs related to seniors' health care.*" ■

Skills shortage sparks greater employee turnover

Employers: Have you hugged an employee today?

You'd better. Otherwise, you might find him or her working for a competitor before you know it.

A Conference Board of Canada survey of 347 medium and large size Canadian employers says that 67 per cent of employers reported difficulty in recruiting and retaining skilled employees, compared to 49 per cent last year. Skills most in demand include accounting, engineering, information technology, marketing, sales and management.

As well, the employee turnover rate among employees is increasing rapidly, with the average employee turnover rate rocketing to 8.0 per cent this year compared to the 6.6 s per cent of 2004, Conference Board of Canada reports. And that rate is expected to increase as workers in the baby boom generation retire and the remaining members of the workforce begin to look around for better opportunities.

"*Companies are finding that new employees will walk for a few thousand dollars,*" the Conference Board reports. Meanwhile, the turnover rate for seasoned employees with performance records has almost doubled in the past 12 months, from 2.5 per cent to 4.1 per cent.

The sectors with the highest turnover rates include retail trade, services, and oil and gas, with voluntary turnover rates ranging over 20 per cent per year.

To help sweeten retention prospects, employers are beginning to offer increased compensation, retention bonuses and improved employee benefits and pensions, the Conference Board says.

Canadian voluntary turnover rate*

2004-05	8.0%
2003-04	6.6
2002-03	6.7
2001-02	6.9

**Excludes retirements and involuntary terminations.*

Turnover rate by industry

Retail trade	20.4%
Services	16.9
Oil and gas	9.6
High technology	7.9
Finance, insurance, real estate	7.7
Wholesale trade	7.6
Food, beverages, tobacco	7.5
Not for profit	7.4
Chemical, pharmaceutical	6.2
Education and health	6.1
Transport and utilities	5.4
Government	5.1
Manufacturing	4.9
Communications, telecommunications	4.3
Natural resources	4.1

Workforce exit rates from age 60-69

The impact of the coming demographic shift can be seen in the following table. Today, for every 1,000 workers on the job at age 59, only 83 will still be there by the time they reach age 69. And with 40 per cent of the workforce reaching age 60 in the coming years, workplaces will begin to look a little empty, starting in 2006 when the leading edge of the baby boom generation celebrates its 60th birthday.

If there are 1,000 workers at age 59, then…

Age	Exit rate (%)	Remaining in the labour force
60	16.0	840
61	15.2	713
62	16.2	597
63	17.5	493
64	20.6	391
65	41.1	230
66	28.5	165
67	20.0	132
68	19.5	106
69	21.7	83

(Source: *Making It Pay to Work*, CD Howe Institute, October 2005)

Ontario employers to pay new health tax, courts say

The Ontario Divisional Court has upheld an arbitrator's award making an employer pay the new Ontario Health Premium (OHP) for its employees.

The OHP was introduced in 2004 as a way to increase health care revenues. The annual levy ranges up to $900 per year, based on individual income. (See the May 2004 edition of the *Coughlin Courier* for details.)

The decision by the Court involves a union representing the workers of a Guelph nursing home that argued that the payment of health care premiums by the employer had been included in a 1980 collective agreement.

At the heart of the Court's ruling is the debate on whether the new charge is simply a restoration of the health care insurance *premium* charged by the Ontario Health Insurance Plan (OHIP) and eliminated by the province in 1989, or a new *tax*. (See the December 2004 edition of the *Coughlin Courier* for background.)   Prior to the elimination of the premium, many collective agreements contained provisions whereby employers would pick up all, or a portion, of employees' OHIP premiums. Unions and employee groups have contended that the terms of these old collective agreements still apply, despite the fact that there is a 15-year gap from the time when individual employee premiums were last collected.

Employers, as well as the Ontario government, have argued that the Ontario Health Premium was a new tax, over and above that featured in the original OHIP premium regime and should not be covered by decades-old collective agreements.

The dispute between the nursing home and its staff union had been in arbitration, with the arbitrator ruling in favour of the union. The employer then applied to the Divisional Court for a judicial review of the arbitrator's decision.

In its review, the Court upheld the arbitrator's decision, citing earlier Supreme Court of Canada directives upholding the integrity of the labour arbitration process. Using that standard, the Ontario court noted that it was "*not patently unreasonable*" for the arbitrator to take the position that if an employer had committed in a collective agreement to pay 100 per cent of OHIP premiums and had not changed that commitment in the 15-year hiatus since individual premiums were last charged, then "*reasonable parties in the position of the present employer and union negotiating must have intended the language which they used to cover not just the OHIP premium in existence before 1989 but any materially and reasonably similar premium established in the future.*"

The Court added: "*The employer and the union agreed to continue to include in successive collective agreements an employer's obligation to pay OHIP premiums when there was no OHIP premium in existence…The parties agreed that should future legislation require payment by the individual employees, the employer would again be required to pay for this employee benefit.”*

While the Divisional Court's ruling may be appealed, its decision could result in disruption for plan sponsors as both unions and employers dust off old collective agreements to see if commitments had been made prior to 1989 to cover employee OHIP premiums. ■

Medicinal pot coming in 2006

Medicinal marijuana may be in a pharmacy near you as early as the new year.

