

# **REPRESENTING PENSIONERS IN THE CONTEXT OF REORGANIZATION OF AN INSOLVENT COMPANY IN CANADA: A QUESTION OF SOCIAL JUSTICE**

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# Outline

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1. **Introductory notes about different retirement systems**
2. **The context of the study:**
  - **the restructuring of White Birch Paper group of companies**
3. **Theoretical framework and methodology**
4. **Main results**
5. **Conclusion**
6. **Discussion**

## Components of the Québec retirement system

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### 3rd floor

VOLUNTARY

#### Private initiatives

Supplemental pension plans  
and personal savings

(covering almost 2.1 million workers who participate in  
some form of group savings)

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### 2nd floor

COMPULSORY FOR  
FOR WORKERS

#### Québec Pension Plan

(4.0 million workers and 1.5 million retirement pension  
beneficiaries)

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### 1st floor

MOST PEOPLE

#### Old Age Security (federal)

(99% of the population covered, 1.3 million beneficiaries)

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Note: In addition to supplemental pension plans and personal savings, private initiatives include several types of retirement pension vehicles, such as group RRSPs and deferred profit sharing plans (DPSPs).

Source: Régie des rentes du Québec (most recent available data).

**Gross replacement rates for public pension plans at age 65, in 2008**  
(as a percentage of individual earnings)

Earning  
average  
salary

Individual earnings compared with average earnings	50%	100%	150%
Québec	81.6	47.0	31.9
Canada	76.6	44.4	29.6
Germany	42.0	42.0	42.0
France	55.9	49.1	41.3
Italy	64.5	64.5	64.5
Japan	47.9	34.5	30.0
United Kingdom	53.8	31.9	22.6
United States	51.7	39.4	35.3
<b>G7 countries average</b>	<b>56.1</b>	<b>43.7</b>	<b>37.9</b>
<b>OECD average</b>	<b>57.2</b>	<b>42.1</b>	<b>36.5</b>

Note: Replacement rates were calculated using 2008 parameters and salaries. The average earnings used are \$43,000 for Canada and \$39,900 for Québec.

Sources: OECD, *Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries*, 2011 and Régie des rentes du Québec, *Évaluation du système québécois de sécurité financière à la retraite par rapport à celui d'autres pays industrialisés—2011* (Evaluation of the Québec System of Financial Security at Retirement in Relation to that of Other Industrialized Countries—2011).

