pension reform

PENSION REFORM WITH WOMEN IN MIND

by

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INTRODUCTION

Every report on pensions issued in the last few years - and there have been many - starts off by declaring that women are the prime victims of the inadequacies of the present system. Having said this, nearly all of them go on to recommend "reforms" that would mainly benefit typical male workers and ignore women's needs almost entirely.

This male-centered view flows from the traditional notion that the world is composed of two all-inclusive categories: full-time participants in the labour market and the people they support. If you provide adequate pensions to the first group, it is widely believed, the second one will automatically be taken care of.

Unfortunately for women, the benefits such a system produces for them are usually inadequate and almost always unfair.

They are inadequate because the lifetime incomes of most female earners, and hence their pensions, are much lower than those of their male counterparts. With few exceptions, widows are also incapable of maintaining anywhere near their previous standard of living on the amounts they are given as "dependent spouses".

Pensions are unfair to women because they deny the value of their child-caring and housekeeping work. As a result, homemakers are denied protection in their own right and are not recognized as having contributed as much as their husbands to the economic life of our society.

So far, none of the participants in Canada's long-standing "pension debate" has clearly understood and tackled all these questions. Although many give lip service to the principle of equality of the spouses, none seems to realize that marriage breakdown is the Trojan horse that threatens to bring down many of their male-oriented propositions.

Indeed, the fact that one marriage in three will soon end in divorce has been the catalyst forcing many Western industrial nations to review the basic principles of their pension institutions.[1] These countries are all finding that important changes will have to be made to accommodate the increasingly large group of former wives who are neither participants in the labour market nor the dependents of participants.

Far from solving this problem, partial reforms such as splitting pension credits between divorcing spouses only show up more clearly the injustice of underestimating women's contribution. Instead of only the wife, now both former spouses can easily end up with inadequate pensions.

Until now, few of these issues have been intelligently discussed in Canada because women have not yet fully entered the pension debate. One of the main barriers to their doing so has been that discussions of these subjects are too often obscured by impenetrable jargon. It is very difficult to keep in mind that pension reform is primarily a women's issue when the most knowledgeable people in the field are actuaries and economists (almost all male) who speak a language that is unintelligible to all but the most faithful readers of financial pages.

<u>The goal of the present report is to feminize the Great Canadian Pension Debate</u>. It will do this by describing the Canadian pension system and its problems simply and in terms that non-experts can understand; by determining what women need from a pension system; and by suggesting concrete and realistic reforms that will provide fair and adequate pensions to all women.

Pension reform comes in waves. From the shape of Canada's pension system today, it is obvious that in every wave of the past women were unrepresented and forgotten. But this time, things will be different...

HOW PENSIONS STARTED IN CANADA[2]

Pensions are such a sacred institution nowadays that it comes as a shock to learn that Canada had nothing even resembling an organized pension system until just before the second World War. It was only then, in 1937, that all destitute Canadians aged 70 and over finally gained access to minimal government pensions. With few modifications, that welfare-for-seniors system remained unchanged until 1951.

One of the reasons Canada was so slow in helping its elderly was the high cost of pensions. Another was the great fear that men and women who had worked hard all their lives would find themselves no better off in the end than those who had always been "wastrels and loafers".

When pension promoters pointed out that countries such as Germany, France, the United Kingdom and Australia all had state pension systems before 1910, they were answered that these countries' experiences didn't apply here because Canada was different. These other countries were much more industrialized, they were told, which resulted in "a large proportion of the population leading a life from hand to mouth", forcing these governments to engage in "socialistic experiments".[3]

But even in 1905, which is when these debates first took place in our Parliament, Canada was no longer a wholly rural land where women and men lived on the family farm and earned their keep doing communal chores until they died. In 1911, 42% of all Canadians already lived and worked in cities and towns. By then, historians report, the situation was so bad that scores of aged indigents were regularly thrown in jail for vagrancy.[4]

In those harsh days, the most fortunate seniors were those who had worked for the government or some other large organization (such as a railway or a bank) which made some more-or-less regular payments to their retired employees. These pensions were very informal at first, with bosses making "gifts" to a chosen few former employees to reward them for their long years of faithful service. Then came the development of pension "funds".

Contributions made to these funds during the employees' working years were later paid out to them as life annuities (pensions) after retirement. Very few of the funds gave pensions to the widows of former employees.

In spite of the great need for pensions of any type in the early days, however, the development of employer-sponsored pension plans was very slow. In 1936, almost seventy years after these plans were first introduced in Canada, only about 10% of workers were participating in them. By 1978, they had spread to almost all government employees but their coverage of other workers was still less than 35%.[5]

Meanwhile, the state pensions introduced in the 1920s and 1930s were completely transformed in 1951. The federal government, which had originally stimulated the development of pension programs in the provinces by offering (in 1927) to pay a large part of their cost, now assumed the full responsibility for pensions to persons aged 70 and over. Furthermore, and this was the radical change, these pensions would henceforth be paid to all women and men of that age, whatever their income or assets. As well, the federal government agreed to pay half the cost of provincial pensions paid to <u>destitute</u> persons aged 65 to 69.

The immediate result of this change was to remove pensions for the 70-year-old and older from the welfare category. Poor people of that age would no longer be subjected to humiliating means tests. Pensions had become a right to which all Canadians were entitled.

What the reform failed to do, however, was to raise maximum pensions from their starvation levels of $40 a month. Female pensioners were more affected than male ones: 88% of women aged 65 and over, compared with 52% of the men, had total incomes of less than $1 000 in 1951. (In terms of purchasing power, $1 000 in 1951 was the equivalent of $3 300 today.)

The only other development of that decade was of very little use to people with modest incomes. While contributions to employer-sponsored pension plans were deductible for income tax purposes as far back as 1919, it was only in 1957 that the Income Tax Act was amended to also exempt from tax the portion of a person's income (up to a maximum) that was deposited in a Registered Retirement Savings Plan (RRSP). The money a person put in an RRSP, along with the interest it produced, would only be taxed when it was withdrawn from the plan, usually after the taxpayer retired. The result was an important tax saving that greatly encouraged middle and upper-income earners (including very few women) to save for their retirement.

The next and last wave of Canadian pension reform, which peaked in 1965-6, contained benefits for just about everybody. It was decided that by 1970 the flat-rate basic pension would be given to everyone who had reached the age of 65, whatever their income or assets. In addition, a totally new benefit called the Guaranteed Income Supplement (GIS) was created for people aged 65 or over who had little or no income other than the basic pension.

The GIS, which was subject to a simple mail-in income test and did not take into account the value of assets (such as a house the person was living in, for example), was not intended to become a permanent feature of our pension system. It was to be a transitory measure to help the women and men who were already too old to benefit from Canada's marvellous new multi-purpose social insurance program, the Canada/Quebec Pension Plan. Once the C/QPP was fully operational, it was thought, the financial needs of almost all elderly and seriously disabled people would be taken care of.

The program on which all these hopes rested - which consists in fact of two almost identical plans, one for Quebec and another for the rest of Canada - is a hybrid that combines many features of employer-sponsored pension plans with others taken from social welfare programs. Like many employer pension plans, the C/QPP has a "fund" to which employers and employees make contributions. Also like most employer-sponsored plans, benefits paid out by the C/QPP vary according to the employee's level of earnings and the length of time he or she participated in the plan.

On the other hand, the main difference from employer pension plans is that C/QPP coverage follows workers throughout their lives, moving with them from job to job and coming back to them when they return to the labour market after a period of unemployment, retraining or whatever. Within its limits - maximum pensions amount to less than 25% of the average Canadian wage, for example - the C/QPP is also much more generous to surviving family members than employer-sponsored plans, and its benefits are much better protected against increases in the cost of living.

In spite of their promises, however, it soon became clear that the C/QPP and the flat-rate basic pension would leave large numbers of future senior citizens, especially women, insufficiently provided for. As a result of this realization, it was decided in 1970 that the Guaranteed Income Supplement would not be phased out, as originally intended, but would instead be made a permanent feature of Canada's pension system.

The 1960s also saw the introduction of medicare, which brought enormous relief to thousands of sick old people who couldn't afford medical treatment. Other helpful programs initiated in the last decade have included free drugs and income supplements for the elderly in many provinces, as well as a new federal income-tested allowance for those aged 60 to 64 whose spouses qualify for the basic pension and the GIS.

In the following sections, we will analyze in greater detail the financial situation of elderly women and men and the way in which Canada's present pension system works. We will also find out why, after all these reforms and with all these complementary, overlapping and interlocking programs, the majority of elderly Canadian women are still living in poverty.

WHAT ELDERLY CANADIANS LIVE ON TODAY

The main sources of income of aged Canadians are just what you would expect: government pensions of various sorts, personal savings and investments, and benefits from employer-sponsored pension plans. It is impossible to generalize further than this, however, because with the exception of the basic old age pension the elements of elderly people's budgets vary as much as the lives they have lived.

One way of getting a clearer view of the financial situation of old people is to analyze these major income sources one by one, asking in each case: How many elderly women and men get money from that source? How much? How did they become entitled to it? Does one sex benefit more from this source than the other, and if so why? If seniors didn't put the money away for these benefits themselves, who else is paying for them? Those are the questions we will consider in this section.

The Old Age Pension

The old age pension (officially known as the "Old Age Security" pension, or OAS) has been the most basic source of income of elderly Canadians for almost thirty years. It is particularly important for homemakers who have never had a paid job, because it provides many of them with the largest sums of money of their own they have ever had in their lives.

The OAS is called "universal" because practically everyone aged 65 and over is entitled to it. All a person of that age has to do to receive it is to meet the residence requirement and fill in the application form.

Until July 1977, women and men who emigrated to Canada at least ten years before reaching age 65 were entitled to a full OAS pension. The new rule is that people who have been here more than ten years but less than forty get only one-fortieth of the pension for every year spent in Canada. As a result, only those who have been here for 40 years or more will receive complete benefits. (Note: This new rule does <u>not</u> apply to people who were already in Canada when it came into force.)

The old age security pension increases every three months to reflect changes in the cost-of-living index. From January to April 1981, it amounted to $202 per month. In the case of pensioners who have very little or no personal income, the OAS is supplemented by an additional benefit (the Guaranteed Income Supplement, or GIS) which will be examined later in this section.

The money used to pay the OAS comes from the federal government's general revenues fund, whose largest component is income tax payments. As the percentage of income a person must pay in taxes increases with income - that's why we call our income tax system "progressive" - the effect of this kind of funding is to redistribute money from richer to poorer Canadians. More specifically, the transfer in this case is mainly from middle-aged men, who earn most and therefore pay most income tax, to elderly women, who make up close to 60% of OAS recipients.

Canada/Quebec Pension Plan Benefits

Although the Canada/Quebec Pension Plan (C/QPP) only pays full pensions to people who retired after 1976, it is already having an important impact on the income of male senior citizens. In mid-1979, 71% of all men aged 65 and over were receiving C/QPP pensions averaging $122 per month. Not surprisingly, newly-retired men aged 65 to 69 were doing even better, with 86% getting average monthly pensions of $159.[6]

Unfortunately, women were not doing nearly as well. Only 28% of those aged 65 and over were receiving regular C/QPP benefits. Those aged 65 to 69 were doing better, but still far less well than the men: only 42% received pensions which averaged $104 a month. (For more details on these benefits, see table in Appendix 1).

a) Who Is Entitled To C/QPP Benefits

The reason for the huge difference in benefits between the sexes is that the C/QPP was not built with women in mind. This does not mean that the C/QPP overtly discriminates against women. On the contrary, the conditions for women's participation in the plan are exactly the same as for men. With some exceptions - including an important one for family workers that we will examine later - all Canadians who have earnings, regardless of sex, are obliged to contribute to the C/QPP if their annual income from work is greater than the basic exemption ($1 400 in 1981).

Employee contributions amount to 1.8% of the part of their earnings that is between the basic exemption and the maximum pensionable amount ($14 700 to 1981). This adds up to a maximum annual contribution of $239.40 for those whose earnings are at or above the maximum, and proportionally less for those with lower income.

For their part, employers are required to deduct this 1.8% from their employees' salaries and to contribute a matching 1.8% of their own. Self-employed workers pay both shares themselves, which brings their contribution to 3.6% of earnings up to a maximum of $478.80 a year.

In exchange for their contributions, workers become entitled to the following benefits:

1. Pensions for themselves, with additional amounts for dependent children, in case of severe and prolonged disability occurring before the age of 65. In 1981, maximum disability pensions for childless persons amount to $269 a month under the Canada Pension Plan and $367 under the QPP. On the other hand, the CPP pays higher benefits for dependent children: $63 a month per child compared to $29 under the QPP.

2. Upon reaching the age of 65, retirement pensions equalling 25% of their average lifetime inflation-adjusted earnings up to the maximum pensionable amount. In 1981, maximum retirement pensions are $274 a

month under both the CPP and the QPP.

3. A lump sum death benefit - similar to an ordinary life insurance payment - paid to a contributor's heirs upon his or her death. This amounts to 10% of a worker's final-year earnings, up to a maximum of $1 470 in 1981.

4. Surviving dependents' pensions, payable to spouses and children after a contributor dies. The original C/QPP design called for much less protection for the spouses and children of a female contributor, on the assumption that the family hadn't lost much financially through her death, but this was changed in 1974 and both sexes are now treated equally. Widows(ers)' pensions, whose amounts vary according to many factors, are not paid in every case but are subject to a battery of conditions that we will look at later in this report. Surviving children get the same benefits as in the case of disability.

With the sole exception of Quebec's flat-rate $29 benefit for dependent children, all the above pensions are increased once a year to make up for rises in the cost of living. Although these increases are automatic, none of the benefits start being paid automatically. All must be applied for through the offices of the Canada or Quebec Pension Plan.

b) Women and the C/QPP

From women's point of view, the C/QPP leaves much to be desired. One main problem is coverage. There are still large numbers of women who are not in the C/QPP because they work only inside their homes. Even though women's participation in the labour force increased tremendously in the last decades, only 53% of Canadian women aged 20 to 64 were contributing to the C/QPP in 1976. The comparable figure for men was 94%.[7]

Nor can it be said that non-contributing women are adequately protected through their status as dependents. Non-earning wives who become disabled are not entitled to C/QPP benefits, even if it costs a small fortune to replace their services in the home. Neither can women who only worked at home expect adequate personal pensions at the age of 65. Unless they are poor enough to become entitled to an income supplement, they will have no pension other than the basic OAS until their husbands die. At that time, the widows' benefits they receive will probably not even be high enough to raise their income to the poverty line.

The other problem with being a dependent is that marriage is not the rock of Gibraltar it used to be. Until recently, people who divorced lost all rights as dependents under the C/QPP. This meant that a homemaker whose husband left her after 30 years or more of marriage was not entitled to any C/QPP benefits, not even a widow's pension when her ex-husband died and his maintenance payments stopped.

To correct this flagrant injustice, both the CPP and the QPP were amended to provide for the equal splitting of pension credits between the spouses upon divorce. This new measure does not appear to be working, though. While 86 000 Canadian divorces took place outside Quebec between January 1978 and March 1980, only 970 credit-splitting applications were presented to the CPP during the same period.[8]

In addition to these coverage problems, there are two principal features of the C/QPP which make women's situation even worse. First, almost all C/QPP benefits are linked to the level of contributors' incomes. Only people who make at least as much as the maximum pensionable amount ($14 700, as we saw) qualify for maximum benefits for themselves and their families. Everyone else gets proportionally smaller pensions.

Of all the men aged 20 to 64 who were contributing to the C/QPP in 1976, more than two-thirds (70%) had incomes that equalled or surpassed the maximum pensionable amount. Of the female contributors, only 35% did.[9] Even among those women who contribute to the C/QPP during most of their lives, then, it would seem that very few will eventually receive decent pension benefits.

The other characteristic of the C/QPP that is harmful to women is that retirement pensions vary according to the length of time a person spends in the labour force. This is because a worker's "average lifetime earnings" - on which the amount of the pension is based - is not computed only for the time a person had a job, but over all the years he or she could have been in the labour force between the ages of 18 and 65 (for those who were already more than 18 when the C/QPP came into effect in 1966, this period runs from 1966 until they reach age 65).

The only exceptions to this are: 1) the periods during which a worker was severely disabled are excluded; 2) a person who continues working after age 65 can use these extra years to replace lower-income ones; and 3) everyone is allowed to drop out 15% of the total period included in his or her lifetime calculation.

As economist June Menzies pointed out in 1974, this 15% drop-out period, which was meant to make up for the normal low or zero-earning periods of a typical man's life - such as the time spent in school after age 18, or sick, or retraining for a new job, or unemployed - is totally inadequate to cover the years during which married women usually drop out of the labour force to take care of their young children.[10] Consequently, almost all women who have children - and more than 80% do - end up with drastically reduced pensions even if they held paid jobs for the greater part of their lives.

Following pressure from women's groups, the Quebec government acted to correct this, passing a special "child-care drop-out period" amendment that came into force in the Quebec Pension Plan in 1977. By dropping from a mother's - or a single-parent father's - pension calculation all the low or zero-income years spent at home with children aged less than seven, this measure provides uninterrupted pension coverage to many women who leave the labour force to take care of young children.

The federal Parliament has approved a similar amendment to the Canada Pension Plan, but this cannot come into effect until the province of Ontario withdraws its objection to it. Ontario has this right of veto because such changes to the CPP require the approval of two-thirds of the participating provinces having two-thirds of the population, and Ontario has more than one-third of the population of Canada. British Columbia has also expressed its opposition to the child-care drop-out provision, but it could not by itself prevent it from coming into force.

c) Who Pays for the C/QPP

As we already saw, people who participate in the Canada or Quebec Pension Plan must make contributions in exchange for their future benefits. This is not as straightforward as it sounds, however, and the way in which the C/QPP is funded unfortunately worsens its treatment of women.

For one thing, contributions to the C/QPP are not progressive. On the contrary, the effect of the ceiling on pensionable earnings is to have the proportion of income paid out in contributions go up and then down, with the greatest share being paid by people who earn the maximum pensionable amount ($14 700 in 1981), and the lowest share by the richest earners (for more details see table in Appendix 2). The C/QPP therefore imposes a very heavy burden on low-income workers.

Another aspect of C/QPP funding that affects women is the income redistribution that occurs between the contributors of today and those of tomorrow. This is a consequence of the fact that the contributions that Canadian earners (and their employers) have made and are now making to the C/QPP are not large enough to pay for the benefits they and their dependents have already become entitled to.

The basic assumption behind this type of pension system is what the Germans call the "pact of the generations".[11] Essentially, it means that each new generation pays a large part of the pensions of the workers who preceded it, with the understanding that the next generation will do the same for the present workers when they retire, and then the next generation, and so on endlessly.

The main beneficiaries of such a system are always the members of the generation that sets it up, because they become entitled to full benefits while contributing for less than their full working lives. Moreover, because few people qualify for benefits in the initial years of such a plan, contribution rates can be kept very low.