Health Canada says that it plans to stock medicinal marijuana on a pilot basis in selected pharmacies as early as the first quarter of 2006. Canada will become the second country after the Netherlands to allow the sale of the drug through pharmacies.

To date, 943 Canadians have been granted permission to possess marijuana for medical reasons such as the alleviation of the symptoms of AIDS and multiple sclerosis.

The test is designed to allow pharmacists to be trained in dispensing the medication and for the government to study pricing and distribution practices.

However, for plan administrators and insurers, the federal plan has its complications. While the status of the drug would be elevated to a controlled substance, its use has still not been approved by Health ot Canada. As a result, reimbursement may not be available in many extended health care plans.

Patients will not need a doctor's prescription to buy the drug at pharmacies. However, they will need to produce their Health Canada authorization to use medicinal marijuana.

Health Canada estimates that it could take up to three years to develop a national pharmacy distribution program for marijuana. ■

Quebec launches liberal, flexible parental plan

The province of Quebec will give birth to a new parental insurance plan in the new year.

Designed to provide benefits to parents of children born or adopted on or after January 1, 2006, the Quebec Parental Insurance Plan (QPIP) offers more liberal benefits, greater flexibility and greater insurable maximums than the federally sponsored Employment Insurance (EI) plan.

Unlike the EI plan, the new QPIP also covers self-employed workers and features a paid paternity benefit for new fathers. Plus, benefit recipients will be able to elect to receive a higher benefit payout for a shorter period or a lower benefit for an extended period, providing a degree of flexibility not seen in the federal plan.

Employers will have to remit QPIP premiums deducted at source directly to Revenue Quebec.

A comparison of the federal EI and QPIP follows:

Duration of benefits payable		
Benefit	**Employment Insurance**	**QPIP**
Maternity leave	15 weeks	Two choices: 18 weeks or 15 weeks.
Paternity leave	None	Two choices: 5 weeks or 3 weeks.
Parental leave	35 weeks	Two choices: 32 weeks or 25 weeks.
Adoption	Same as parental leave	Two choices: 37 weeks or 28 weeks.
Combined maximum	50 weeks	Varies by client choice.
Benefits provided		
Benefit	**Employment Insurance**	**QPIP**
Maternity leave	55% of insurable earnings to a maximum $413 per week.	Two choices: 18 weeks at 70% of average earnings or 15 weeks at 75% of average earnings.
Paternity leave	N/A	Two choices: 5 weeks at 70% of average earnings or 3 weeks at 75% of average earnings.
Parental leave	Benefit combined with maternity leave.	Two tiered: - First 7 weeks after maternity or paternity leave: 70% of average weekly earnings. - First 12 weeks after adoption leave: 70% of average weekly earnings. Remaining period: 55% of average weekly earnings.
Waiting period	Two weeks	Nil.
Eligibility		
Criteria	**Employment Insurance**	**QPIP**
Minimum hours to be worked	600 insurable hours in last 52 weeks or since beginning of benefit period.	N/A
Minimum earnings	Weekly earnings must be reduced by 40% or more.	$2,000 of insurable earnings.
Maximum insurable earnings	$39,000	$57,500
Self-employed	Non-eligible	Eligible

Employers favour pension plans over personal savings

Despite cost pressures and administration details, the majority of employers support the idea of providing some form of retirement program for their employees, a Morneau Sobeco survey says.

A survey of 180 Canadian employers by the actuarial firm says that 57 per cent felt that employer-sponsored retirement arrangements should cover all employee retirement needs when combined with government-sponsored plans such as the Canada/Quebec Pension Plan and Old Age Security. Personal savings should have little, if any, role.

The survey also illustrated a marked difference in philosophies between employers that offer defined benefit arrangements and those that favour defined contribution plans. A total of 68 per cent with defined benefit plans felt their pensions should offer comprehensive coverage compared to 11 per cent of employers with defined contribution plans. As well, a majority of those with defined contribution arrangements felt that personal savings should account for some of their employees' retirement income.

The survey covered groups of all sizes, ranging up to 5,000 or more lives. ■

Tamiflu deliveries restricted

Roche Canada, the maker of the Tamiflu treatment for the H5N1 avian flu virus, announced October 28 that it is suspending shipment of the popular medicine to pharmacies in order to supply hospitals and long-term care facilities.

As worries of a world-wide flu pandemic mount, there are increased reports of hoarding of the drug by individuals. The pharmaceutical company says it wants to ensure that governments and health care institutions have sufficient stockpiles of the medicine to cope with a major outbreak of the flu.