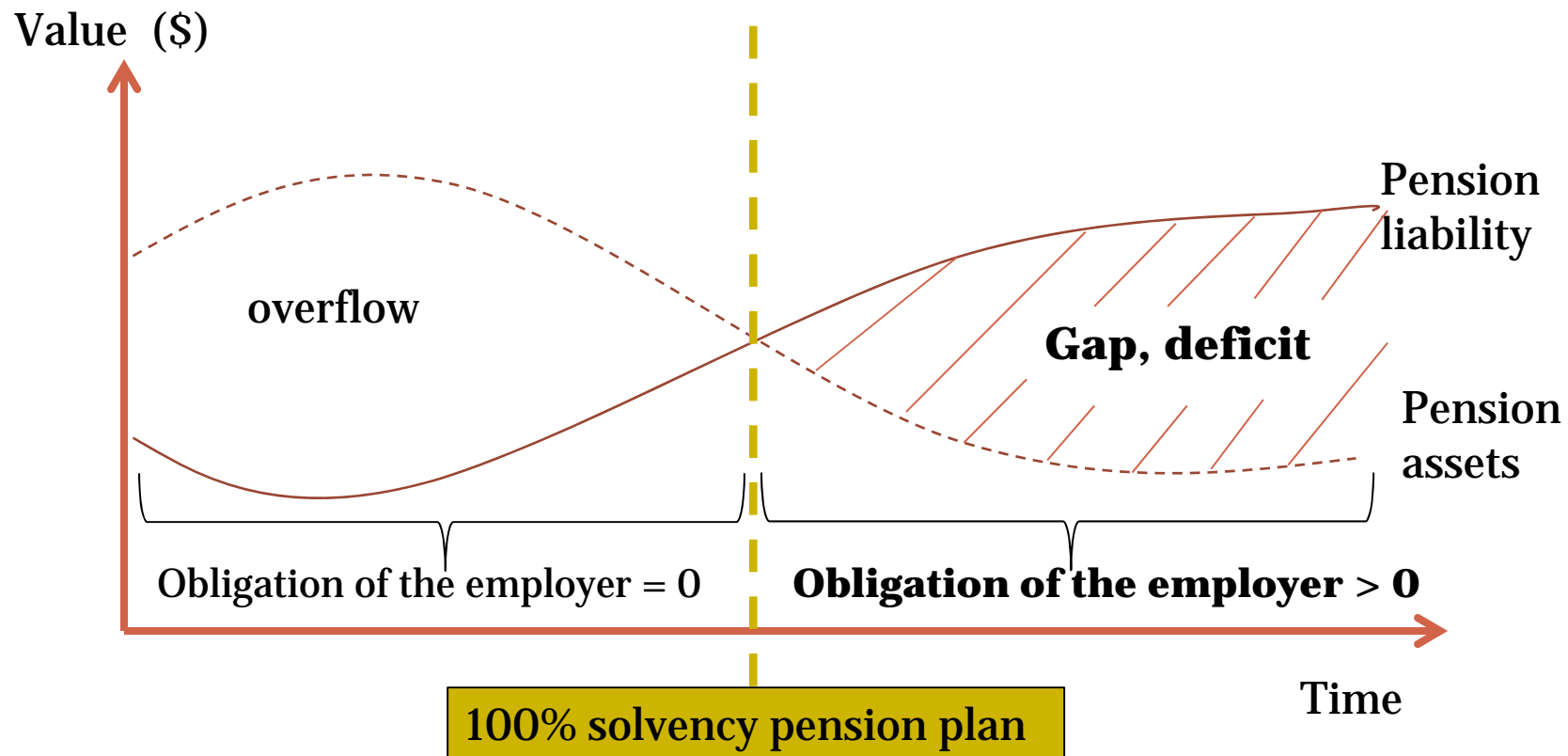
# Different types of supplemental pension plans

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- 1. Defined contribution plan**
- 2. Defined benefit plan**

# The financial consequences of a defined benefit plan on the financial situation of the employer

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## 2. Context of the study

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**Stadacona Paper Mill in Québec city, Canada, and the White Birch Paper (WBP) group of companies.**

**Impact of WBP corporate restructuring for employees and pensioners.**



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## 2. Context of the study...

### **Five years of corporate restructuring**

- February 2010: Request for legal protection of the *Canadian company creditor arrangement act*
  - Decline in newsprint demande, rise in popularity of electronic communication, 2008 financial crisis
  - Three pulp and paper mills in Quebec employing 1300 unionized workers
  - Estimated accounted value of the assets - 692 M\$ in US dollars
  - Debts : \$1049 million including 187 M\$ related to the debt of the retirement plan
- Result of the corporate restructuring
  - Corporate asset sales for 236.1 M\$ to the principal creditor
  - 300 jobs lost, subcontracting and total flexibility clause
  - Salary concessions of 10% with a wage freeze until 2018
  - Termination of the defined benefit pension plan: reduction up to 40% of benefits for more than 700 retirees



# 3. Theoretical framework and methodology

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## **Research questions:**

In light of the impact of these situations of restructuring for parties such as workers and retirees, this study examines :