This is what is now happening under the C/QPP. New retirees get full pensions after as little as ten years of contributions. As well, the Economic Council of Canada recently estimated that C/QPP contributions would have to be two-and-a-half times what they are now to cover the full cost of the benefits being promised to today's participants.[12]

One result of these inter-generational transfers is that as long as the labour force continues to become increasingly feminine with each succeeding generation, the female workers of today will always be subsidizing the male workers of yesterday. Another result, according to the Economic Council, is that because these transfers are proportional to income, "the higher-earning group receives larger net benefits than the lower-earning group".[13] In other words, present male contributors to the C/QPP, because they have higher incomes, will receive much more in exchange for their contributions than their female counterparts.

The other side of the C/QPP funding coin is the money which comes from employer contributions. If we follow the prevailing view and consider these funds as a part of each employee's pay, we come to the following conclusions:

1. In effect, mandatory employer contributions to the C/QPP force employers to give each employee a grant that increases with his or her income (up to the $14 700 maximum). As men make more than women, they pocket the bulk of these benefits.

2. The burden of C/QPP contributions is heaviest on the small, labour-intensive, highly competitive businesses that employ mainly women (hotels, restaurants, textiles, for example). This is because the 1.8%

C/QPP tax rate represents a higher share of these employers' costs than of those of bigger, more mechanized firms whose employees are relatively few and make more than the maximum pensionable amount. The result is that these small firms are even less capable of paying good wages to their employees.

d) The Effect of Sex on C/QPP Benefits

The benefit structure of the C/QPP also redistributes income in several ways. One is between contributors who are respectively with and without surviving spouses. Although both categories are paying the same contribution rate, the first group is obviously getting more for its money because it is entitled to an additional benefit.

People often conclude from this that single earners - perceived as dashing bachelors and unmarried career women - are subsidizing low-income widows. In reality, the largest group of C/QPP contributors who do not leave surviving spouses are not single people but married women, whose husbands almost always die first. In addition, as widows' benefits increase with husbands' incomes and are reduced or non-existent when the wife earned C/QPP credits of her own, the main beneficiaries of surviving spouses' benefits are not low-income widows, but rather the families of middle and upper-income men who are so well off that their wives don't have to work outside their homes.

Also very important for our purposes are the subsidies between the sexes that result from the facts that women live longer than men, that men are more likely to collect disability pensions, and that female contributors are younger than their male counterparts.

Women's longer life expectancy means that they receive more in pension benefits for the same contributions - because they collect over a longer period - but that death benefits are cheaper for them than for men. This is because death benefits for men are paid out to their estates earlier, which gives the CPP and QPP funds less time to accumulate interest on these sums.

The second cause of cross-sex subsidies, which is that men are more likely to collect C/QPP disability benefits than women, is particularly interesting in view of insurance companies' insistence that women have a higher rate of disability than men. The final word has yet to come on this question, but C/QPP statistics leave no doubt that men are disproportionately represented among its disability pension recipients (for more details see table in Appendix 3).

Thirdly, the average age of female C/QPP contributors is lower than men's because few older women are in the labour force. The result is that even though both sexes pay contributions at the same rate, those of women are worth more. This is because women's money stays in the CPP and QPP funds longer before they retire, and therefore produce more interest than men's.

With all these crisscrossing subsidies, it would take a computer, a crystal ball and much patience to determine exactly how much each sex is receiving from the C/QPP. One good indication of the real situation, though, is the share of total dollar contributions made by each sex compared to the share of total dollar benefits which are paid out to them and their families. Looking at this, we find that while female earners pay in more than 30% of the total amount that individuals contribute to the C/QPP, they and their dependents receive less than 20% of the benefits.[14] This certainly makes very clear that men are getting more than their share of the benefits under the C/QPP.

Investment Income

Next to government pensions, the most important source of income of people aged 65 and over is the product of their own personal savings. This does not mean that most women and men over 65 have large sums of money squirrelled away. On the contrary, they have very little - which demonstrates how insignificant all other sources of income are for the elderly compared to the pensions they get from the government.

In 1975, according to Statistics Canada, more than half of the spouseless elderly (most of whom are widows) and a third of elderly couples had no investment income at all. Of those who did, about half had very modest investments bringing them less than $1 000 a year.[15] Only 10% of all senior citizens reported that savings were their main source of income.[16]

It is difficult to predict whether private savings will be more or less important for the future elderly than for people who are already old. On the one hand, investments may be less attractive now than before the days of high inflation. Today's elderly couples are understandably bitter when they find that the real, uninflated value of their investment income actually went down between the years 1971 and 1975.[17]

On the other hand, wages have risen way beyond subsistence level for most people in the last decades, and the government has introduced many tax incentives to make it even more worthwhile for people to invest and save. One of the most important of these tax measures is the Registered Retirement Savings Plan (RRSP), which is in fact a personally-managed pension plan.

When taxpayers take advantage of this provision and deposit part of their earnings in an RRSP, they are exempted from paying income tax on that money - and on the interest it produces - for as long as it is left in the plan. The maximum deposit allowed in any given year is 20% of a person's work earnings, up to $5 500 for those who do not participate in an employer-sponsored pension plan and $3 500 for those who do.

Although it seems innocuous enough, the tax deferral that results from putting money in an RRSP can be worth a great deal of money. In the case of a well-off man whose tax amounts to 50% on his last slice of income, for example, a $5 500 deposit in an RRSP is equivalent to an interest-free loan of $2 750 for the first year, $2 750 plus the deferred tax on the interest in the second year, and so on increasing with every succeeding year.

To get an idea of the enormous sums people gain through RRSPs, remember that this man - along with hundreds of thousands of fellow taxpayers

- makes new RRSP deposits every year throughout his working life. At a rate of interest of 10% a year on his money, our man alone will be worth at least $270 000 more if he places money in an RRSP for thirty years than if he pays his tax in the normal way.

This boon does not come from heaven. It represents a corresponding loss in tax revenue for the government that has to be made up from some other source. The real cost is actually even greater than our example showed, because when taxpayers finally take their money out of RRSPs, sometime after their retirement, their income is usually lower so the tax they pay on the withdrawn sums is at a reduced rate.

As all this demonstrates, the benefits people derive from RRSPs are directly linked to their incomes and tax rates (with the exception of spousal RRSPs, which are too rare to make a real difference[18]). The higher a taxpayer's income at the time of the deposits, the greater the tax saved. For people whose income is too low for them to owe much or any tax, the RRSP provision is quite useless. In any case, if you are poor you are unlikely to have money left over to put in an RRSP.

For these reasons, women do not benefit much from RRSPs. Although we don't know what proportion of the more than three million Canadians who own Retirement Savings Plans are women, we do know that in 1978 men accounted for 80% of all contributions.[19]

Employer-Sponsored Pension Plan Benefits

Employer-sponsored pension plans were the first to be established in this country and many people still consider them the primary source of income of retired Canadians. In reality, however, they account for less than 10% of the overall income of our senior citizens. This is a very poor showing compared with public pensions such as the Old Age Security, the Guaranteed Income Supplement and the C/QPP (together accounting for more than 50%) or even with income from personal savings (20%).[20]

As well as being scarce, dollars from employer pensions are very unevenly distributed. While 40% of elderly couples (meaning mainly married men) were receiving yearly sums averaging $2 846 in 1975, only 26% of unmarried men and 19% of unmarried women were getting anything at all from that source. These more fortunate among the spouseless elderly were getting average amounts of $2 291 for men and $1 976 for women.[21]

a) Women and Employer-Sponsored Pensions

A small part of the difference in these benefits is due to sex discrimination. In decades past, it used to be quite usual for employer-sponsored pension plans to have different eligibility criteria for men and women. Most common were later entrance ages and earlier retirement for women. Both these practices resulted in shorter contribution periods and hence lower pensions for women. Few plans make such distinctions today.

A number of other plans were less subtle and simply excluded women altogether. As late as 1974, more than 400 employer-sponsored pension schemes (out of more than 15 000) were restricted on the basis of sex. By 1978, only 211 still were. Most of these were in industries with predominantly male workforces. Seventeen plans were for women only.[22]

A much more important factor than discrimination in preventing women from benefitting from employer-sponsored pensions is that these plans are even less geared to women than the Canada/Quebec Pension Plan. For one thing, as we will see, the prime target of these pensions is upper-middle-income males who worked non-stop for the same organization all their lives, rising steadily through the ranks as they got older. For another, these pension plans almost always exclude part-time workers and seldom provide benefits to surviving spouses.

b) Who Is Entitled To Employer-Sponsored Pensions

To start with, not all paid workers contribute to an employer-sponsored pension plan. As these plans are not mandatory and sometimes cost employers a great deal, it is not surprising that the private industries where pension coverage is good are those which have highly organized, well paid labour forces. As it happens, those are precisely the fields where few women work. (For more information on this, see table in Appendix 4.)

The only important exception to this rule is public servants, who for historical and political reasons ("the government must set an example as a good employer") had pension plans long before they could belong to unions. This has been women's best chance of gaining access to employer-sponsored pensions, with the result that in 1978 more than three out of every five women who participated in such plans were working for some level of government. The comparable figure for men was one out of every three.[23]

The next hurdle is that people who participate in employer-sponsored pension plans are by no means guaranteed a pension when they get old. This is because of two related factors: 1) pension rights can seldom be transferred from one job to another; and 2) workers who don't stay long enough with the same employer lose all their rights to a future pension when they leave.

In that last case, the main thing workers lose is the pension contributions their employers had made on their behalf. They simply get back their own contributions, if any, with interest at a very low rate, and have no benefits to look forward to when they retire. A Quebec Pension Board study found that of the thousands of workers whose participation in an employer-sponsored pension plan ended in that province in 1976 for reasons other than retirement, disability or death, only 3.3% met the legal conditions entitling them to a deferred pension upon reaching retirement age.[24] There is every reason to believe that the situation is similar in the other provinces.

The legal conditions the Quebec study was examining date back to the mid-1960s, when many provinces stepped in to give workers minimal protection against exploitation (among the practices they stopped was the firing of old employees at age 63 to avoid paying them a pension). Most of these provincial pension laws require that contributions to employer-sponsored plans be "vested" and "locked in" after a participant has attained age 45 <u>and</u> completed ten years of service for the same employer.

"Vesting" means that a worker becomes entitled to the contributions the employer has made on his/her behalf. "Locking in" means that the contributions made by and for an employee cannot be reimbursed, or renounced, or whatever, but instead must be used to give him/her a pension at normal retirement age. Pension plan participants who have reached the magic "45 and 10" can therefore change jobs, or be fired, and still be sure of receiving some pension when they are 60 or 65. (In contrast to this, contributions to the Canada/Quebec Pension Plan are "vested" and "locked in" as soon as they are made.)

A critic who found the vesting and locking-in laws applying to employer-sponsored pensions inadequate wrote that "employees are camels and vesting provisions are the eyes of needles". Having found out that women's situation in that respect is worse than men's because they leave their jobs much more often, another added: "To understand how well women fare in comparison to male employees, simply visualize a pregnant camel..."[25]

In addition to making employer-sponsored pensions hard to get, vesting problems redistribute the cost of these pensions between different groups of people. First, the employer contributions for workers who leave before their pensions vest return to "the pot" and lower the cost of benefits to the remaining employees. Second, the interest a pension plan collects on workers' contributions is almost always much higher than that which it pays them when they leave.

Under the federal public service's pension plan, for example, employees who leave get 4% yearly interest on their own contributions. If they had invested their money in supersafe Canada Savings Bonds instead, their rate of return would have been as high as 13%. As Kevin Collins pointed out in 1978, because of women's very high turnover rate the result is a fairly massive subsidization of employer-sponsored pensions by female employees.[26]

c) Who Pays for Employer-Sponsored Pensions

One of the reasons why employees who leave their jobs can seldom take their employer-sponsored pensions with them is that these plans come in so many incompatible types. The only thing all non-public-service plans share is an obligation to set aside enough money for benefits as soon as these are promised. This stands to reason. You can't have a "pact of the generations" between today's employees of Company X and those who will work for it tomorrow when you don't even know if Company X will still exist ten or twenty years from now.

In spite of their many differences, employer-sponsored plans all fall under one or the other of two broad categories. The first, which consists mainly of the so-called "money purchase" plans, works by establishing in advance what contributions will be made. Whatever these are determined to be - say for example 8% of each worker's salary to be paid half by the employer and half by the employee - the money is placed in a special fund each year and remains there gathering interest until the employee retires.

At that time, the money which has accumulated in that employee's name is given to an insurance company in exchange for a pension (which is called a "life annuity" in insurance language). This annuity varies according to the employee's age and sex, as well as the interest the insurance company expects to earn on his/her money in the coming years.

Although pension plans of the "money purchase" type are very numerous (6 500 out of 15 000 in 1978), they are not very important because they only account for 5% of all participants.[27] This is because these plans are the favourite of small employers, who like their predictable costs and simple administration. For their part, workers generally dislike them because they place the full burden of inflation on employees and produce unpredictable pensions.

The other category, which accounts for only a few more plans but includes 94% of all participants, starts from the other end by deciding first of all the level of pensions it wants its members to receive. This is not done by naming a specific amount, but by choosing one of many possible benefit formulae. Right now, the most popular plans are those which give pensions equal to 2% (or more) of a worker's best annual salary multiplied by his/her number of years of service.28

Once a formula has been picked, the next stages involve predicting how much the benefits will cost - by deciding how many employees of what age and sex are likely to leave, or die early, or live long, etc. - and then spreading the anticipated cost over all employees. Workers' contributions, when there are some (about 70% of the time) usually amount to a fixed percentage of salary. Employers' contributions are changeable, making up the difference between the total accumulated in the pension fund and the cost of benefits as predicted by regularly updated estimates. In a period of high inflation, it is not unusual for the interest on workers' contributions to be so high that some employers need make little or no contribution.

As this description shows, the fact that employer-sponsored pension plans must be "actuarially sound" - meaning that actuaries are willing to vouch that they are financially solid - does not mean that each employee makes contributions equalling what he or she will eventually collect. On the contrary, most of these plans contain a large degree of cross-subsidy. There are the "winners", who work forty years for the same boss and live to collect a hefty pension until the age of 95, and there are the "losers", whose pension fails to vest or who die prematurely after years of contributions.

d) <u>The Effect of Sex on Employer-Sponsored Pension Plan Benefits</u>

In addition to the subsidization of these plans resulting from the very high turnover rate of female workers, many of the cross-sex transfers that take place in employer-sponsored plans are the same as in the case of the Canada/Quebec Pension Plan. Except in money purchase plans, which give lower pensions to women, female participants "win" by living longer and hence collecting more payments. They "lose" by being younger on average and having fewer surviving spouses. Men "win" under all these plans through entitling their estates to death benefits earlier.

Surviving spouses' pensions are less important in this case than under the C/QPP because so few employer-sponsored plans offer these benefits. In 1978, only 44.1% of participants were in plans that gave pensions (usually amounting to 50% of the deceased's entitlement) to surviving spouses. Of this group, almost three out of four worked for some level of government.[29]

A large number of other plans give their participants the choice of having a lower pension for themselves in return for continuing benefits to their surviving spouses. According to an expert who testified before the Senate Committee on Retirement Age Policies, only about 10% of employees elect to take this option. He added that: "When a male is retiring and his pension is not too good to start with, he is not going to reduce it by 40 or 50 per cent. He is going to gamble on his future."[30] His future indeed!

In addition, there are other ways in which employer-sponsored pensions are more advantageous to men. One is that the payment of income tax on the money contributed to such plans is deferred until retirement time. As we saw in the case of Retirement Savings Plans, this gives huge savings to well-off taxpayers, and very little or nothing to most female earners.

Another thing that helps mainly men is the common practice of using workers' "best", or "highest" or "final" earnings in the formula that determines the pension benefits. While this is done to protect pensions from the ravages of inflation, there are many reasons why it is better for men than women.

For one thing, women are more likely to be in the labour force only when they are young, so their pension entitlement, if any, will more often have been earned while they were in their twenties and thirties. If they then leave with a promise of a deferred pension thirty years or so later at age 65, inflation will melt the real value of their "best" or "final" earnings to practically nothing by the time they are used to calculate their pensions.

What workers in that situation need is automatic annual increases in the value of their deferred benefits to make up for rises in the cost of living. At the present time, only the Canada/Quebec Pension Plan (C/QPP) and civil service pensions give that kind of protection.

Secondly, the "final" or "best" earnings method is worth more for men because their earnings usually increase much more over their lifetime than women's. This is because the typical male rises through the ranks and receives important pay raises, while the typical female employee remains stuck in the same low-pay, dead-end job. In this respect, the C/QPP's method of using inflation-adjusted lifetime earnings is a fairer way of distributing the benefits.

Finally, women's longer life expectancy makes the final-earnings method of compensating for inflation even more inadequate for them than for men. A woman retiring at age 65 can expect to live another 18 years, while the life expectancy of a man of the same age is 14 years.[31] At an annual inflation rate of 10%, which is about what we are experiencing now, a monthly $300 pension would be worth $77 in 14 years and $50 in 18. Here again, only government-sponsored pensions prevent this terrible erosion by linking their benefits to the cost-of-living index.

Another very expensive difference between men's and women's pensions is the almost exclusively male preserve of early retirement with a full immediate pension. In the federal public service, for example, employees with thirty years or more of service can retire at age 55 with a full pension. While women account for more than a third of that plan's participants, 87% of those who took advantage of this provision to retire between ages 55 and 59 last year were men.[32]

This same federal public service Superannuation Plan, which is the biggest and perhaps the most generous employer-sponsored pension scheme in Canada, also gives the best accounting of the effect of cross-sex subsidies in these plans. In 1972, its actuaries estimated that the total cost of Superannuation's benefits, excluding inflation adjustments (which benefit higher-income contributors most), equalled 14.2% of salary in the case of men and 11.4% in the case of women.[33] At that time, however, women made lower contributions than men - 5% of salary instead of 6.5% - and were not entitled to pensions for their surviving spouses and children.

Acting on a recommendation of the Royal Commission on the Status of Women,[34] the federal government amended the law in 1975 to give equal benefits to the survivors of female civil servants. In the same move, it brought women's contributions up to the same level as men's.

Although these changes seemed fair and were hailed as a great victory for women's equality, Superannuation actuaries were not so sure. Survivors' benefits for women don't amount to very much, they say, so in the final analysis male civil servants' pensions still cost about 2% more.[35] It looks like women were had, and were made to feel grateful in the bargain.

Income Supplements for the Elderly Poor

It is only after adding up their income from all sources that women and men aged 65 and over find out whether they are entitled to a federal, and in some cases also a provincial, supplement for low-income seniors. Those who are eligible are far from unusual, because 460 000 elderly men and 706 000 elderly women were receiving such supplements in Canada in 1980.[36]

a) Guaranteed Income Supplement

The largest and most important supplement for low-income old people is the federal Guaranteed Income Supplement (GIS), which presently (January to April 1981) pays maximum monthly benefits of $203 and $313 respectively to unmarried people and couples aged 65 and over who have no income at all other than the old age security pension (OAS). Like the OAS, these benefits increase every three months to reflect changes in the cost of living.