Coughlin will continue to process claims for Tamiflu based on your plan's specifications. ■

GM slashes retiree benefit costs

The world's biggest auto manufacturer shifted its focus to employee health care benefits last month as General Motors slashed retiree health care liabilities by 25 per cent, or $15 billion US.

The cuts, which were negotiated with the United Auto Workers, are expected to generate $1 billion in cash savings for the faltering auto giant. The company also plans to cut 25,000 jobs from its payroll and sell other assets.

GM spends $5.6 billion annually on health care for 1.1 million employees and dependants. ■

Most drop prescriptions after two years

Most users of medications for long-term illnesses such as diabetes, heart disease and depression stop using their drugs within two years.

According to a study by Brogan Inc., an Ottawa-based health care data, research and consulting firm, only 68 per cent of new users of lipid-lowering drugs continue taking their medication after three months. Use continues to decline after that with just 37 per cent remaining on the medication after 24 months.

Similar data was recorded for new users of anti-hypertensive, oral anti-glycemic and anti-depression drugs. Those taking anti-psychotic drugs were even less stringent in keeping up with their prescription regimes. Only 13 per cent remained on their medication after 24 months.

The Brogan Inc. data is not good news for plan sponsors with drug plans. It suggests that they may have to pay for prescription drug regimes more than once. While continued use of prescribed drugs may lead to increased costs for drug plans in the short term, the costs of ignoring medical treatments and prescriptions could be far worse for both plan sponsors and their members.

If left untreated, major diseases like diabetes or heart disease can result in severe complications, disability and repeat prescriptions, leading to more pressure on already strained extended health care budgets. ■

FAST FACTS

Statistics Canada reports that 22 per cent of those who retired between 1992 and 2002 returned to the labour force. An additional four per cent tried to go back to work but couldn't find a job. Financial concerns were the main reason, accounting for 38 per cent of respondents. However, 22 per cent said they returned to work because they did not like retirement. Another 19 per cent said work offered intrinsic rewards such as social contacts, challenge and a sense of purpose. Fourteen per cent felt they were needed at work or returned to help out. ■

Average annual out-of-pocket expense per household on prescription drugs in 2002, according to Statistics Canada: $378. Lowest by province: Ontario, $257. Highest: Saskatchewan: $415. ■

The hot equity markets of the first quarter of 2005 helped grow pension fund assets by 3.6 per cent over the prior quarter. Trusteed pension plan assets totalled $712.8 billion -- a marked change from the first quarter of 2003 when funds dipped to a low of $532 billion following the market meltdowns of 2001 and 2002. ■

Pensions were the topic at a major meeting of the G10 countries and the International Monetary Fund in September. The finance ministers of the US, UK, Canada, France, Italy, Germany, the European Economic Community, Spain, Russia and Japan reviewed pension funding requirements to cover the rapidly aging populations in those countries. The group also discussed introducing more rigorous governance and risk management practices among member nations. ■

Increase in out-of-pocket drug costs from 1992-2002: 71 per cent. In other health care costs: 51 per cent. In food, clothing and shelter: 11 per cent. (Source: Statistics Canada). ■

Canadians contributed more than $28 billion to registered retirement savings plans in 2004, a 4.5 per cent increase over 2003. Just over 6 million people made RRSP contributions last year. Nationally, the median contribution was $2,600, Statistics Canada reports. ■

The majority of employers plan to consolidate their policies regarding sick days, short and long-term disability, and workers compensation, a Morneau Sobeco survey indicates. A survey of 208 employers by the actuarial firm indicates that they either plan, or have already implemented, policies to better co-ordinate their employee absence and disability management practices. Firms employing more than 1,000 workers are most likely to introduce such standards, the survey says. ■

The Supreme Court of Canada gave the OK to the province of British Columbia to sue tobacco manufacturers for healthcare costs dating back 50 years and for future costs of tobacco-related illnesses. Smoking is a major contributor to heart disease and cancer, the two largest causes of death. The province hopes to recover as much as $8 billion from the industry. Since the September 2005 ruling, the province of Nova Scotia has also indicated that it plans to take similar action. ■

PPN update

- **Green Street Pharmacy**, of 16 Green Street, Barrhaven, has joined the Coughlin & Associates Ltd. PPN. Its phone number is 825-7700.
- **Pro-medical Pharmacy**, at 101-1385 Bank Street, Ottawa, has changed its name to Guardian Medical Pharmacy.

Important note regarding your PPN membership

Please be sure to present your Coughlin Preferred Provider Network (PPN) or pay-direct drug card when filling a prescription at any member pharmacy. Some pharmacies have different pricing regimes for non-PPN members. Plus, pharmacy data bases may not always be up-to-date about your membership in Coughlin's PPN.