**Q1:** What truly guides the development of industrial restructuring in Canada?

**Q2:** Does the restructuring process is fair?

## **Theoretical framework:**

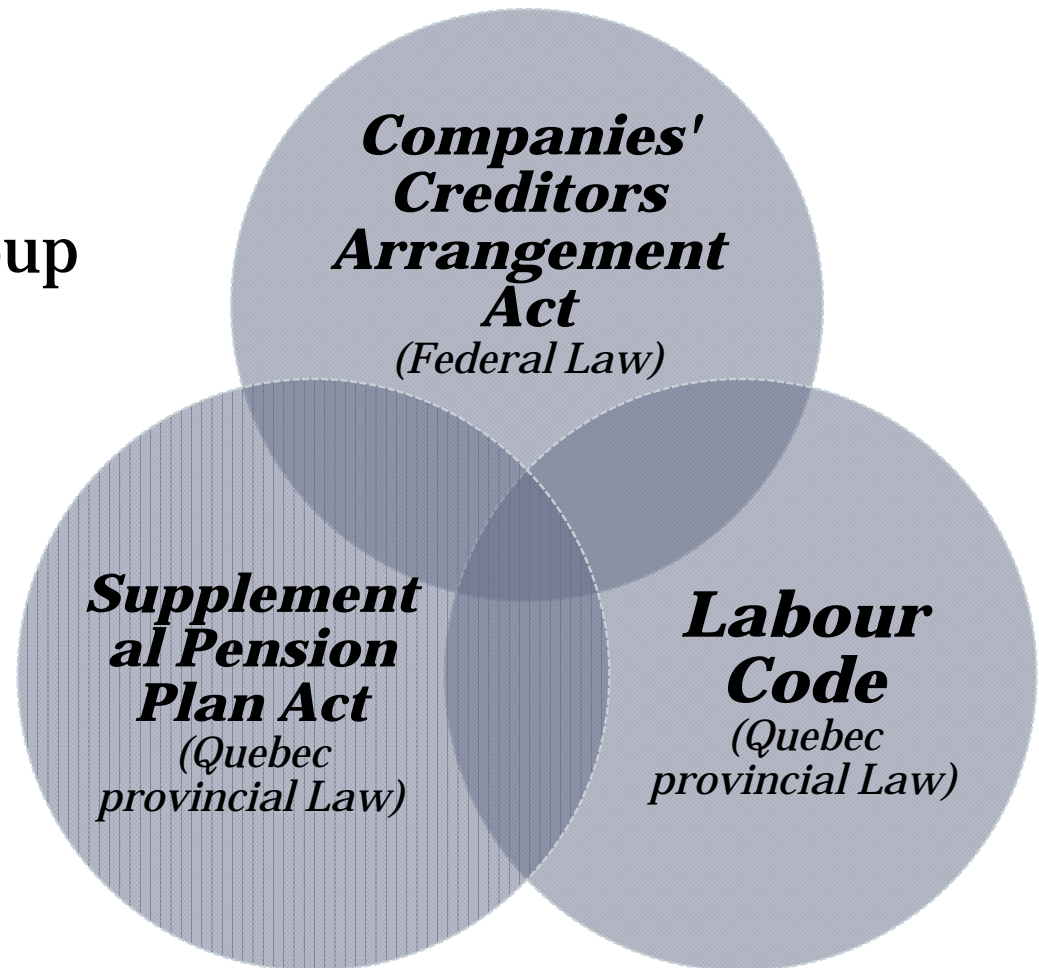
1) Amartya Sen (2011), his idea of justice and his concept of capabilities.

**Methodology:** Qualitative case study

## 4. Main results

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Understanding the legal framework of the restructuring of White Birch Paper group of companies.



## 4. Main results

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**Q<sub>1</sub>: What truly guides the development of industrial restructuring in Canada ?**

Our first conclusion holds that the process of industrial restructuring under the CCAA is **dominated by the most important financial actors.**

## 4. Main results

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### **Q2: Does the restructuring process is fair?**

**No, especially for retirees.**

Our second conclusion brings to light the injustices and inequalities in capabilities of retirees faced with the situation of a restructuring under the CCAA. These concern:

1. Six obstacles to participation in the debate
2. A combination of disadvantages.

## 4. Main results

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### **1. It is difficult for retirees to participate in the debate on the issues concerning them.**

These obstacles involve :

- 1) Difficulties with access to information
- 2) Censorship and their true freedom of expression
- 3) Representation by the union
- 4) Representation within the retirement committee
- 5) Power imbalances
- 6) Lack of legal recognition by the CCAA and even by the *Labour Code*

### **2. A combinaison of disadvantage...**

## 5. Conclusion

### **A responsibility toward the most vulnerable...**

- Inspired by the teachings of Sen and our case study, we believe that retirees must be treated differently from other creditors because of the combination of disadvantages which affects them and places on them an important inequality of capability.
- Beyond the CCAA, the state is invited to take into account their inequality of capability and the moral implications which flow from this in order to intervene and revisit public policy with the goal of improving social justice.

## 6. Discussion

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How to improve **regulation** and **social justice** for retirees struggling with a corporate restructuring under the Canadian bankruptcy and insolvency laws?

Thank you for your attention.

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