The GIS is reduced by $1 for every $2 of personal income, so that single people and couples become ineligible when their incomes amount to $406 and $626 a month respectively. The incomes of spouses are calculated together so that one spouse's money can prevent the other, poorer spouse from being entitled to benefits.

The money used to pay the GIS comes from the federal government's general revenues fund. It is therefore largely financed through progressive income taxes, and redistributes income from better-off taxpayers to low-income elderly people. As well-heeled taxpayers are overwhelmingly male and GIS recipients are mostly female, the GIS redistributes money from men to women.

GIS benefits are not paid out automatically. They are a little more complicated to apply for than the OAS, because applicants must list all their sources of income and make an annual declaration resembling a very simple income tax return.

Assets are not taken into account, though, so no information is required on belongings that do not produce an income. As well as items such as the house a person lives in and its furniture, these could even include things like jewels, gold bars and works of art. The reason for ignoring these valuables in establishing eligibility is that it is not worth subjecting thousands of GIS applicants to the humiliation of an assets test to screen out the very rare ones among them who are asset-rich but income-poor.

b) Spouse's Allowance

The other federal benefit for low-income senior citizens is the Spouse's Allowance, which is given to married people aged 60 to 64 whose spouses are already receiving the old age pension and the Guaranteed Income Supplement. The idea behind the Allowance is that one-earner couples deserve government assistance during that awkward period when the husband has retired but the wife is still too young to receive a pension. Unmarried poor people aged 60 to 64 - who are mainly women - are presumably less deserving or more immune to the indignities of welfare.

The total maximum amount paid out to Spouse's Allowance recipients and their spouses is equal to the maximum old age pension and GIS (OAS-GIS) benefits received by two-pensioner couples ($717 a month from January to April 1981). The difference from a two-pensioner couple is that the Spouse's Allowance recipient is not entitled to a basic pension regardless of income, so her/his allowance is reduced all the way down to zero if the couple's personal income rises above a certain amount ($900 a month from January to April 1981).

Until two years ago, the Spouse's Allowance was a national scandal because it was being discontinued upon the older spouse's death. Every month, about 200 poor, newly-widowed women aged 60 to 64 would get a letter from the federal government offering condolences, advising them that their Allowance had been cut off, and suggesting that they quickly apply for welfare.

This has now been changed, so that women who were receiving the Spouse's Allowance before their husbands' death continue to get it until they become entitled to a pension in their own right at age 65. (The same applies to widowers, but only 8% of Spouse's Allowance recipients are men.) Although this makes more sense, it is even more flagrantly unfair towards other low-income women and men aged 60 to 64 who are not entitled to a federal pension. The National Council of Welfare gave an example of the absurd situations that could ensue:[37]

> Of three penniless widows aged 63 living next door to each other, one would be entitled to the Spouse's Allowance because she was receiving it before her husband died, one would not be entitled because her husband died when she was 59 and not yet eligible for the Allowance, and a third, who had been the right age when her spouse died, would not be eligible because her husband's income had prevented her from being entitled to the Allowance when he was alive.

A system that produces such ridiculous results is obviously in need of improvement.

c) Provincial Income Supplements

As well as being entitled to the GIS, low-income pensioners living in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia and the Northwest Territories can get supplements from their provincial or territorial governments. These additional sums are usually quite small, ranging from 4% of the OAS-GIS pension in Nova Scotia and Manitoba to a maximum of 20% in Alberta. For many of the elderly women and men who receive them, however, they make the difference between a modest but decent existence and a life of poverty.

Applicants for these allowances, which are paid out of provincial general revenues, must give about the same type of information on their income sources as they do to receive the GIS. One important difference between the federal OAS-GIS and the provincial supplements is that, Nova Scotia excepted, the latter do not rise automatically to reflect increases in the cost of living.

Other Financial Advantages of Elderly Canadians

When the financial problems of old people are discussed, it is often said that to do a valid assessment of their real situation you have to take into account the broad range of special savings, reductions, credits, etc., to which they have access. As we want our financial picture of the elderly to be as complete as possible, we will look at the most significant of these to find out what they are worth and who they benefit most.

a) Income Tax Reductions

Our income tax system contains many provisions that allow people to reduce their taxable incomes by various amounts if they find themselves in certain situations or have certain kinds of income. For example, there are special exemptions or deductions for people with dependents, invalids, students, etc., and for the elderly. Also, there are specific deductions available to people whose income sources are pension plans and investments.

The special tax reduction for the elderly is the age exemption, which allows people aged 65 and over to diminish their taxable income by a fixed amount ($1 980 in 1981). This exemption is doubled when the taxpayer has a "dependent" spouse who is also a pensioner.

Other tax provisions that are not limited to the elderly but benefit many of them every year are: 1) the pension income deduction, which exempts from tax $1 000 of pension payment from an employer-sponsored pension plan; and 2) the interest deduction, which shelters $1 000 of income in the form of interest or dividends received from Canadian sources. With the help of these tax measures, most two-pensioner couples would be totally exempted from income tax unless their incomes were well over $13 000 a year.

The cost of these exemptions and deductions, which the government assumes through reduced tax revenues, is very high. In 1980, the age exemption and the pension income deduction alone were estimated as having cost $435 million to the federal and provincial governments.[38] The main beneficiaries were upper-income seniors who, because of our progressive tax structure, would have paid most tax on the exempted amounts. For low-income old people, who owed no tax to start with, these tax advantages were of no use at all.

Taxation statistics confirm that men rake in most of these tax benefits. In 1976, when 56% of the population aged 65 and over was female, only 37% of elderly taxpayers were women. In addition, the average income of female pensioners who paid tax was $3 500 lower than that of their male counterparts.[39]

b) Savings from Owning One's Own Home

One of the main advantages senior citizens are said to enjoy is the ownership of an unmortgaged home. In the past few years, various people have cited this in arguing that elderly people have more modest needs and are less affected by inflation than other Canadians.[40] According to these critics, old women and men are not unhappy with their lower-than-poverty-line incomes and do not really need pension increases to make up for the full rise in the cost-of-living index.

In addition to this, the fact that many old people live in their own homes is sometimes seen as a confirmation that many of our low-income elderly are in fact asset-rich through owning an expensive house. In particular, there is a widespread belief that important numbers of widows are living alone in empty, too-large houses. If these women sold their homes, it is claimed, they could invest the proceeds and live more comfortably in compact modern apartments.

According to the results of Statistics Canada studies, though, the home-owning advantage of senior citizens is not so clear. For one thing, it was found that people aged 65 and over are <u>less</u> likely to live in their own or their spouse's home than persons aged 35 to 65.[41] If anything, then, older people are more affected than younger families by quickly rising rents.

Other relevant facts are: 1) the houses most elderly people own are not very valuable, being worth an average of only $34 500 in 1977;[42] and 2) while the majority (52%) of Canadians aged 65 and over live in their own or their spouse's home, home ownership in old age is much more a male than a female phenomenon. Sixty-four percent of elderly men lived in their own or their spouse's home in 1977, but only 42% of elderly women did.[43]

The main reason for this difference is that elderly men and women do not have the same marital status. Three-quarters of Canadian men aged 65 and over are married, and the vast majority of these married elderly couples live in their own homes. For their part, less than 40% of old women are still living with their spouses. The largest group among them are widows, most of whom live in rented apartments in high-cost urban centers.[44] (For more information on the marital status of the elderly, see table in Appendix 5.)

c) <u>Provincial Tax Rebates, Credits and Housing Grants</u>

One of the most common forms of subsidies by provinces to the elderly consists of refunding to them some portion of the property, school and/or sales taxes they paid during the previous year. British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia all have programs of this type with benefits that vary greatly depending on housing status (tenant or owner), amounts of taxes or rents paid, and levels of income. Maximum benefits range around $500-$600 a year.

In addition, British Columbia, Manitoba, Quebec and New Brunswick offer special rent assistance to senior citizens whose incomes are very low and whose rents are relatively high. Typically, the subsidy amounts to 75% of the difference between rental costs and 30% of income, up to a ceiling. B.C.'s program seems to be the most generous, with maximum benefits of about $1 500 a year for single pensioners.

Among the problems with these various subsidies: i) some give more assistance to the better-off than the poor elderly; ii) they sometimes mean a lot of bother for very little profit; iii) tax rebates require that the money be paid out first, with the refund coming much later; and iv) the most disadvantaged old people are the ones who are least likely to be informed of these programs and to be able to make the necessary applications. If you are 75 years old with failing eyesight and were never too good at reading to start with, understanding and filling government forms is not likely to be your strong suit.

d) Miscellaneous

Most of the other benefits that are extended to senior citizens are limited to specific objects or reach only a small part of the population. The only important exceptions are free hospital and medical care and drugs, which have not so much given an advantage to old people as taken away the enormous financial burden they used to have to bear when their health failed them in the past. Another very valuable form of assistance is subsidized housing, which still runs very far behind the demand and helps less than 10% of the elderly.[45]

Finally, there are all the small subsidies, such as reduced bus fares and cinema tickets and senior citizens' days at the hairdressers and the supermarkets. Opinions are mixed on these. Some point out that the neediest among the elderly, who are often in ill health, are least able to take advantage of them. As for old people themselves, many say they would trade all these benefits in any time in exchange for a decent income that would enable them to pay their own way just like everybody else.

WHAT IS WRONG WITH OUR PENSION SYSTEM

Pensions may be among the most fought-over subjects in Canada right now, but the one thing almost all the participants in this debate agree upon is that the present system is not working very well. The main criticisms, from various quarters, include:

- Too many elderly people are poor;
- The drop in people's income after they retire is too steep;
- Pensions could become too heavy a burden on our country's economy; and
- Elderly women are not receiving fair treatment under the present system.

Too Many Elderly Are Poor

Thanks to the increase in the Guaranteed Income Supplement (GIS) which came into force in mid-1980, almost all married people aged 65 and over are now receiving minimum federal benefits roughly equal to Statistics Canada's low-income lines (usually referred to as "poverty lines").[46] Couples with one spouse over 65 and the other aged 60 to 64 are also enjoying the same protection through a parallel rise in the Spouse's Allowance.

Spouseless elderly people - three-quarters of whom are women - have not been so fortunate. Even after the GIS increase, their minimum federal pensions are still 16% to 22% below poverty levels for medium or large-size urban centers.[47] According to the most recent information on Canadian incomes, 59.5% of unmarried women aged 65 and over were living in poverty in 1979. The corresponding figure for unmarried men was also very high at 44.5%.[48]

One of the main contributing causes of poverty among older women today is the total inadequacy of the benefits they receive as widows under the Canada/Quebec Pension Plan. These pensions are so low that even those fortunate enough to collect the maximum amount can still end up with incomes lower than the poverty line if they live in large cities such as Montreal, Winnipeg and Vancouver.[49]

Incomes Drop Too Steeply After Retirement

Another important indication of the failure of our pension system is the large proportion of the aged (54%) who qualify for the income-tested GIS.[50] As nowhere near that many people had very low incomes between the ages of 25 and 65 - the proportion of that age living in poverty is about 10%[51] - it is obvious that many middle-income Canadians become poor only when they get old.

To see whether such huge drops in income will still occur when the C/QPP is fully mature, Table 1 looks at the pension benefits which today's average middle-aged, middle-income Canadians can expect at the age of 65 if our pension programs remain unchanged. Employer-sponsored pensions were not included because unless changes take place, the majority of today's middle-aged workers will not be entitled to one when they retire. The only difference from the present system is an increase in C/QPP benefits resulting from the current gradual rise in the maximum annual pensionable earnings level to make it catch up with the average industrial wage.[52]

The most striking thing about the future pensions shown on this table is how little they differ from those of today. Only widows in one-earner couples are seen as having pensions lower than the poverty line (for large cities), but everyone else's income is perilously close to it and modest enough to give entitlement to the GIS. As the people portrayed here are in the middle of the income range, it follows that more than half the senior citizens of the year 2010 will be poor if no pension reform is undertaken in the meantime.

Table 1 also shows that the incomes of Canadians are drastically reduced when they retire or their spouses die. The highest replacement rate shown - for single women - is only 51%. The lowest is for widows, whose pensions amount to only about one-quarter of the couple's former income. Even if one can live more cheaply than two, nobody could maintain the same standard of living with such an enormous cut in budget.

TABLE 1 - FUTURE PENSION INCOME OF MIDDLE-INCOME MIDDLE-AGED CANADIANS

UNDER THE PRESENT SYSTEM - 1980 DOLLARS[53]

	Average One-Earner Couple		Average Two-Earner Couple		Average Single Man	Average Single Woman
Earnings at age 40	His: $19 965		His: $17 576 Hers: 8 220 Total: $25 796		$15 324	$11 800
Pension Income After Retirement:	Both Spouses	Widow	Both Spouses	Widow		
. OAS	$4 544	$2 272	$4 544	$2 272	$2 272	$2 272
. C/QPP	3 747	2 248	*a) CPP 5 288, or b) QPP 5 802	3 747	3 747	2 950
. GIS	1 652	1 164	*a) 881, or b) 624	415	415	813
TOTAL	$9 943	$5 684**	*a) $10 713, or b) $10 970	$6 434	$6 434	$6 035
Pensions as a % of Earlier Income	50%	28%	*a) 41% b) 42%	25%	42%	51%

* Two-earner couples get higher benefits under the QPP than the CPP because of Quebec's child-care drop-out provision (see pp. 12-13 above and footnote 53). This affects their GIS and total benefit levels.

** Lower than Statistics Canada's poverty line for large cities.

Recent studies show that the Canadian rate of replacement of pre-retirement earnings does not compare well at all with those of other Western industrialized countries. While Canadian pensions give average one-earner couples only 50% of the husbands' previous earnings, for example, an equivalent family in France would receive more than 70% and a Swedish one almost 90%.[54] A comparison of widows' benefits shows Canada in last place, far behind nine other developed countries.[55]

Canada is also below standard when it comes to replacing the incomes of its more affluent citizens. This is not very serious, though, because the replacement rate needed to maintain pre-retirement living standards declines steadily as incomes go up. (According to a recent U.S. study, couples who were making $6 500, which is close to the minimum wage, need a replacement ratio of 86% to end up with the same after-tax, after-expenses amount. For $50 000 earners, the needed ratio was 55%.)[56] In addition, people with high earnings are much more likely to have supplementary sources of income such as employer-sponsored pension plans, investments, Registered Retirement Savings Plans, etc..[57]

At the other end of the scale, the GIS makes Canada look respectable compared to other countries by providing very-low-income workers with pensions as high as their previous earnings. But The Netherlands and Sweden are still much more generous than we are in this regard: their poor earners get pensions as high as 120% of their pre-retirement incomes.[58]

<u>Pensions Too Heavy A Burden on Our Economy</u>

Among the most sensational headlines of the last few years were many saying things like "Pension Mountain to Crush Tomorrow's Workers", "CPP Going Bankrupt" and "War Inevitable Between Young and Old". Needless to say, these titles did not reassure people who were already worried about their future pensions.

The grain of truth in all this press rhetoric is that Canada's population is gradually aging. The proportion of Canadians aged 65 and over went from 5% of the total population in 1901 to 9% in 1980, and is expected to surpass 14% by the year 2021.[59] This is because falling birth rates and longer life expectancies are making the older population - especially the female population aged 75 and over - grow faster than any other group.

As a result of this aging process, it is expected that there will be a sharp increase in the number of elderly people in relation to those who are in the labour force. While there are now seven women and men aged 18 to 64 for every elderly person, there will likely be five in the year 2001 and only three in the year 2031.[60]

The questions this (not unexpected) development raises are: a) Will the economy of the future be able to support such huge non-working populations? and b) Should we give up all hope of improving our pension benefits?

On the first question, the answer of all the reputable groups which have studied the matter is a reassuring "yes". Statistics Canada declared that the coming demographic changes gave "no cause for alarm", and pointed out that Canada's population is much younger than that of other developed countries. To put things in perspective, it said, let us remember that by the year 2000 the proportion of Canada's population that is aged 65 and over will not be as high as that of Sweden in 1965.[61]

For its part, the federal Treasury Board Secretariat wrote that the share of our country's resources that will go to future pensioners depends a great deal on our rate of economic growth.[62] In other words, we know the future elderly will need a larger piece of pie than now, but this will have very little impact if the whole pie has gotten sufficiently bigger by then.

One of the factors that might increase the pie, according to the Economic Council, is a higher labour force participation rate of women. Another that may reduce the demands on the pie is a decrease in expenses for children, who are expected to cost relatively less in the future because they will make up a smaller part of the population. (Their share, which was 36% of the population in 1976, is expected to drop to 26% by the year 2001 and 22% by 2031.)[63]

Overall, the Council concluded, "Canada can ensure its older people an adequate income without risk to the economy". The only anticipation of the future it recommended, more for reasons of fairness than because of economic necessity, was the establishment of a partial C/QPP reserve fund to even out the contributions of today's and tomorrow's workers.[64]

According to the experts, then, the so-called "pension burden" is not really a problem after all.

Unfair Treatment of Women

The most neglected problem of the Canadian pension system, perhaps because it is also the most difficult, is its total failure to do justice to women.

Taking an ordinary couple as an example, we see that the wife is just as intelligent as her husband and just as well educated. Because of the way both of them were brought up, however, it is still usually understood that his first priority is his job while hers is the family.

This attitude leads him to seek work at which he will excel. It makes her: a) choose a professional occupation below her capacity; b) drop out of the labour force for ten years to take care of their children; c) afterwards, take another undemanding, full-time outside job while still doing all the housework at home; and d) continue to do this until retirement time.

In exchange for her life of double shifts and infrequent leisure, the wife can expect an Old Age Security and C/QPP pension amounting to less than $4 000 a year. As a reward for his interesting 40-hour-a-week career with, in effect, full maid service at home, the husband's pension will be at least $6 000, more than likely supplemented by employer-sponsored pension plan benefits, a few investments and a Retirement Savings Plan. Is it any wonder that women find this unfair?

The two related issues this raises are:

a) The necessity of giving equal status to women's work in the home. There is no logic to a system that obliges a live-in housekeeper to contribute to the C/QPP, but kicks her out of the plan if she marries her employer; and

b) The importance of recognizing the equality of the wife's contribution to the marriage. Women would have less reason to feel unhappy about pensions if the benefits couples receive were equally split between husband and wife. The real test of a pension program's equal treatment of the spouses, though, is the benefits it gives to the one who survives. At the present time, widowers continue to receive their full pension while widows most often get 60% from the C/QPP and nothing at all from their husbands' employer-sponsored pension plans.

Generally, our pension system is a disaster for women because it reproduces all the economic injustices they suffered throughout their lives. If they lived a life of poverty because they were taught to rely on a man who subsequently failed them, their pensions will almost certainly also be under the poverty line. If they worked full-time outside the home all their lives at dirty and exhausting jobs that paid little because they were done by women, they will get very low pensions as a result.

As a consequence of this, women have come to depend much more than men on the minimum pensions that were meant only for the poor. The danger of reforming pensions without substantially improving women's treatment in them is to create two separate but unequal pension systems: a sophisticated and adequate one for men; and an inferior, charity-oriented one for women.

THE IDEAL PENSION SYSTEM FOR WOMEN

If women ruled the world, Canada's pensions would certainly be very different from what they are today. For example, we could have a system where important work such as child care, education and social services gave entitlement to government pensions, while more frivolous activities such as making widgets and money did not. Alternately, our female rulers could magnanimously grant the same amount of pension to all senior citizens, however useful or parasitic their previous lives had been.

This solution of one adequate basic pension for everyone, to be taxed back from those with large personal incomes, keeps cropping up in the discussions of women's groups. The factors advanced in its favour are the following:

- It would be much <u>simpler</u> than what we have now, which would certainly be an improvement;
- It would <u>treat women more fairly</u> than a system based on earnings, and would make unnecessary the whole complicated process of trying to fit women in a system that wasn't built for them;
- By definition, everybody's benefits would be <u>adequate</u>;
- The system would be <u>progressive</u>, because after-tax pensions would decrease as personal income went up; and
- It is the program that would be <u>most respectful of old people's dignity</u>. Unlike the present GIS, it would have no overtones of charity.

In fact, the expanded universal old age pension solution sounds so good that it is a shame to have to say it would never work. The reasons for this are:

- Historical. As we saw earlier in this report, the Canadian pension system developed gradually over a long period of time. Each change made to it was the result of struggles and compromises between warring political pressure groups. (For example, the C/QPP owes its existence to strong pressure from labour unions. The insurance industry, whose territory this invaded, fought every step of the way and is responsible for the C/QPP's small benefits.) It is therefore very naive to think we can scrap our present pension system and start it over from scratch.

- Practical. "Adequate" means different things to different people. For women and men who were poor when middle-aged, "adequate pension benefits" probably evokes an income capable of filling their basic needs; for more fortunate people, it might be double or triple that amount. If the expanded universal pension was very low, which is likely for reasons of costs, most people would seek additional protection in other ways and we would end up almost where we started (or in a worse place than before).

- Political. Universal taxable pensions high enough to meet basic needs would be extremely expensive. This is because the highest tax rate applicable in Canada is around 60%, so even the richest among the elderly would get to keep 40% of their benefits; and

- Economic. If this new pension was funded through current government general revenues, as is now the case with the Old age security pension and the GIS, it would greatly increase the costs to be borne by the next generation of workers.

For all these reasons, then, women must unfortunately give up the idea of one simple and elegant solution to their pension problems. Instead, they must explore all the possible ways of using and adapting Canada's present pension system to their own advantage.

THE SECOND BEST PENSION SYSTEM FOR WOMEN

To make our pension system infinitely better for women, all we have to do is incorporate in it the following ingredients:

- Increased basic pensions taking all the elderly out of poverty;
- Good work-related pensions for all female workers, whether they are working inside or outside their homes; and
- Fair sharing of pension benefits between the spouses.

The purpose of this chapter is to examine the concrete ways in which this can be done.

Above-Poverty Basic Pensions for All Women

Even if Canada's work-related pension plans were very good and covered all workers, there would still be people with too-low incomes in old age because illness, exploitive wages, prolonged unemployment or other reasons prevented them from qualifying for adequate benefits. Furthermore, as women live longer, are paid less and suffer more from unemployment than men, the prime target of government programs for destitute seniors would still continue to be the female elderly.

As these programs stand today, there are three main groups over age 60 which do not receive adequate protection. These are: 1) unmarried pensioners aged 65 and over; 2) people aged 60 to 64 who are not spouses of old age pensioners; and 3) those who emigrate to Canada after July 1, 1977.

a) At Age 65 and Over

Almost everybody agrees that unmarried pensioners should receive Old Age Security and Guaranteed Income Supplement (OAS-GIS) benefits at least equal to Statistics Canada's poverty lines. Unfortunately, they can't agree on how this should be done.

The choice is usually seen as being between increasing the Old Age Security pension or the GIS. As raising the universal OAS would cost much more because it would also give extensive benefits to the non-poor, groups such as the Economic Council,[65] the National Council of Welfare,[66] and the Canadian Advisory Council on the Status of Women[67] all opted for a higher GIS rate for unmarried people.

The main objection to this - apart from the usual cries that our government can't afford any new expenditure, however small or just - came from the report of the Federal Task Force on Retirement Income Policy (known as the Lazar report for its chairman Harvey Lazar). According to this report, it would be undesirable to raise the basic OAS-GIS rate for singles "much beyond, say, 55% of the guarantee level for couples" because it would give rise to "criticisms of discrimination against couples".[68] Instead, it advocates GIS benefits that would vary according to pensioners' housing status (renting or owning) and/or their actual housing costs.

The problem with this approach is that it makes the GIS less of a guaranteed income and more like a traditional social assistance program. Unlike welfare, the GIS is well understood and non-humiliating because it uses few and simple criteria (only marital status and income). The introduction of additional housing criteria might well lead to dissatisfaction with the program and criticisms of discrimination against homeowners.

Furthermore, the Lazar report answers its own objections when it finds that "There is almost universal agreement that two people living together can achieve a particular standard of living more cheaply than two people living apart".[69] As a result of this general consensus, little protest was heard in mid-1980 when the OAS-GIS rate for singles was raised to more than 56% of the amount received by couples.

If the Task Force's (unstated) concern is with the present system's encouragement of seniors "living in sin" to obtain the higher rate, it might look to Europe to find a solution. Many countries there encourage elderly people to marry or remarry by giving them a special one-time pension bonus as a wedding present.

When all the elements of this question have been weighed, it is clear that increasing the GIS rate for unmarried elderly people is still the best way to raise them out of poverty.

b) Between the Ages of 60 and 64

Undeniably, the worst case of discrimination in our pensions is the treatment of low-income people aged 60 to 64. At the present time, only those who are or were married to old age pensioners are entitled to benefits (the Spouse's Allowance). To get this corrected, the National Council of Welfare[70] and the Canadian Advisory Council on the Status of Women[71] both recommended that equivalent benefits be made available to other needy people of the same age.

Monique Bégin, Minister of National Health and Welfare, has called this "the ideal solution", unfortunately adding that her government couldn't find money to implement it in the near future.[72] However, on this as on many other issues her advice to women's groups is that government policies can be changed and money can be found if the political pressure in favour of a measure is strong enough.

The only other major comment on this came from the Lazar report. After describing and rejecting as implausible various ways of solving the present discrimination problem, it also dismisses the alternative of an income-tested allowance for all poor people aged 60 to 64 because "it could easily constitute a step toward entitlement to all public pensions at age 60".[73]

A preferable alternative, it suggests, would simply be to abolish the Spouse's Allowance. Marrieds and singles aged 60 to 64 would then have the same treatment, because all of them would equally be reduced to living on social assistance.[74] Women are unlikely to take this proposal seriously. They would certainly do better by following Monique Bégin's advice.

c) For Immigrant Women

Since July 1977, people who emigrate to Canada have to live here for a minimum of forty years to qualify for a full Old Age Security pension at the age of 65. As a result, those who come here at the age of 26 or more, become Canadian citizens, marry Canadians, have Canadian children, become pillars of the Canadian society and spend almost all their adult lives in Canada will still be treated like foreigners when it comes time for them to get an old age pension.

The purpose of these new and much more restrictive eligibility rules was not, as suspicious minds might think, to reduce pension costs for the government. On the contrary, according to government spokesmen, it was to meet the commendable objective of helping "over one half million residents of Canada who are presently deprived of social security benefits earned in other countries because of the absence of reciprocal agreements with those countries".[75]

Once all the countries involved made their pensions proportional to the number of years people had resided there and signed mutual agreements to that effect, it was thought, people who spent half their lives in Canada and half in another country would get half a pension from each and everyone would be happy.

To believe in this beautiful scenario, however, one had to ignore two inconvenient facts. The first is that out of the 50 000 to 75 000 female immigrants who come to our country each year,[76] extremely few qualify for pensions from their countries of origin. This is because Canada and the Scandinavian countries are unique in having OAS-style universal pensions that are not related to previous earnings. Housewives from most other nations are therefore not entitled to pensions in their own right at the age of 65.

The second, even more glaring impediment to a harmonious international exchange of pensions is that most immigrants to Canada, both male and female, now come from Third World countries where there are no such things as government pension plans.[77] If we insist on retaining the present eligibility rules for the OAS, therefore, within a decade or two we will have created a new mainly female, mainly Third World sub-class of senior citizens in Canada.

There are two easy ways of solving this problem. The most satisfactory would be to re-establish the old rule entitling people to full OAS pensions after ten years of residence in Canada immediately preceding the age of 65. The alternative, which is the least we can do without endangering our reputation as a fair, non-racist nation, would be to guarantee the equivalent of a full OAS-GIS pension to low-income seniors who find themselves in this difficult situation. This could be done by increasing the GIS in these cases by the amount that was taken out of the OAS pension.

d) Funding of Adequate Basic Pensions

In a previous report on aging prepared for the Canadian Advisory Council on the Status of Women,[78] it was suggested that part of the extra sums required to lift everyone aged 60 and over out of poverty in Canada could come from abolishing tax measures such as the age and pension deductions. If these expensive tax gifts which benefit mainly upper-income seniors disappeared, it was felt, more money would be available to give to the poor.

As abolishing these provisions outright might harm some pensioners who have modest personal incomes, however, the best thing to do would be to replace them with a new age credit for elderly taxpayers. (Instead of reducing taxable income, as deductions and exemptions do, tax credits diminish the actual amount of tax to be paid. As a result, unlike deductions and exemptions, credits do not increase with a person's tax rate, but grant equal benefits to all those who owe enough tax, whatever their income.) This cheaper and fairer tax measure, which would increase with rises in the cost of living, would exempt from tax anyone who is entitled to all or part of the Guaranteed Income Supplement. In 1980, this would have exempted unmarried people with incomes under $6 400 and couples with less than $11 200. (These sums include the OAS pension.)

This change would bring some increase in tax revenues to the government, but not enough to take everybody over age 60 out of poverty. The rest would have to come from a reallocation of government funds following a shift in priorities in favour of elderly women.

Good Work-Related Pensions for All Female Workers

There are two main categories of female workers: those who work for pay in the labour market; and those who work inside their homes for the cost of their maintenance (including food, shelter, clothes etc.). We will see how both groups can gain access to acceptable work-related pensions.

a) Women Who Work for Pay in the Labour Market

1. Choosing a New Pension System

The most crucial issue of the current pension debate is the reorganization of our pension system to provide good work-related pensions to Canadian earners. Unless women are to be contented with relying on the basic OAS-GIS guarantee and/or on benefits derived from their husbands' work, this should be the most important question for them too. As female earners are heavily concentrated in a few relatively low-paying occupations, women should also be particularly concerned with the effect of the current pension reform proposals on low-income workers.

Until now, the most important bodies to make reform proposals about our pensions have been: the Quebec Study Group on the Financing of the Quebec Pension Plan and Supplementary Pensions (known as Cofirentes +);[79] the Canadian Labour Congress (CLC);[80] the Economic Council of Canada;[81] the Special Senate Committee on Retirement Age Policies;[82] the federal Task Force on Retirement Income Policy (Lazar report);[83] and the Royal Commission on the Status of Pensions in Ontario. The Ontario Royal Commission report was released in February 1981, too late to be included in the present study, but a summary of its recommendations appears in Appendix 7.

TABLE 2 - EFFECTS OF PROPOSED REFORMS ON THE PENSION BENEFITS OF UNMARRIED EARNERS - 1980 DOLLARS[84]

Pension System in Force	Old age pension and Canada/Quebec Pension Plan Benefits Payable to People Whose Pre-Retirement Incomes Were:		
	Half the Average Canadian Wage (About the Minimum Wage)	Average Canadian Wage	One-and-a-Half Times the Average Wage
• Present System When Mature	$ 4 146 [1] [2]	$6 019 [1]	$ 6 019 [1]
• Economic Council's Proposals	Same as the Present System When Mature		
• Lazar Report's Option 4 Proposals	5 457 [1] [2]	8 642	11 827
• Cofirentes' Proposals	6 019 [1]	7 892	7 892
• Senate Committee's Proposals	6 019 [1]	9 767	13 513
• Canadian Labour Congress' Proposals	6 473 [1]	10 221	10 221

[1] Eligible for the GIS. [2] Under the poverty line for large cities.

The concrete result of the recommendations of the first five of these groups appears in Table 2, which shows the total OAS and Canada/Quebec Pension Plan benefits payable under each proposed new system to earners from various income categories. Present benefits are also indicated as a basis for comparison.

Even a quick glance at Table 2 reveals that the proposed systems would give very different results. Cofirentes would concentrate improvements on low-income earners, while the Lazar and Senate Committee reports would give the greatest increases to the upper-middle-income group. Both the Economic Council and the Lazar report would keep the OAS and C/QPP benefits of minimum wage earners under the poverty line. The Labour Congress would substantially improve the position of both low and middle-income seniors.

The two key elements that vary from one proposal to another are the percentage of previous income to be replaced by the C/QPP, and the maximum level of earnings to be included in the plan. The Economic Council would leave the first at 25% of earnings and the second at the level of the average Canadian wage.[85] The Lazar report suggests a replacement rate of 40% to 45% (42.5% was used in the table), with maximum pensionable earnings set at one-and-a-half times the average wage.[86] Cofirentes would give 50% replacement on earnings up to half the average wage, 25% on the rest up to the average wage, and leave pensionable earnings unchanged.[87] Both the Senate Committee and the CLC would raise the replacement rate to 50% of earnings, but while the Senate would also raise pensionable earnings to one-and-a-half times the average wage, the CLC would leave them at their present level.[88]

From the point of view of female earners, and for anyone who believes that people who work full-time at the minimum wage all their lives deserve above-poverty-level work-related pensions, an acceptable system is one that gives decent benefits at below-average earnings. Only the proposals of Cofirentes, of the Senate Committee and of the CLC meet this requirement.

Concerning the ceiling to set on pensionable earnings, it is probably in women's interest to keep it quite low (as recommended by

Cofirentes, the CLC and the Economic Council). This is in part because a higher level would widen the gap between the pensions of the poorest and richest earners (that is, between those of women and men), and also because it would increase the subsidy better-off earners already enjoy as a result of our "pact of the generations" (as we saw on pp. 13-14).

The broader question addressed by each of the five groups was whether reforms to our pension system should be concentrated on the C/QPP or on employer-sponsored pension plans. Opinions varied greatly on this, with the Economic Council at one extreme favouring employer-sponsored plans,[89] and Cofirentes, the CLC and the Senate Committee on the other side supporting an expansion of the Canada/Quebec Pension Plan.

The Lazar report is somewhere in the middle. It does not share the Economic Council's optimistic view that our pension system will improve sufficiently if left to itself, but it presents alternative reform proposals without clearly choosing between them. Its most elaborate option, which was used in Table 2, describes an expanded C/QPP but also says that employers could be allowed to "contract out" of it if their own pension plans offer as good or better benefits.[90]

The best interests of women on this issue are very clear. They have been appallingly served by employer-sponsored pension plans until now and have no reason to believe this could substantially change in the future.

Mixed systems of the "contracting out" variety were also strongly criticized by women from the United Kingdom, where such schemes were recently introduced. According to them, the "outside" plans siphon off badly-needed funds from the government program and limit the possibilities of redistribution in favour of female earners and other disadvantaged groups.[91]

In Canada, the best pension system for female earners among all those proposed is a Cofirentes or CLC-style amplified Canada/Quebec Pension Plan that would provide minimally adequate work-related pensions to low and middle-income workers. If better-off people want supplementary protection, they can get it from Retirement Savings Plans and employer-sponsored pensions.

2. Funding More Generous C/QPP Benefits

Whatever the reform formula adopted, increased C/QPP benefits would entail larger C/QPP contributions. This might cause problems for women and other low-income workers unable to afford the additional cost.

A partial solution, recommended by Cofirentes, would consist of keeping increases in workers' contributions to a minimum by asking employers to pay a greater share of the costs. This would be done by requiring employers to make contributions at the same percentage rate as workers, but on the basis of their total payroll rather than only on earnings up to the maximum pensionable amount.[92] It would also have the advantage of reducing the share paid by small, labour-intensive firms with largely female labour forces.

For its part, the Lazar report describes two categories of solutions. The first, which turns Cofirentes' proposed pension system on its head, would be to have lower rates of contributions and of benefits for low-income earners. Minimum wage workers could receive pensions replacing 25% of their earnings, the report says, while average-income ones got 40% and those earning one-and-a-half times the average wage 45%.[93] Needless to say, under such a system the combined OAS and C/QPP benefits of most female earners would be less than the poverty line.

Lazar's second category of solutions all involve some form of subsidy, either by employers, other workers or the government, to help low-income earners pay their enlarged C/QPP contributions. By far the simplest of these would consist of raising the level of the basic exemption under which there are no contributions ($1 400 in 1981). A much cheaper variation would only increase the exemption for purposes of calculating workers' contributions, and leave it at a lower level to determine employers' costs.

The only workers who might suffer from an increase in the basic exemption are part-time employees who would be bumped out of the C/QPP because of their incomes falling beneath the minimum needed to contribute. As we will see later, however, there are other ways of solving this problem.

3. Improving Employer-Sponsored Pensions

To get an idea of the difficulties involved in reforming employer-sponsored pensions, it helps to know that in 1978 there were no less than 15 095 such plans in Canada falling under the jurisdiction of eleven different governments.[94] It therefore takes a great deal of patience and determination to have even the most innocuous changes implemented with any degree of national uniformity.

To become a passable source of supplementary retirement income for female earners with relatively good incomes, however, these pensions would have to be almost completely transformed. In particular, they need better "vesting" provisions (the rules determining when pension rights become irrevocable), improved portability (the capacity to be transferred from one employer to another) and vastly expanded protection of benefits against increases in the cost of living.

i. Vesting

The question of how long employees have to contribute to a pension plan before acquiring an irrevocable right to a pension is not a hard one to understand or find an answer to. The difficult part is to make employers accept a change that will increase the cost of their pension plans by entitling more of their employees or former employees to draw benefits.

As we saw earlier in this report, there is wide agreement that the present "45 and 10" rule, which makes pension rights irrevocable when a participant is 45 years old or more and has worked ten years for the same employer, is sadly inadequate in these days of high labour mobility. In 1978, according to Statistics Canada, only 9% of all female employees and 19% of male ones met the "45 and 10" requirement in their current jobs.[95]

For some unknown reason, each of the groups that studied this question came up with a different recommendation. The Senate Committee concluded that vesting should take place after one year.[96] The Lazar report decided to grant it to those who reach 30 years of age with two years of service, but it also approved of Cofirentes' choice, which gave vesting to workers whose age and years of service together add up to 35.[97] The Economic Council preferred a gradual vesting of 20% a year, with full vesting after five years,[98] and the Canadian Labour Congress chose five years of service or age 30, whichever came first.[99]

Any of these would be an improvement, with the shortest being the best. (Assuming, of course, that the vested pension credits are increased with the cost of living. Otherwise, shorter vesting might even make things worse.) What remains to be seen is how far the federal and provincial governments are willing to go against the will of their business communities. Probably not very far, if one is to go by the outcries that accompanied the recent adoption of quite conservative new vesting rules in Saskatchewan. (They provide for vesting when a worker's age and years of service together add up to 45, and will come into force on July 1, 1981.)[100]

ii. Portability

Unlike vesting, the question of making pensions transferable from one employer to another raises serious practical difficulties. On the one hand, there is the unlikely prospect that thousands of employers with different pension plans will agree among themselves on the value to assign to each other's pension credits. On the other hand, what do you do if your new employer doesn't even have a pension plan?

To solve this, it has been suggested that a central agency of some sort be set up to manage future pensions, or else that pension credits of workers who leave before their pensions vest be deposited in special personal funds similar to Retirement Savings Plans.[101] The crucial point in both these cases is whether or not the credits should be protected against inflation, and if so by whom.

These questions are still being debated and few specific proposals have yet emerged. What is clear, however, is that the whole problem could be avoided by having very short vesting requirements. If these were the rule, pension credits of employees who leave would almost always be retained in their original plans, to be paid out only when the workers become entitled to benefits at retirement age.

The other aspect of portability that is of particular concern to highly-mobile workers such as women is the interest employers pay when reimbursing the contributions of employees who leave without a vested pension. Cofirentes recommended legislation requiring employers to pay interest rates at least as high as those actually earned by their pension funds,[102] while the CLC preferred the rate paid by banks on savings accounts.[103] Either would be acceptable, and the important thing is to get this legislated as soon as possible to put an end to the exploitation that is presently going on.

iii. Protection Against Inflation

With the exception of public service plans, employer-sponsored pensions are notoriously bad in protecting their members against the effects of inflation. While the majority are quite effective at compensating for increases in the cost of living occurring during their participants' worklives (by using their "best" or "final" earnings to calculate pensions, for example), almost none protect the benefits of those who are already retired, or update the deferred pension entitlements of former employees.

As a result, even workers who contribute to employer-sponsored pension plans all their lives and earn vested rights to deferred pensions from all their employers can end up with pitifully small benefits at retirement time. From then on, their position quickly degenerates as their purchasing power decreases year by year at the rate of inflation.

Some years ago, when first confronted with this situation, pension managers from the private sector counter-attacked by accusing governments of extravagance and unfair competition in providing inflation-proof pensions to their employees.[104] Persistent high inflation has considerably changed matters since then, however, and business leaders now appear to be increasingly in favour of full inflation-proofing of employer-sponsored pensions if this is subsidized by the government.[105]

As members of private sector pension plans are overwhelming male (about 2 to 1),[106] and as women in these plans earn much less than male participants, the vast majority of such new government subsidies would go to men. If employer-sponsored pension plans got that kind of State support without there being a parallel expansion of the Canada/Quebec Pension Plan, the result would be the worst possible pension system for women. They would still be denied access to decent pensions, and in addition part of their income taxes would be used to increase the benefits of rich male employees.

Another, more modest cure for the effects of inflation would take advantage of the fact that interest rates tend to rise along with increases in the cost of living. It would require employers to use the inflationary interest earned on workers' contributions to update deferred pensions and pensioners' benefits.[107] This would correct what some have called "the great pension rip-off", where employers collected enough inflationary interest to be able to afford substantial cost-of-living adjustments, but used the money instead to reduce their own contributions.

4. Eliminating Sex Discrimination from Retirement Benefits

If a woman and a man, both aged 65, take the same amount of money to a life insurance company and say they want to buy a pension (called a "life annuity" in this case), he will be offered a higher monthly or yearly sum than she will. If she asks why, she will be told it is because of her longer life expectancy.

Some of the people affected by this are the 200 000 or so workers who belong to "money purchase" types of pension plans (not those under federal jurisdiction, though, because the Canadian Human Rights Act obliges employers to pay higher contributions for women in such cases to make up the difference).[108] Another, much larger group includes the millions of Canadians of both sexes who will eventually use their Registered Retirement Savings Plans to buy themselves such pensions.[109]

At first glance, this appears quite reasonable. As an average woman of 65 can expect to live until the age of 83 while an average man of the same age will die at 79,[110] a pension will cost more for her than for him. It is therefore only fair to give her a lower pension for the same price, or else to charge her more for equal life-long benefits. Conversely, it seems logical to charge a woman less for death benefits (called "life insurance") because the interest on her premiums will accumulate for a longer period.

Looking behind those neat averages, however, we find a very different story. In reality, fully 80% of male and female pensioners of the same age have the exact same year of death. Solely responsible for the four-year gap in life expectancies are the 10% of the aged population made up of men who die relatively early, and the 10% composed of women who survive relatively late.[111]

To charge all women more for pensions than men, therefore, is to penalize the majority of them for the higher annuity costs of a very small percentage of their group. According to one of many critics, this puts most women in an unfortunate position: "The considerable difference in their living standard is not even compensated for by a longer life. They do not cost the system any more than men do. Their only crime is to be of the same sex as the few people in the longer-lived group."[112]

When asked why they don't correct this unjust situation by using unisex mortality tables, insurance industry spokesmen answer that the splitting of insured people in groups with different risks is fundamental to the establishment of fair insurance rates. The gap between the sexes is so great, they argue, that if the costs for both were the same, men would no longer want to buy annuities and women would avoid life insurance.[113]

Finally, they say, abolishing sex as a criterion would be the thin edge of the wedge that would lead to prohibiting variations in costs and benefits because of other crucial factors such as age differences. Imagine the chaos, they add, if we had uni-age tables and were obliged to charge the same for life insurance to 25 and 60-year-olds![114]

Lois Williams, a lawyer with the U.S. Department of Labor, objected that age was a completely different matter because it happens to us all. "We all enjoy the benefit of youth and the detriment of age, or vice versa," she said, "... so we can all expect actuarial adjustments for (it)."[115] She points out that the insurance industry is not logical because it does not set different rates on the basis of other factors that have as much importance on mortality as sex, such as race and socioeconomic status. (A study carried out in Montreal found that in 1976 there was a difference in life expectancy of seven years between the "best" and "worst" districts in town.)[116]

Two striking examples of this inconsistency further support the view that sex-based insurance rates persist because of women's weakness as an economic and political group. The first is that a number of Canadian insurance companies still sell life insurance to women on the basis of mortality tables established for men. If women's premiums were based on death rates for their own sex, they would be 9% to 13% lower.[117] Mind you, not a single company uses male tables for females in the case of pensions (where it would be to women's benefit).

The second example is contained in a 1978 brief by the Canadian Life Insurance Association to the Canadian Human Rights Commission. On the subject of age and sex differences, it strongly argued in favour of separate rates because these factors have "a demonstrable influence on the amount and timing of the possible future payments". In another part, dealing with benefits for surviving spouses, it argued equally forcefully against separate rates by marital status because even though being married demonstrably adds to costs, more important considerations of "social relevance" and "social responsibility" should be taken into account.[118]

This makes it tempting to conclude that the insurance industry's position is to support practices that give advantages to their male clients (survivors' benefits) while fighting against those which would favour women. According to a former Pennsylvania Insurance Commissioner, however, insurers are not malevolent but only so ultraconservative that they instinctively resist any proposed change. "Except in the most unusual circumstances", he says, "the industry seems to believe firmly that nothing should be done for the first time."[119]

The best evidence of this is that after a decade of saying that unisex mortality tables were "impossible", industry spokesmen now say "it's going to take 10, 15, probably 20 years before a sound unisex table is even developed."[120] It probably means they could devise one tomorrow if they tried.

b) Women Who Work In Their Homes

"Pensions for Housewives" has been a popular rallying cry in the last few years and an increasingly "hot" issue among women's groups. Except for the general principle that homemakers deserve some personal financial recognition in old age, however, there is as yet no consensus on the form such pensions should take.

In this part, we will consider the main ways in which our system could be changed to take into account the child caring, nursing and housekeeping tasks of women. This will not include options like sharing husbands' pensions between the spouses, because these proposals - which will be examined in the next section - do not entitle women to payments directly based on their own work.

In looking at the choices, we will start with the most modest and move progressively towards the most ambitious. Option One concentrates on internal adjustments to the C/QPP that would help female earners with family responsibilities. Option Two also does that, but in addition extends coverage to full-time homemakers who perform important social functions (such as raising children). Option Three, while including all these changes, goes even further and includes in the C/QPP all women who work in their homes.

Option One: Adjusting the C/QPP to Maximize the Benefits of Earners with Family Responsibilities

Not everyone interested in the status of women is in favour of giving pension coverage to women while they are working in their homes. Some are in fact opposed to such integration because they are afraid it might encourage married women to stay out of the labour force for longer periods. This is the position of Swedish feminists, who warn that it is preferable to let homemakers suffer from pension inequities because "special actions on behalf of women may serve to entrench a traditional division of labour which in the long run will hinder the achievement of practical equality between the sexes".[121]

Instead, these people recommend modifying our social security programs in such a way that women's shorter labour force careers and lower earnings will have less detrimental effects on their benefits. In the area of pensions, the C/QPP changes they suggest are:

- In the method of calculating the "average lifetime earnings" on which C/QPP pensions are based, exclude the periods most women spend in their homes. The Quebec Pension Plan already does this to some extent by leaving out the years women spend at home with children aged less than seven. A similar "drop-out" rule should be incorporated in the CPP, but with two changes that would greatly improve it.

  The first would be to make this provision non discriminatory by granting it to either parent instead of always to the mother as is the case now in Quebec (the only exception being single-parent fathers with custody of the children). This would recognize that both parents are equally responsible for the care of their children.

The second improvement would consist of transforming this "child-care drop-out" provision into a "dependent-care drop-out" rule which would also exclude from pension calculation the years spent at home taking care of severely disabled relatives or spouses who would otherwise have to be institutionalized. These years are presently left out when calculating the pension entitlements of women in the United Kingdom.[122]

Another way of eliminating women's low-income years from their pension calculation would be to expand the C/QPP's basic 15% drop-out period for everyone. The disadvantage of this method is that its main beneficiaries would probably be men whose incomes have risen a great deal over their lifetimes.

- To ensure female earners the best possible pensions, it is crucial that beyond a basic minimum all their earnings be taken into account. Canadian women made a great deal of progress in this area in 1980 with the repeal of the discriminatory rules which prohibited C/QPP participation based on paid work performed for one's spouse. The potential winners are thousands of women who work for their husbands in small unincorporated businesses (such as corner stores) or on farms.

- Women would also get increased coverage under the C/QPP if the definition of earnings entitling one to participate was extended. In most Western European countries, for example, maternity, unemployment and sickness benefits are eligible income for pension purposes.[123] This should also be considered for Canada.

- Most helpful of all to female earners would be an adequate and progressive benefit scale giving relatively larger benefits to low-income workers. In many countries, this is done by giving everyone who was in the labour force for a given number of years (15 in France, 25 in West Germany)[124] a basic minimum work-related pension. In the United States, the proportion of previous earnings that is replaced is highest for low-income earners and decreases as incomes rise.[125]

What makes Canada's pension benefits progressive now is the Old Age Security pension, which gives flat-rate payments to everyone. This is because a flat-rate sum, $1 000 for example, amounts to 20% of the former earnings of someone who used to make $5 000, but represents only 5% of a previous $20 000-a-year income.

Even with this progressive element, however, the total OAS and C/QPP benefits our system provides to full-time minimum wage workers are still much too low (more than $1 000 below the poverty line, as we saw earlier). The best way to correct this would be to introduce into the C/QPP a Cofirentes-style benefit formula giving pensions equal to 50% of earnings up to half the average wage, and 25% on the rest up to the average wage.

Option Two: Maximizing the Benefits of Female Earners as Well as Integrating in the C/QPP Homemakers Who Do Socially Valuable Work

Even if all the recommendations mentioned in Option One were implemented, millions of women would still be left without adequate pension coverage. Among them would be many who spend most of their lives raising young children and/or taking care of disabled relatives, but who would not get C/QPP benefits for these periods because they were never in the labour force or never went back once they left.

Considering that Option One would subsidize the C/QPP pensions of female earners who drop out of the labour force temporarily to take care of young children and/or disabled family members, it seems only reasonable to suggest that C/QPP coverage be extended to women (or men) who perform the same tasks without going back to the labour force afterwards. Option Two therefore consists of integrating this group of women in the C/QPP.

Although the idea of including those women in the C/QPP is quite simple, it raises two very practical questions: 1) What level of earnings should they be presumed to have? and 2) Where would the money come from to pay for their C/QPP benefits?

1. What Level of Earnings to Assign

In determining this level, two main factors must be kept in mind. For one thing, to be worthwhile the amount chosen must be minimally decent. For another, it must not be so high that it would encourage women who would otherwise stay in the labour force to give up their jobs.

A good compromise between these poles would seem to be half the average Canadian wage. (The average Canadian wage was about $16 500 in 1980.) This is minimally acceptable, being slightly higher than the federal minimum wage, but sufficiently low that it is unlikely to induce anyone to give up a paid job. Not coincidentally, perhaps, this is almost the same level which is already being used to assess the participation of homemakers in France's pension plan.[126]

Some might object to this level on the grounds that it considerably underestimates the work of homemakers, whose tasks are extremely varied and who put in considerably more than forty hours a week. The answer is that a lot of the work women do, such as cooking meals and cleaning clothes for themselves and their husbands, is not concerned with the care of children or disabled relatives and should therefore not be included in this accounting.

Another point to be resolved concerns women who would otherwise be eligible (because they have children under seven and/or live-in disabled relatives), but who are already participating in the C/QPP on the basis of earnings lower than half the average wage. Some of these are full-time earners with exceedingly low incomes, but the vast majority are probably women who hold part-time jobs.

What should be done in that situation? Are these women to be considered as being primarily in the labour market, in which case they would continue to contribute to the C/QPP on the basis of their earnings? Or should they be classified as mainly homemakers, and given entitlement to the C/QPP in that capacity?

A seemingly reasonable compromise would be to have women in this situation contribute to the level of their own incomes (meaning the part of their incomes which is over the basic exemption), but to give them pension credits up to half the average wage.[127] This would recognize the reduction in their earnings which results from their family responsibilities.

2. Who Should Pay for These Benefits

Before deciding who should fund these homemakers' participation in the Canada/Quebec Pension Plan, we must first determine who they are working for. In the present case, where we are only concerned with women who are taking care of children aged less than seven or severely disabled family members, there is no doubt that all of society benefits. It therefore seems fair to spread the cost of their pensions over all Canadian earners. This could be done: a) by increasing the contributions paid by all other C/QPP participants; or b) by using tax revenues.

The child-care drop-out period in force in Quebec and its proposed CPP equivalent are funded through the pension contributions of other plan participants. Unlike the homemaker participation recommended here, however, this drop-out provision does not cost the same for everyone. This is because it is more expensive to maintain a high income at its previous level than to do the same for a lower one.

Some people have criticized this aspect of the "child-care drop-out" period, saying that it is unfair to give subsidies of different values to mothers who perform the same child-minding tasks. Another way of looking at this, however, is to acknowledge that the cost of staying home with a young child is greater for higher-income women, because in doing so they are giving up a better salary.

Option Three: Maximizing the Benefits of Female Earners and Integrating All Homemakers in the C/QPP

Options One and Two would still leave most Canadian homemakers without adequate C/QPP coverage. The largest group among these "forgotten" women includes about one and a half million wives whose main occupation is to keep house for their husbands. Another million or so have both husbands and school-age children.[128]

It might well be argued that these women should also participate in the Canada/Quebec Pension Plan. After all, if they were not married and did the same work as maids or housekeepers, they would not only be allowed to contribute to the C/QPP, they would be obliged by law to do so.

The difference between the work of housewives and that of other housekeepers is very slim indeed. Housekeepers who work partly for cash wages and partly for the cost of their food, clothing and housing are required to declare the total value of all these items for tax and C/QPP purposes. Wives who work for the cost of their maintenance could presumably do the same if they were not prevented from doing so by the Canada and Quebec Pension Plan Acts, which both specifically exclude from eligible work "employment for which no cash remuneration is paid, where the person employed ... is maintained by the employer".[129]

For these reasons, a widespread feeling has developed in favour of letting all women at home participate in the C/QPP. The questions this raises are: 1) Who exactly is a homemaker? 2) What earnings should they be assumed to have? and, of course, 3) Where would the funds come from to pay for their benefits?

1. Who Should Qualify as a "Homemaker"

The question of who is a homemaker is a tricky one. To define it as "anyone aged 18 to 65 who is not in the labour force" would be going too far, because it would include people such as independently wealthy bachelors who don't do any work. To say it would only include married women is too restrictive, because it would exclude househusbands, common law spouses and those who act as housekeepers for their parents and other relatives.

One solution, which has the advantage of being simple, would consist of defining homemakers as "people who keep house for someone else without a fixed cash remuneration". Most of these would be easy to identify because they are presently being declared as adult dependents by their "employers" for income tax purposes. (Housewives or househusbands with no income of their own give their spouses entitlement to a "married exemption" of $2 780 in 1981; women who keep home for their siblings or parents entitle them to an "equivalent-to-married" exemption of the same amount.)

2. What Level of Earnings to Assign

To assume earnings equal to half the average wage is even more appropriate in this case as domestic services are usually remunerated at about that amount. Various studies such as the Economic Council and Lazar reports mention in passing that the pensionable earnings of homemakers could be set at some portion of their husbands',[130] but neither explains why such a system - which would provide widely varying benefits for the same work - would make any sense.

3. Who Should Pay for These Benefits

As homemakers who are not taking care of young children or disabled family members are not generally considered as performing services that are of great value to society at large, it would be unfair to ask other C/QPP contributors to subsidize the cost of their participation. On the other hand, as these women do not usually have money of their own, it would not be a good idea to rely on their voluntary contributions. (Voluntary contributions by housewives were tried in the United Kingdom, France, West Germany, Austria and Italy. All report that it was a failure because only minuscule numbers of women are able or willing to participate on that basis.)[131]

A more reliable method would be to collect homemakers' C/QPP contributions (employer and employee portions) directly from the husbands or relatives who are the prime beneficiaries of their services. One proposal worthy of consideration would link eligibility for the married exemption (or equivalent-to-married, as the case may be) to the payment of these contributions.[132] It seems only fair, it is suggested, that people who receive government subsidies to support dependents should be required to use part of these sums to provide them with decent pension protection.

Evaluating the Options

The most frequent arguments against integrating homemakers in the C/QPP are: 1) the Swedish point that it would reinforce traditional sex roles and encourage women to stay in their homes; 2) projections for the future which predict that the vast majority of women will soon be spending most of their lives in the labour force; and 3) the necessity of preserving the earnings-related basis of the Canada/Quebec Pension Plan.

The first objection has had little impact here because the goals of the mainstream of the Canadian women's movement have always been more ambiguous than those of its Swedish counterpart. While Canadian feminists feel just as strongly about the need to grant women full equality in the labour market, they have also always maintained the importance of giving women a free choice of working inside or outside their homes.[133]

The result has been a compromise. Measures that would definitely move women to stay home, such as salaries for housewives, are generally viewed with a great deal of suspicion. At the same time, programs that would simply reduce the penalty accompanying the choice of working in the home, such as pensions and other fringe benefits for homemakers, have attracted a great deal of support.

Proponents of the second argument against pensions for homemakers cite recent studies predicting that as many as 70% of adult women will hold paid jobs by the year 2000 (compared with 50% in 1980).[134] What is the point of giving housewives pensions, they say, when there will be so few of them around within two or three decades anyway?

For one thing, answers the other side, all these labour force predictions for the future are suspect because they ignore crucial factors such as the very high proportion of female earners who work part-time or part-year. While standard labour force figures reported that 45% of all adult women were in the labour market in 1975, for example, a more detailed survey found that only 24% had in fact held full-time positions throughout the year.[135] Among women with pre-school children, it showed, only 13% had such jobs.

More important still is the fact that even if the highest of these questionable predictions came true, there would remain more than a million full-time homemakers between the ages of 20 and 64 in Canada in the year 2000.[136] If all occupational groups of that size were to be excluded from our pension schemes, the C/QPP would be left with very few participants. People who continue to oppose the integration of women at home in the C/QPP will simply have to look for better arguments.

Neither are they well served by the third most common criticism of the idea, which is that letting people who are not in the labour market participate in the C/QPP would weaken the link between earnings and eventual benefits. The consequence of such a move, the upholders of this view often say, would be to change the very nature of the C/QPP.

The huge flaw in that argument is widows' pensions, which were always an important exception to the rule as they give benefits to women on the basis of their husbands' earnings. If homemakers were to start qualifying for C/QPP payments on the basis of their own work rather than because of their marital status, there would be a much closer relationship between their in-kind earnings (the cost of their maintenance) and their benefits than there is today. As a result, pensions for women at home might actually end up strengthening instead of threatening the earnings-related basis of the C/QPP.

Even if this were not the case, however, there would still be no cause to reject the integration of homemakers in the C/QPP on that count. Indeed, there is nothing sacred about the "earnings-relatedness" of the C/QPP, and Canadians might well decide to loosen the link between earnings and benefits to the extent necessary to meet their national goals (to give low-income workers a share of the benefits that is larger than their share of the earnings, for example).

On the other hand, the final argument in favour of homemakers' inclusion in the C/QPP is quite simple. It says that as long as society wants mothers to stay home with their young children,137 and as long as husbands want wives who are going to devote all their energies to their homes, and both continue to refuse to pay what these services are worth, it is sheer hypocrisy on their part to then turn around and say women can't contribute to the C/QPP because they don't have an income.

Fair Sharing of Pension Benefits Between the Spouses

Until now, most of the participants in the pension debate have failed to understand the difference between the public recognition of homemakers' work and its private recognition within the marriage partnership. As a result, when they have talked about sharing of pension rights between spouses, it was almost always as an alternative to including women at home in the C/QPP. Once they realized that sharing alone would result in even worse benefits for women than the present system, though, it was usually dropped as a bad idea.

In reality, however, there is no reason whatever why women's work can't be recognized both inside and outside their families. This would involve a first step to integrate women's work directly in the C/QPP, and a second stage in which the pension rights of husbands and wives would be equalized. If this were done, couples would end up with pensions that are both equal and adequate.

The questions that arise in relation to sharing are: 1) When should it take place? and 2) How should it be done? These are the points which will be examined in this part.

a) Sharing In An On-Going Marriage

Looking at all that has been written on this subject, one would be hard pressed to find anyone who does not approve of the principle of sharing of pension benefits between the spouses within a marriage. While everybody (or almost everybody) professes to believe that wives make an important contribution to the marital relationship and therefore deserve to share in its profits, there is a great deal of disagreement over who should be giving these women their proper due.

On the one hand, there are those - mainly men - who strongly oppose automatic on-going splitting of spouses' pension credits by the CPP and QPP administrations. Such action would be an unnecessary intrusion in family affairs, these people say, since husbands already share everything with their wives anyway.

On the other hand, there are the skeptics - mainly women - who are not convinced that the vast majority of Canadian husbands are so generous. To ensure that the pensions truly are shared, goes their argument, let us simply give half of couples' C/QPP entitlements to each spouse.

From women's point of view, the second is clearly the safer alternative.

The most frequently discussed method of enforced sharing of pensions between spouses would consist of splitting C/QPP credits between them almost as soon as they are acquired. If the husband earns $16 000 during the year, for example, and his wife $8 000, each would be assigned credits on the basis of a $12 000-a-year income. The result would be equal pension entitlements for the period of their marriage.

The main objection to this proposal, which could be implemented quite easily by identifying spouses through their social insurance numbers, is its effect on one-earner couples. If the sole breadwinner's C/QPP credits were split in half, he (assuming it is the man) would be left with drastically reduced coverage in case of disability. Furthermore, if he was older than his wife the couple would have to live on a partial pension for a while until she also reached the age of 65.

Faced with this problem when it opted in favour of this kind of splitting, the Senate Committee on Retirement Age Policies came up with an ingenious solution. This would consist of keeping women's earned pension credits separate from those derived from their husbands, and paying them pensions on the latter kind of credits from the time their husbands reached the age of 65.[138]

Unfortunately, this would not be a very satisfactory system. For one thing, it would create another discrepancy between the pensions of married and unmarried women under the age of 65 (remember the Spouse's Allowance). For another, it would do nothing to solve the problem of reduced disability coverage for one-income families.

A second, simpler splitting proposal would only equalize the spouses' pension credits once, when the younger of them reaches pensionable age. At that point, there could be an averaging of their entitlements for each of the years of their life together. This would truly recognize women's contribution to the marriage, and would not pose any unsurmountable problems.

Should this prove administratively difficult, another method could be used: splitting C/QPP benefits between the spouses on a proportional basis depending on the length of their marriage. If they were married for twenty years out of a total contribution period of forty years, for example, each spouse would get a quarter of the other's pension benefits.

With some actuarial revision of benefits (to adjust for the wife's longer life expectancy), a similar accounting could also take place in the case of employer-sponsored pensions. This would be more complicated, however, because it would require amendments to the family law provisions of every province. It is unlikely that this could be achieved in the near future, because most provinces now favour sharing between the spouses only after the marriage has broken down.

b) Sharing on Divorce

1. Under the Canada/Quebec Pension Plan

As we saw earlier in this report, both the CPP and QPP provide for the equal splitting of spouses' pension credits upon divorce (or annulment). The pension entitlements thus shared do not include all those earned before the divorce, but only those acquired when the ex-spouses' were living together.

This splitting is not automatic. It must be applied for within three years of the date of the final divorce decree. In addition, ex-spouses who lived together for less than three consecutive years are not eligible.

The fact that so few people have applied for this splitting since it came into force - less than 1% of those who divorce[139] - indicates that something is very wrong. Some blame the government for not informing the public adequately, but CPP and QPP officials say they advertised splitting as much as their other benefits, and in addition sent brochures about it to every practicing lawyer in the country.

Another possible explanation for the low take-up rate is that many women who apply are being turned away. This is not because they are not eligible, but because they are unable to provide the documentation asked for by the CPP and QPP regulations - their husbands' birth certificates and social insurance numbers. In the case of couples who have lived apart for a while, these can be very difficult or even impossible to obtain.

The most infuriating part, say some women who vainly applied, is that the government is much better equipped than they are to obtain such details (from tax forms, medicare records, census questionnaires, etc.). Far from being co-operative, an Ottawa woman reports, a CPP employee she asked assistance from answered that if she wanted "half the man's salary", the least she could do was find the information herself.[140]

Things could be different in Quebec because its law is slightly better. While CPP rules do not say its officials should be co-operative, QPP regulations say that its employees "may ... conduct such enquiry as (they) may deem appropriate" in such cases.[141] When staff members of the QPP were questioned about it, however, they said that to their knowledge no such enquiries were ever made.[142]

When asked about all this, higher officials of the CPP and QPP deny that the impossibility of finding the required information results in many applicants being turned down.[143] A much greater bar to women applying, they say, is that people under the age of 35 (as most divorcing women are) almost always prefer a small sum in cash paid immediately to a more valuable long-term benefit. It never was realistic, according to them, to expect women who are probably in need of money right now to give it up for a hypothetical partial pension payable in thirty or forty years.

The only possible remedy in such situations, these officials think, is to pass legislation forcing people to act in their own best long-term interest. Unless Canadians want pension sharing between former spouses to remain marginal and unimportant, they say, government should be pressured to make splitting of C/QPP credits on divorce mandatory, automatic and unrenounceable.

2. Under Employer-Sponsored Pensions and Registered Retirement Savings Plans

Unlike rights acquired under the C/QPP, employer-sponsored pension credits and Registered Retirement Savings Plans are not generally shareable on application by a spouse after a divorce. The only exceptions to this are: British Columbia, where people who separate or divorce are entitled as of right to a half share in the employer-sponsored pension credits/benefits and the RRSPs owned by the other spouse; and Quebec, where RRSPs and pension rights with an immediate cash value are shareable equally upon marriage breakdown.[144]

In the other provinces, pension and RRSP rights are not shared (at least, not as a matter of course) because it is felt that they are part of the husband's business assets which the wife did not help to earn. Women have often strongly objected to this view. "When during the lifetime of a marriage a spouse contributes to a pension plan", economist June Menzies wrote, "both husband and wife are called upon to forego current expenditures to save for the future. Since there is a mutual current sacrifice in the interests of future security, neither should be deprived of a right in that future security".[145]

Pension experts such as the authors of the Lazar and Economic Council reports are of the same opinion. According to them, pension rights are jointly earned family assets that should be shared equally between former spouses.[146]

c) Sharing on Death

1. The Present System

When a homemaker has been married to a man for forty years or more, and has shared everything with him for that long, it is not hard for her to convince herself that the pension cheques that come into the house in his name are also her own. It therefore comes as a shock to many women to find out that if a homemaker dies first, her husband's pension will be unaffected, while if he dies first she will have to survive on a drastically reduced amount.

Instead of sympathizing with these women, some people think they should count themselves lucky to receive anything at all from the Canada/Quebec Pension Plan. After all, they say, this plan is for workers, not for those who spend their lives at home doing nothing.[147]

Fortunately, this view did not prevail when the C/QPP was designed in the 1960s. Instead, it was decided that widows should be given some C/QPP benefits because they, like children, were workers' dependents.

This categorization of wives as dependents had - and still has today - very important consequences. Instead of being given a share of their deceased husbands' pensions in recognition of their contribution to the marriage partnership, widows are granted C/QPP benefits that vary according to their supposed degree of "dependency". To determine this, they are divided into many categories, including:

i. Childless able-bodied widows under the age of 35. These women are classified as "independent" and are therefore entitled to nothing at all as surviving spouses from the C/QPP, even if they have been keeping house full-time for their husbands for fifteen years or more.

ii. Childless able-bodied widows aged 35 and over. It was decided that married women become increasingly dependent after the age of 35, and reach the point of full dependency at age 45. As a result, a woman who becomes a widow at age 36 receives 10% of a full widow's pension, one whose husband dies when she is 37 gets 20%, etc., with 100% being paid only to those widowed at age 45 or older.

Full widows' pensions include a flat-rate payment - $161 a month in Quebec and $63 elsewhere in Canada in 1981 - plus 37.5% of the deceased husbands' pension entitlements, up to a total maximum benefit of $264 in Quebec and $166 in the rest of Canada.

Once a widow's pension level has been established, at 20% of the full pension let's say, it remains there until she reaches the age of 65 (or remarries, as we will see). The rationale is that a woman who is widowed at age 37 will probably find a job and support herself almost entirely until retirement age, while a woman widowed at age 45 is unlikely to ever manage on her own. This bears little relation to the real world, in which a 37-year-old widow might well be a unskilled housewife, and her 45-year-old counterpart a professional woman.

iii. Widows of all ages who are disabled or have dependent children. Women in these categories are deemed to be the most dependent of all. They include: 1) widows who suffer from a severe and prolonged disability which prevents them from earning a living; and 2) widows who have children aged less than 18, disabled children of any age, or children aged 18 to 25 who are full-time students.

All these women are entitled to full widows' benefits. The second group also receives orphans' benefits amounting in 1981 to $29 per month per child in Quebec, and $63 in the rest of Canada. (In the case of students aged 18 to 25, the money is sent directly to the children.)

iv. Widows aged 65 and over

- Who never (or almost never) worked outside their homes. While still considered in great need of assistance, these women are presumed to be somewhat better off than their younger counterparts because they receive the Old Age Security pension and (if poor enough) the Guaranteed Income Supplement. This is taken into account by abolishing the flat-rate component which is a part of younger widows' pensions (see above), and setting benefits at a fixed 60% of the deceased's pension entitlement. This yields a maximum widows' benefit of $165 a month in 1981, plus orphans' benefits whenever applicable.

Most affected by this change in benefit formula at age 65 are low-income widows, for whom a generous flat-rate benefit is much more profitable than a percentage of their deceased husbands' modest incomes. As a result, widows of average and higher-income men continue to get the same CPP surviving spouses' pensions when they turn 65, but those who had been married to low-income earners see their benefits reduce by about 30%.

The drop is even more drastic in Quebec because the QPP's flat-rate benefit for younger widows is much higher. In that province, all homemaker-widows suffer large reductions at age 65, but while the pensions of the better off diminish by about a third, those of poor workers' wives drop by more than 60%.

- Who are entitled to C/QPP retirement pensions of their own. Women in this group, it was decided, were clearly less dependent than other elderly widows since they had held paid jobs of their own. Instead of being entitled to full widows' benefits and whatever retirement pensions they earned, therefore, they are asked to choose between:

- 60% of their own retirement pension plus the full widow's pension; or
- 100% of their own retirement pension plus 37.5% of their deceased husband's retirement benefits.

In addition, these women's total pensions cannot surpass the maximum retirement benefit ($274.31 in 1981). This means that if a woman's average lifetime earnings were equal or superior to the maximum pensionable amount ($14 700 in 1981), she will not be entitled to any widow's pension.

v. Widows who remarry. As the whole point of C/QPP widows' pensions has so far been that a woman who loses her male support needs some assistance, it is quite logical that her benefits be cut off when she finds another man. Should her new husband die, or the marriage break down, the interrupted payments can be resumed.

vi. Women whose former husbands die. Until a few years ago, divorced women were non-persons as far as the C/QPP was concerned. This is no longer the case for those over the age of 65, who can now (in theory, at least) receive a pension based on half the credits earned by their husbands while they were living together.

If her ex-husband dies before she reaches the age of 65, however, a divorced woman is entitled to no immediate benefit. This is the case even if she is disabled, or an abandoned homemaker in her fifties, or a younger woman who has to stay home to raise the couple's pre-school children (in this last case, there would be only orphans' benefits).

While this may seem to be a departure from the C/QPP's rule of assessing benefits on the basis of dependency, it is in fact a confirmation of its designers' old-fashioned views. If a woman's marriage fails, they appear to have thought, it is her fault and she should suffer the consequences.

vii. Common law wives. The puritan views of the fathers of the C/QPP (it doesn't look as if it had any mothers) are also apparent in the benefits granted to common law spouses. To be eligible for widows' benefits, the CPP and QPP Acts say, it is not sufficient for these women to prove that they lived in a marriage-like relationship with the deceased during a given period of time. They must also be able to demonstrate that the dead man "publicly represented" them as their spouses. In other words, they must not have caused a public scandal.

The real scandal in this case, however, is that liars and cheaters are rewarded while honest people are punished. If a man and a woman live happily together for forty or fifty years without pretending to be married, she will not be entitled to C/QPP widows' benefits. But if another unmarried woman and man live together for two years, and for whatever reason manage to deceive all their neighbours and work colleagues into believing they are legally married, she will have earned the right to a regular widows' pension.

This injustice is further compounded by another rule which says that a deceased contributor can only have one surviving spouse. The reason for this, a Pension Appeal Board surmised, is that "The marital customs in this country approve of a monogamous state of life".[148] Instead of splitting widows' pensions between former mates in a reasonable manner, therefore, CPP and QPP officials are constantly called upon to play God and decide which of two equally needy women will be cut off without a cent.

The decisions that result are far from edifying. They say that if a man marries a woman when she is 20, lives with her till she is 55 and then abandons her to spend his last ten years with a younger woman whom he "publicly represents" (or rather misrepresents) as his wife, the younger woman is the only one who can get a C/QPP pension when he dies. In the case of another couple, also married at age 20, where the spouses split up amicably (without divorcing) after two years of cohabitation and no children, following which the husband goes on to spend the next forty years and have ten children with another woman who doesn't believe in lying to the neighbours, the law says it is the legal wife who gets everything.[149]

viii. Widowers. Following representations from the Royal Commission on the Status of Women and various women's groups,[150] the CPP and QPP Acts were amended so that female contributors could entitle their surviving spouses to the same benefits as male ones as of January 1975. Although these groups' intentions were admirable, the result of extending the C/QPP's dependency assumptions to men was ludicrous. We now have 34-year-old unskilled housewives who get no widows' benefits at all, and 45-year-old businessmen who receive maximum widowers' pensions. Most ironic of all is the fact that when the widowed 45-year-old businessman remarries, he loses his widower's pension on the assumption that his new spouse is going to support him.

2. Proposals for Reform

Canada is not the only country where the whole area of benefits for surviving spouses has become an increasingly awkward issue in recent years. Many Western industrial nations have been aware of this problem for some time and are looking for other principles on which to base their social security programs. The latest attempt was in the United States, where Congress ordered a study (released in 1979) on "proposals to eliminate dependency as a factor in entitlement to spouses' benefits".[151]

For all the effect these international developments had on the Canadian scene, they might as well have never existed. Among the proposals made in Canada on surviving spouses' benefits, almost all would leave the basic dependency assumptions of the present system unchanged.

i. Widows(ers) aged 65 and over

- Reforms to the Canada/Quebec Pension Plan. In spite of the expressions of concern for widows contained in every one of the main Canadian pension studies released so far, none of them paid much attention to what would happen to these women if its C/QPP proposals were implemented. As Table 3 shows, by

TABLE 3 - EFFECTS OF PROPOSED REFORMS

ON THE PENSION BENEFITS OF WIDOWS AGED 65 AND OVER - 1980 DOLLARS[152]

Pension System In Force	Old Age Security, C/QPP and GIS Benefits of Widows Who Are From: One-Earner Families Whose Incomes Equalled:		Two-Earner Families Where the Spouses' Incomes Were:	
	Half the Average Canadian Wage (About the Minimum Wage)	The Average Canadian Wage	Both at Half the Average Canadian Wage	His at the Average Wage: Hers at Half the Average Wage
. Present System When Mature	$5 122*	$5 684*	Que. $6 059 Rest: 5 825	$6 434
. Economic Council's Proposals	5 815**	5 815**	$6 059	6 434
. Lazar Report's Option 4 Proposals	5 622*	6 683	6 418	8 111
. Cofirentes' Proposals	4 560*	4 560*	6 434	6 434
. Senate Committee's Proposals	5 497*	6 434	6 199	7 424
. Canadian Labour Congress' Proposals	5 952	8 346	9 283	10 221

* Under Statistics Canada's poverty lines. ** Exactly at the poverty line.

indicating the total Old Age Security, Guaranteed Income Supplement and C/QPP benefits widows of different backgrounds would receive under different proposed pension systems, when it comes to delivering the goods only the Canadian Labour Congress' proposal would provide above-poverty pensions to the wives of full-time low-income workers.

This does not mean that the Labour Congress had the most enlightened recommendations about widows. On the contrary, it didn't study the issue at all and simply increased C/QPP pensions for surviving spouses from 60 to 75% of the deceased's entitlement while leaving them otherwise unchanged.[153]

The Lazar report also played the percentage game. It recommended reducing the C/QPP retirement pension on the death of either spouse, rather than only when the contributor (usually the husband) dies, and using the money thereby saved to increase survivors' pensions to 66 2/3%.[154] This would make the system fairer by equalizing the benefits of elderly widows and widowers, but it would do nothing to cure the basic dependency problem.

The Economic Council, for its part, didn't even bother to try. The only reason its survivors' benefits show as being <u>at</u> the poverty line in Table 3 is that it recommended raising the OAS-GIS guarantee to that level.[155] On anything more specific concerning women and survivors' benefits, the Council demurred: "It would be presumptuous for the Council to make comprehensive recommendations to deal with such problems" because "the background work for this report (meaning the Economic Council's opus on pensions), detailed as it may be, simply would not be sufficient."[156] After all, the Economic Council's pension team had very limited resources, having as it did "only" one director, his assistant, five researchers, three support staff and eighteen contultants!

Cofirentes' recommendations, which can usually be counted on to have a thoughtful basis, are also very disappointing in this case. As women are increasingly spending most of their lives in the labour market, it decided, those who were born after the Second World War will not need widows' pensions when they get old. Surviving spouses' benefits for elderly people should therefore be phased out entirely, it said, and those who do not have enough

C/QPP credits of their own can simply rely on the OAS-GIS.[157]

After examining these proposals, the Quebec Social Affairs Council recently concluded that their implementation could do great harm to women. For one thing, it says, it is unlikely that all women will soon want to spend their lives in the paid labour force. For another, it adds, even if all women wanted a paid job there are many factors, such as poor qualifications, rusted skills and discrimination against older women, which would prevent many of them from finding one.[158] In that context, Cofirentes's recommendations on survivors' benefits would make the situation of elderly women even worse in the future than it is now.

First appearances to the contrary, the Senate Committee's position, which also consists of having no survivors' benefits for widows(ers), is the most promising of all. This is because of the Senate's earlier recommendation concerning sharing of C/QPP credits throughout the marriage, which would result in each spouse ending up at age 65 with an equal share of the pension credits earned by the other during their life together.[159]

However, as mentioned in the context of splitting pension credits between spouses in an on-going marriage, equal sharing is a measure that cannot, by itself, provide wives at home with high enough benefits. This is because a 50% share in the husband's pension entitlement, which is the most equal sharing could produce, would not provide adequate widows' pensions. The blow would be even more brutal for widowers, who on their wives' deaths would get only 50% instead of their present 100% entitlement.

To make any sense as a reform proposal, then, splitting of C/QPP credits between the spouses must be supplemented by other measures. One possibility, which was put forward by Senator Florence Bird, would be to introduce sharing while maintaining the present surviving spouses' benefits.[160] Although this would solve the immediate problem of inadequacy of payments, it would partly defeat the purpose of sharing, which is that each spouse receives pensions based not on dependency but on his or her own work.

The other possibility, which seems vastly superior on all counts, is to equalize the spouses' C/QPP entitlements <u>and</u> have homemakers participate in the plan on the basis of their own work. If the sharing of credits took place before or at the age of 65, both spouses would have adequate retirement benefits of their own. If it was done only when one of the spouses died, the survivor's share would be high enough that she or he would not need additional dependency benefits.

To ensure that nobody suffers from the abandonment of the dependency concept, people now aged 35 and over should continue to be regulated by the old system whenever it is advantageous to them.

<u>- Reforms to Employer-Sponsored Pensions</u>. As we saw earlier in this report, the situation of widows in relation to employer-sponsored pension plans is 7
disastrous. All told, less than one widow in four can expect to get any regular benefits from her deceased husband's employer.[161]

Whenever it is suggested that governments step in to make such benefits mandatory in all pension plans, as they did in the 1960s to introduce minimum "vesting" provisions, many employers express strong opposition and say it would be so expensive that it would force them to close out their plans. In spite of this, the Lazar report favours such legislation, and recommends that all pension plans be obliged to contain a two-thirds survivorship provision, which would give the surviving spouse 66 2/3% of the retirement pension received by the participant-spouse. The cost of this would be borne by employers and employees who pay contributions.[162]

Another solution, which has already been legislated in Saskatchewan (to come into force on July 1, 1981), consists of obliging all plans which do not provide survivors' pensions to have a "joint and survivor" feature. This works by reducing a married worker's own retirement benefit in order to provide a survivorship pension - usually amounting to 50% of the deceased' benefit - to the other spouse.[163]

To cure the main defect of the "joint and survivor" feature, which is that workers consistently reject it as an option because they don't want their retirement benefits to be reduced, Saskatchewan made it mandatory unless it has been renounced by both the employee and his/her spouse. The spouse's waiver, says the law, must be "signed by the spouse ... in the presence of a witness and apart from (the) employee".[164]

Although Saskatchewan's law is miles ahead of anyone else's at this point, it could still be improved by stipulating that the pension would be reduced whichever spouse died first. This would treat the spouses equally and would save a great deal of money which could be used to keep the retirement benefit at a higher level.

From the point of view of women, mandatory "joint and survivor" features are preferable to mandatory regular survivors' pensions. For one thing, mandatory survivors' pensions force female pension plan members (who are either single or unlikely to die before their husbands) to subsidize the pension benefits of their male co-workers. For another, women are more likely than men to work in small businesses where the employers would decide to terminate their pension plans rather than pay these increased benefits.

ii. Widows(ers) who are disabled or aged 45 to 65

- Reforms to the Canada/Quebec Pension Plan. Surviving spouses of both sexes who are disabled or aged 45 to 65 are presently assumed for purposes of the C/QPP to be completely incapable of providing for their own needs. In some cases, this is demonstrably true. In others, such as that of the 45-year-old businessman mentioned earlier, this assumption is absurd.

The main question that arises is whether we can find a system that would make more sense. Instead of being based on a vague notion like "dependency", this would preferably use criteria involving a reasonable assessment of people's actual needs.

As a first step, we can distinguish between the disabled and the others. While many able-bodied widows and widowers aged 45 to 65 can and do earn their living, extremely few severely disabled people do (for purposes of the C/QPP, disabled people's ailments must be "severe" and "prolonged"). It can therefore be fairly assumed that disabled widows(ers) are truly dependent, in which case they should continue to receive surviving spouses' benefits.

It would not be sufficient to maintain their pensions at their present level, though, because these are much too low (maximum $264 a month in Quebec and $166 in the rest of Canada in 1981). Instead, the flat-rate component of these payments should be raised to ensure above-poverty pensions to the disabled widows(ers) of full-time low-income workers.

For the other group, there are two main ways of changing the benefits of surviving spouses aged 45 to 65 to better relate their pensions to their needs. They are: 1) to give them benefits that diminish as their earnings from work increase; or 2) to create a new type of disability benefit that would give pensions to all C/QPP participants aged 50 to 65 who are found to be unemployable; among others, this would include homemakers whose jobs have disappeared with the death of their spouses.

The argument in favour of the first option is that it would provide a guaranteed income to needy widows(ers) in the most discreet, non-humiliating way. The argument against is that it would still be a dependency benefit as only surviving spouses would be eligible.

As well as being open to everyone and based on people's own C/QPP credits - equalized with that of their deceased spouses, in the case of unemployable widows(ers) - the second kind of benefit would be more in line with recent international developments in the area of social security. In the last fifteen years or so, many countries (including Sweden, Austria, Finland and West Germany) have introduced "unemployment pensions" for long-term jobless people aged 60 to 65.[165] Austria also has an "invalidity pension" for women aged 55 and over who had four or more children.[166]

In this country, only the Economic Council report has expressed concern for unemployable older workers. It recommended "that the federal and provincial governments jointly consider easing the CPP and QPP disability provisions and expanding the disability program so that the qualifying level of disability would decrease with age."[167] If unemployable older homemakers were also made eligible, and if C/QPP disability pensions were increased to give above-poverty benefits to those who used to be full-time low-income workers, Canada would become a leader instead of a follower in this field.

- Reforms to Employer-Sponsored Pension Plans. While the pensions employer-sponsored plans provide to the widows of retired workers are very bad, the benefits they give to the surviving spouses of non-retired employees who die prematurely are even worse. Excluding public servants - whose plans almost all give regular widows' pensions - only 23% of pension plan members are in plans that give pensions to widows (not widowers) if the employee dies before retirement. In another 25% of cases, only the deceased employee's own contributions will be reimbursed, probably with little or no interest. Twenty-eight percent of workers are in plans that give nothing at all to the spouses of prematurely deceased employees.[168]

In the United States, where things are not much better, women denounced this and demanded improvements. They pointed out that a woman whose husband dies in his fifties or early sixties needs at least the following:[169]

- adequate death benefits to help her through the years after her husband's death and before she reaches retirement age; and

- a right to a survivor's pension based on her husband's vested rights when she reaches retirement age, regardless of when he died.

Both the above could be made mandatory by law in all pension plans. In the second case, the American women added, "the wife's right to her share of her husband's retirement benefits should be vested at the same time and on the same schedule as his rights."[170] This should also be done in Canada.

iii. Widows(ers) with young children. The only one of the main Canadian pension "debaters" to take any notice of widows with children was Cofirentes, but it made up for the others by paying them a great deal of close attention. The position of Cofirentes on this, which perfectly suits the purpose of the present study, was that widowed parents' benefits should be more closely related to their needs.171

After analyzing these needs, Cofirentes agreed with the present system's view that all parents with children at home need help, but it did not believe that all require the same degree of assistance. On the contrary, it concluded, widowed parents' needs are temporary and vary greatly with the number and age of their children.

As a result, Cofirentes decided, widowed parents should receive relatively very high benefits (maximum around $760 a month plus $125 per child for 1980), but only for two years <u>or</u> until their youngest child reaches the age of seven. After that, their payments should be reduced by 25% every year and end altogether three years later.

In practice, this means that all widows with pre-school children could stay home to take care of them. Those with children between the ages of 7 and 18 would get two years of full benefits and three years of decreasing partial ones.

The main advantage of this proposal is that instead of scrambling to survive on starvation payments until their children are 18 or 25, as many do now, widowed mothers would get some breathing time to explore the options before deciding what to do next. This certainly sounds like a good idea.

The problem with this proposed system is that it encourages confusion as to who the real dependents are. While it is clear that the benefits are entirely meant for the children (to defray the cost of their material needs and provide them with a child-minder) and vary according to their needs, Cofirentes has misleadingly called them "surviving spouses' pensions".

As others have already pointed out, this is not an innocuous error but a serious one that could lead to orphans being deprived of benefits when both their parents have died, when there was only one parent to start with, or when the children are in the custody of someone other than their surviving parent.[172] With adequate changes to correct this and make clear that it is the children, not the widows, who are the dependents, Cofirentes' proposals might well be advantageous to both women and children.

iv. Widows(ers) who remarry. It has always been a sore point with widows that they should lose their C/QPP pensions if they ever remarried. They rightly perceive it as an insult which downgrades them to dependent status and denies their contribution to the marriage partnership.

The only satisfactory way of resolving this dilemma is to get rid of C/QPP benefits based on dependency. As we saw, this could be done by: giving elderly widows pensions recognizing their own work and their equal contribution to the marriage partnership; introducing "unemployment pensions" for unemployable older homemakers under the age of 65; and clearly identifying as orphans' benefits the sums given to widows with dependent children. As none of these payments would be based on women's real or supposed dependency on their dead husbands, there would be no reason to discontinue them upon remarriage.

If these reforms came into force, the only group of widows left with dependency-based pensions would be those who are severely disabled. As a humanitarian gesture in favour of these women (and their male counterparts), we could adopt the American rule of allowing widows(ers) to remarry without penalty once they have reached the age of 60.[173]

v. Women/men whose former spouses die. Canada has the dubious honour of being one of the very few Western industrial countries whose public pension plan does not give benefits to women whose ex-husbands die. Until the C/QPP's survivors' benefits are reformed, the least we can do is extend widows' pensions to former wives under the age of 65 who were being maintained by deceased contributors. (Those aged 65 and over would presumably get retirement benefits as a result of the splitting of their own and their husbands' credits upon divorce.) If there is another eligible wife, the pension should be split between the two women on the basis of the number of years each spent with the dead man.

Under the proposed new system, the only former wives who would need pensions based on their deceased ex-husbands' C/QPP records are those aged less than 65 who are disabled or have young dependent children. The first category should receive these benefits because it was truly dependent on the deceased ex-spouses, and the second should have no problems since the benefits it would receive are for the children and should not be affected by the parents' divorce.

vi. Common Law Spouses. The only requirement for being treated like a wife under the C/QPP should be the proof of having lived in a marriage-like relationship with someone for a given number of years. Although it is reasonable that this minimum length of time be longer when one of the "spouses" is married to someone else, it does not make sense that the resulting periods be, as they are now, different in Quebec and in the rest of Canada. (Under the CPP, the rule is 3 years if married and one if not; under the QPP, it is 7 and 2 years respectively.)[174]

Once couples fill the required time condition, they should be treated like legally married people for all purposes connected with the C/QPP, including the splitting of pension credits between them when they part.

d) Sharing of Information

Widows almost universally complain about having known too little about their husbands' financial affairs when they died. Many have horror stories to tell about bank accounts that were never found, insurance policies that had lapsed decades before and pension benefits that almost went unclaimed.

For Canada's pension experts, though, it does not matter if women are kept in the dark. While all the major recent pension reports contained some proposals on information to be given to pension plan members, not a single one mentioned the members' spouses.[175]

The person most concerned with this issue so far, economist Kevin Collins, wrote that:[176]

> Where a plan provides a widow's pension, the wife has a contingent interest - contingent on outliving her husband and being married to him at his death. Yet, in many plans, she would not have a right to know exactly what she would receive if her husband died.

A first modest step in the right direction, he suggests, would be to extend the existing rights of access to information to beneficiaries as well as plan members and eligible members. This should be made the general rule under both the C/QPP and employer-sponsored pension plans.

CONCLUSION AND RECOMMENDATIONS

Canada's pension system was designed by men to benefit men. Even in the last fifteen years, when the emphasis was supposed to be on helping the poorest among the elderly the incomes of male pensioners rose by $3 for every additional $2 that went to elderly women.[177]

This was not a coincidence. It was the direct consequence of male-centered policies whose crowning achievement was one of the most sexist income security programs ever devised by governments in this country, the Canada/Quebec Pension Plan.

While the C/QPP did not create the imbalance between the incomes of elderly women and men - male pensioners were already receiving almost twice as much as female ones in 1965 -[178] it reinforced it in every possible way. It started by ignoring women's work in the home altogether, then proceeded to punish mothers who spend most of their lives in the labour market but stop for a while to work in the home without pay, and finished off by adopting a benefit formula that perfectly mirrors the discriminatory low wages women get in the work force.

Appalling as women's pension situation is in relation to men's, it will get even worse if they do not intervene very soon to defend their interests. This is because most of the participants in Canada's current pension reform discussions have so far concentrated on improving the benefits of male earners while completely ignoring the needs of women.

Most revealing of all in these recent pension studies is the universal assumption that even far into the future, elderly women will continue to be poor. The bulk of these reports' recommendations for women therefore consists of proposing that the basic Old Age Security-Guaranteed Income Supplement guarantee be raised to the poverty line (the Lazar report doesn't even go that far).

There is no denying the importance of an adequate basic income, and the present report advocates guaranteeing minimum above-poverty incomes to everyone in Canada who is aged 60 or more. What it doesn't do, however, is stop there and accept the categorization of elderly women as second-class pensioners who should be satisfied with just enough to keep them minimally housed, fed and clothed.

Instead, this report has identified ways in which the Canadian pension system can be adapted to provide fair and adequate pensions to women as well as to men. This could be done through: 1) the maximization of the pension benefits of female earners; 2) the integration of homemakers' work in the Canada/Quebec Pension Plan; and 3) the equal sharing of pension credits earned by the spouses during their life together.

Maximizing the Benefits of Female Earners

The most effective way of improving the pensions of female earners would be to expand the Canada/Quebec Pension Plan and give it a benefit formula that would provide proportionally higher benefits to low-income workers. Such a system has already been recommended by Cofirentes, the Quebec government's task force on pensions. It proposed that C/QPP benefits equal 50% of the portion of workers' earnings which is below half the average wage (meaning under $8 200 in 1980), and 25% of their earnings above that level up to the average wage.

As low-income earners would have difficulty making contributions corresponding to such levels of benefits, various ways of reducing their costs were suggested. One would be to increase employers' share of the costs by requiring them to pay contributions on their whole payroll instead of only on their employees' pensionable earnings. Another would be to subsidize low earners' contributions by raising the level of the basic exemption under which no payments are required.

Female employees would also get higher C/QPP pensions if the plan was modified to reduce the penalties now suffered by women who leave the labour force temporarily because of family responsibilities. This could be done by excluding from the pension calculation the years spent at home with children under the age of seven (as the Quebec Pension Plan already does), and also the years at home taking care of severely disabled relatives or spouses who would otherwise have to be institutionalized.

Women would also benefit greatly from legislation that would impose better standards on employer-sponsored pensions. This would include: pension rights becoming irrevocable after a short period of contribution; mandatory use of the inflationary interest earned on workers' contributions to give cost-of-living increases to retired employees; and prohibition of sex-based differences in contributions and benefits related to pensions or life annuities.

Including Homemakers in the C/QPP

After reviewing all the arguments for and against the participation of homemakers in the Canada/Quebec Pension Plan, this report concludes that there is every reason to let them in and no valid reason to keep them out.

The injustice of excluding work inside the home from the C/QPP is most flagrant in the case of women who spend all their lives taking care of young children and/or severely disabled family members. These homemakers should be integrated as soon as possible in the C/QPP, and for this purpose should be deemed to have incomes equal to half the average wage ($8 200 in 1980, which is slightly above the minimum wage). As these women's work obviously benefits all of society, they should be exempted from having to make any contribution. The cost of their participation could be paid either by increasing the contributions of other plan members or by using funds from general tax revenues.

Women who work part-time while taking care of young children and/or disabled family members should also be able to benefit from such a new program. The simplest way to include them would be to have them continue to contribute on the basis of their own earnings (meaning the part of their income which is over the basic exemption), but to give them C/QPP pension credits up to half the average wage. This would recognize the reduction in these women's earnings which is caused by their family responsibilities.

The other, larger group of homemakers which would still be unprotected is made up of women who keep house for their husbands, or for their husbands and school-age children. These homemakers should also be included in the C/QPP at a presumed income level equal to half the average wage. In this case, however, there should be full contributions paid by the husbands, who are the main beneficiaries of these women's unpaid services.

A convenient way of collecting these contributions would be to require that they be paid by anyone who wants to claim a tax deduction for a dependent spouse (or a similar deduction which can be used for homemaking relatives). This would be fitting, as all it would do is make people who receive tax subsidies from the government to support dependents use part of that money to provide them with decent pension protection.

<u>Sharing of Pension Credits Between the Spouses</u>

The third reform needed to improve women's pensions is the splitting of C/QPP pension credits between the spouses for the years they live with each other. This would recognize that both of them contributed in different but equally valuable ways to the marriage partnership.

The easiest method of doing this would be to equalize the C/QPP credits of the spouses all at once, on the day the younger of them reaches the age of 65. If women's work inside the home has entitled them to C/QPP credits of their own, as recommended above, this sharing would almost always result in adequate retirement pensions for both spouses. (Note that sharing of credits between the spouses <u>without</u> homemaker participation in the C/QPP, as recommended by the Senate Committee on Retirement Age Policies, is not sufficient because it could simply result in dividing the husband's pension in two, which would yield two inadequate pensions.)

If both sharing and homemaker participation were implemented, elderly widows(ers)' benefits would no longer be needed because each spouse would have a high enough retirement pension of her/his own. This would be desirable as surviving spouses' benefits would not be appropriate in a system where homemakers would be treated as workers in their own right, and no longer as dependents of their husbands.

To ensure that no one suffers from the abandonment of the present "dependency" system, it should be stipulated that people aged 35 and over when these reforms are introduced would still come under the old rules whenever they are advantageous to them.

For a complete purge of the notion of wives' dependency from the C/QPP, however, (with the exception of disabled wives, who are truly dependent) other adjustments would also be necessary.

The first one, which would give unemployable widows aged 50 to 65 pensions based on their own C/QPP entitlements (equalized with that of their deceased husbands'), is the introduction of an "unemployment pension" for older workers who are unable to a find a paid job. This new benefit, which would be available to all workers in their fifties and early sixties who are unlikely to find employment, could be patterned on similar programs which already exist in many European countries.

The second adjustment would be for younger widows with dependent children. These women should be given C/QPP benefits such as those recommended by the Cofirentes group. Instead of providing very low payments until the children reach the age of 18 (or 25 if they are students), as the present system does, this would pay much higher pensions for a shorter period of time. It would allow widows with pre-school children to stay home with them if they wished, and would give all widows with children at least two years of breathing time to look over the options before deciding what to do next.

If all the above proposals were put into force, along with others also contained in this report (such as automatic splitting of all pensions and Retirement Savings Plans on divorce, mandatory "joint and survivor" features in employer-sponsored pension plans, etc.), Canadian women would finally be able to aspire to decent pensions in their old age. For the first time since the Canada/Quebec Pension Plan was introduced, we would have a pension system that would give equal recognition to the work done by women and would treat them fairly.

On the other hand, there is little doubt that if these recommendations are ignored and our governments continue on their present male-centered course, Canada will end up with two separate pension systems. One, based on the Old Age Security pension and the Guaranteed Income Supplement, will give poverty-level benefits to most women. The other, which would dispense Old Age Security, C/QPP and employer-sponsored pension plan benefits, would be the almost exclusive preserve of male earners.

The outcome of the present pension debate will tell us exactly how much political clout women really have in this country.

FOOTNOTES

1. Chester, Robert. "Some Contemporary Trends in Divorce: A Cross-National Review" in Social Security Provisions in Case of Divorce. Studies and Research No. 11, International Social Security Association, Geneva: 1978. pp. 3 and 13.

2. The main sources used to prepare this chapter were: Bryden, Kenneth. Old Age Pensions and Policy-Making in Canada. Montreal: McGill-Queen's University Press, 1974; Canada, Department of National Health and Welfare, Office of the Special Adviser to the Deputy Minister. Chronology of Selected Federal Social Welfare Legislation by Program 1876-1979. Ottawa; Economic Council of Canada. One in Three: Pensions for Canadians to 2030. Ottawa: Department of Supply and Services, 1979, Appendix B, "Development of Canada's Retirement Income System to the 1970s." pp. 121-123; Clark, Hart D. "The Development of the Retirement Income System in Canada" in Canada, Task Force on Retirement Income Policy. The Retirement Income System in Canada: Problems and Alternative Policies for Reform. Vol. II. Ottawa: Department of Supply and Services, 1979. Appendix 1.

3. Cartwright, Senator Sir Richard, Minister of Trade and Commerce of Canada. Senate Debates, 1906-7. pp. 331-32 and 795, as cited by Bryden, K. op.cit. (see footnote 2 above) p. 49.

4. See Bryden, K. op. cit. (see footnote 2 above) p. 49.

5. Figure for 1978 calculated from Canada, Statistics Canada. Pension Plans in Canada - 1978. Catalogue no. 74-401. Table IV, p. 18.

6. Derived from the following sources: Canada, Department of National Health and Welfare. Canada Pension Plan Statistical Bulletin. Vol. II, No. 2, June 1979; Québec, Régie des rentes du Québec. Bulletin statistique. Vol. 13, no 2, juin 1979; Unpublished data on OAS/GIS/SPA recipients for June 1979, provided by the Systems Division, Information Systems Directorate, Policy Planning and Information Branch, Department of National Health and Welfare, Ottawa.

7. Figures in this paragraph are derived from: Canada, Department of National Health and Welfare. Canada Pension Plan Contributors 1976; Québec, Régie des rentes du Québec. Bulletin statistique. Vol. 13, numéro spécial no 1, juillet 1979; Canada, Statistics Canada, 1976 Census of Canada. Labour Force Activity: Labour Force Activity by Marital Status, Age and Sex. Catalogue no. 94-805. Table 12.

8. Speech by Monique Bégin, Minister of National Health and Welfare, to the Canadian Conference on Social Development, St. John's, Newfoundland, June 17, 1980.

9. Derived from data published in the first two sources mentioned in footnote 6 above.

10. Menzies, June. The Canada Pension Plan and Women. Ottawa: Canadian Advisory Council on the Status of Women, January 1974. p. 7.

11. Haines, Elizabeth. "The Case of Germany" in Gordon, Nancy M. The Treatment of Women in the Public Pension Systems of Five Countries. Washington: The Urban Institute, 1978. Appendix B, p. B-25.

12. Economic Council of Canada. op. cit. (see footnote 2 above) p. 37.

13. Same as above.

14. Derived from: Canada, Department of National Health and Welfare. Canada Pension Plan Contributors 1978. pp. 5-7; and Canada, Department of National Health and Welfare. Canada Pension Plan Statistical Bulletin. Vol. 10, No. 4, December 1978. pp. 15-23. Children receiving disabled parents' and orphans' benefits were assigned to contributors of each sex according to the sex distribution found among recipients of disability and survivors' pensions respectively.

15. Canada, Department of National Health and Welfare, Policy Research and Strategic Planning Branch. The Incomes of Elderly Canadians in 1975. Social Security Report No. 6, Ottawa: 1976. p. 29.

16. Unpublished data from Statistics Canada's Survey of Consumer Finances, 1976 (Income 1975 - Economic Families) - microdata tape; computer runs performed by the Analytical Services Division, Policy Planning and Information Branch, Department of National Health and Welfare.

17. Canada, Department of National Health and Welfare, Policy Research and Strategic Planning Branch. op. cit. (see footnote 15 above) Figures for couples in Table 21, p. 39.

18. Spousal RRSPs allow taxpayers - usually men - to use their own RRSP entitlement to make deposits in an RRSP owned by their spouses. This does not increase the total amount both can deposit in RRSPs, but simply shifts the money from him to her. It is only financially worthwhile in cases where the husband thinks his income - and therefore his tax rate - will still be higher than his wife's by the time he retires. He also has to be convinced that their relationship will last that long.

19. Canada, Revenue Canada - Taxation. Taxation Statistics. 1980 Edition (analyzing returns for 1978). Ottawa: 1978. pp. 59, 146.

20. Canada, Department of National Health and Welfare, Policy Research and Strategic Planning Branch. op. cit. (see footnote 15 above) pp. 22-25.

21. Same as above, pp. 35-36.

22. Canada, Statistics Canada. Pension Plans in Canada - 1978. Catalogue no. 74-401. p. 25.

23. Same as above, p. 31.

24. Nadeau, Guy. "Les cessations de cotisations en 1976" in Les régimes de retraite au Québec. Régie des rentes du Québec, No. 5, février 1979. p. XVI.

25. U.S. Department of Justice, Task Force on Sex Discrimination, Civil Rights Division. The Pension Game: The American Pension System from the Viewpoint of the Average Woman. Washington: U.S. Government Printing Office, 1979. p. 52.

26. Collins, Kevin. Women and Pensions. Ottawa: Canadian Council on Social Development, 1978. p. 199.

27. Canada, Statistics Canada. Pension Plans in Canada - 1978. Catalogue no. 74-401. p. 30.

28. Same as above, pp. 62-67.

29. Same as in footnote 27, pp. 45-46.

30. Canada, The Senate. Retirement Without Tears: Report of the Special Senate Committee on Retirement Age Policies. Ottawa: Department of Supply and Services, 1979. pp. 60 and 91.

31. Canada, Statistics Canada. Life Tables, Canada and Provinces 1975-1977. Catalogue no. 84-532.

32. Canada, Treasury Board. Report on the Administration of the Public Service Superannuation Act for the Fiscal Year Ending March 31, 1979. Tables 5 and 8.

33. Canada, Department of Insurance. Public Service Superannuation Account Actuarial Examination as at December 31, 1972. p. 22.

34. Royal Commission on the Status of Women in Canada. Report. Information Canada, 1970. pp. 110 and 399.

35. Conversation with Mr. Alan E. Roffey, Senior Actuary, Actuarial Branch, Department of Insurance, Ottawa, August 1980.

36. Unpublished data on OAS/GIS/SPA recipients for June 1980, provided by the Systems Division, Information Systems Directorate, Policy Planning and Information Branch, Department of National Health and Welfare, Ottawa.

37. National Council of Welfare. Women and Poverty. Ottawa: 1979. p. 50.

38. Canada, Department of Finance. Government of Canada Tax Expenditure Account. Ottawa: 1980. p. 20. The amounts shown in this report were increased by 50% to include the loss of revenue to the provinces.

39. Population figures from Canada, Statistics Canada. Canada Year Book 1978-79. Ottawa: 1978. p. 159; data on taxpayers from Canada, Revenue Canada - Taxation. Taxation Statistics. 1978 Edition (analyzing returns for 1976). Ottawa: 1978. pp. 14 and 59.

40. The main Canadian proponent of these views is Geoffrey N. Calvert, author of Pensions and Survival: The Coming Crisis of Money and Retirement. Toronto: Financial Post/Maclean-Hunter Ltd., 1977.

41. Canada, Statistics Canada. The Distribution of Income and Wealth in Canada 1977. Catalogue no. 13-570. Text Table VI, p. 34.

42. Canada, Statistics Canada. Expenditure Patterns and Income Adequacy for the Elderly 1969-1976. Catalogue no. 13-575. p. 26. See also Canada, Statistics Canada, 1971 Census of Canada. Housing: Dwelling Characteristics by Age and Sex of Household Head. Catalogue no. 93-739. pp. 37-38.

43. Derived from Canada, Statistics Canada. Expenditure Patterns and Income Inadequacy for the Elderly 1969-1976. Catalogue no. 13-575. p. 25.

44. Same as above.

45. Hepworth, H. Philip. Residential and Community Services for Old People. Vol. 6 of Personal Social Services in Canada: A Review. Ottawa: Canadian Council on Social Development, 1975. p. 10.

46. Statistics Canada's low-income lines are selected on the assumption that families spending 62% or more of their income to provide themselves with the minimum necessities of food, shelter and clothing are living "in straitened circumstances". Appendix 6 shows these low-income lines for 1980 by size of area of residence and number of people in the family. For more information on Statistics Canada's original and revised low-income lines, see Podoluk, Jenny R. Incomes of Canadians. Ottawa: Queen's Printer, 1968. p. 185; and Revision of Low Income Cut-Offs. Ottawa: 1973. Unpublished paper available on request from Statistics Canada.

47. Annual OAS-GIS benefits for couples in 1980, calculated as if the mid-year $35 increase had been in force all year, amounted to a total of $8 010. This was higher than Statistics Canada's poverty line for all but the largest cities, and most elderly couples live in smaller centers. See poverty lines in Appendix 6. For the proportion of elderly couples who live in large cities, see Canada, Statistics Canada. Expenditure Patterns and Income Inadequacy for the Elderly 1969-1976. Catalogue no. 13-575. p. 25.

48. Unpublished preliminary data from Statistics Canada's Survey of Consumer Finances, 1980 (1979 Income - Economic Families), provided by the Consumer Income and Expenditure Division, Statistics Canada.

49. Other large cities with populations of more than 500 000, including Toronto, Calgary and Edmonton, are in provinces that provide income supplements large enough to bring these widows' incomes over Statistics Canada's poverty line.

50. Same as footnote 36.

51. Unpublished data from Statistics Canada's Survey of Consumer Finances, 1976 (1975 Income - Economic Families), provided by the Consumer Income and Expenditure Division, Statistics Canada.

52. The average industrial wage is calculated by averaging the salaries paid by all the employers surveyed by Statistics Canada. This includes all those with more than twenty employees. In 1979, it amounted to $14 989. Source: Statistics Canada.

53. The "Earnings at age 40" shown in this table were drawn from the following source: Canada, Statistics Canada. Income Distributions by Size in Canada - 1978. Catalogue no. 13-207. The earnings shown for men in one-earner couples correspond to the median income of husband-wife families where only the head is an income recipient (page 49). The total shown for two-earner couples is the median income of husband-wife families where the husband and the wife both have an income (page 49). In the case of wives in two-earner couples, the earnings shown are half-way between the median income of married women aged 25-34 and that of married women aged 35-44 (page 79). Earnings shown for single men and women correspond to their median incomes at age 35-44 (pages 78-79). All these amounts were updated by adding 9.1% for 1979 and 10% for 1980.

Old Age Security rates shown were those actually paid in 1980.

C/QPP benefits shown were calculated on the basis of the average industrial wage for 1979 ($14 989). That year's figure was chosen because actual C/QPP benefits are computed using an average of the maximum pensionable earnings of the current and the two previous years. In the case of the wife in the two-earner couple, CPP retirement benefits were reduced by one-quarter to account for years spent out of the labour force to take care of young children. QPP retirement benefits were not affected by this because that plan has a child-care drop-out provision (see explanation in the text pp. 12-13).

The GIS rates shown are those which would have applied in 1980 if the $35 mid-year increase had been in force throughout the year.

54. Clark, Hart D. "A Comparison of the Retirement Income Systems of Canada and Other Countries" in Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) Vol. II, Appendix 2. pp. 2-5.

55. Union Bank of Switzerland. Social Security in 10 Industrial Nations. Zurich: 1977. p. 14.

56. U.S. President's Commission on Pension Policy. An Interim Report. Washington: 1980. p. 14.

57. On employer-sponsored pension plans and Registered Retirement Savings Plans:
In 1978, the proportion of earners who contributed to employer-sponsored pension plans, RRSPs or both was 6.8% of those with incomes under $6 000; 20.8% for those who made between $6 000 and $10 000; 45.2% from $10 000 to $15 000; 65.1% between $15 000 and $25 000; and 90.6% over $25 000. Derived from Canada, Revenue Canada - Taxation. Taxation Statistics. 1980 edition, analyzing returns for 1978. Ottawa: 1980. pp. 146-147, and Canada, Statistics Canada. Pension Plans in Canada 1978. Catalogue no. 74-401. p. 10.

On investments and other assets:
Studies consistently show a close relation between people's assets and their income levels. In Canada in 1977, families and unattached individuals whose incomes were between $11 000 and $15 000 had net assets (including the value of everything they owned, home, car, bank accounts, investments, etc., minus their debts) averaging $34 000. Those with incomes between $25 000 and $35 000 were worth an average of $68 000. For incomes over $35 000, net assets were $206 000. (Canada, Statistics Canada. The Distribution of Income and Wealth in Canada - 1977. Catalogue no. 13-570. Table 5, p. 69).

58. Clark, Hart D. op. cit. (see footnote 54) p. 4.

59. Stone, L.R. "Population Aging and Dependency Ratios in Canada" Statistics Canada's brief to the Special Senate Committee on Retirement Age Policies, in Canada, The Senate. Proceedings of the Special Senate Committee on Retirement Age Policies. November 30, 1978. p. 6A:14 and 6A:55.

60. Estimated from Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) Vol. 1. p. 7.

61. Stone, L.R. op. cit. (see footnote 59) pp. 6A:29, 6A:14-15.

62. Canada, Treasury Board Secretariat, Effectiveness Evaluation Division, Planning Branch. Changing Population and the Impact on Government Age-Specific Expenditures. Ottawa: 1977.

63. On the impact of higher labour force participation rates and decreases in expenditures for children, see Economic Council of Canada. op. cit. (see footnote 2) pp. 28-33. The population projections mentioned here, which are for ages 0 to 19, were provided by the Demography Division, Projections Section, Social Statistics Field, Statistics Canada.

64. Economic Council of Canada. op. cit. (see footnote 2) pp. 97 and 101.

65. Same as above, pp. 99-100.

66. National Council of Welfare. op. cit. (see footnote 37) p. 49.

67. Canadian Advisory Council on the Status of Women. Statement on Federal Income Security Programs for Elderly Women. Ottawa: June 1978.

68. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) p. 344.

69. Same as above, p. 343.

70. National Council of Welfare. op. cit. (see footnote 37) p. 50.

71. Same as footnote 67.

72. Canada, House of Commons Debates, October 26, 1978. p. 507.

73. Canada, Task force on Retirement Income Policy. op. cit. (see footnote 2) p. 345.

74. Same as above.

75. Canada, House of Commons Debates, April 14, 1976. p. 12816.

76. Canada, Statistics Canada. Canada Year Book 1978-79. Ottawa: 1978. p. 187.

77. Same as above, p. 186.

78. Dulude, Louise. Women and Aging. Ottawa: Canadian Advisory Council on the Status of Women, 1978. pp. 60-61.

79. Québec, Comité d'étude sur le financement du régime de rentes du Québec et sur les régimes supplémentaires de rentes (Cofirentes +). La sécurité financière des personnes âgées au Québec. Québec: Éditeur officiel du Québec, 1977.

80. Canadian Labour Congress. Submission to the Royal Commission on the Status of Pensions in Ontario. Submitted on March 23, 1978.

81. Economic Council of Canada. op. cit. (see footnote 2).

82. Canada, The Senate. op. cit. (see footnote 30).

83. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2).

84. Old Age Security rates used here are those actually paid in 1980.

C/QPP benefits were calculated on the basis of the average industrial wage for 1979 ($14 989, see footnote 53). That year's figure was chosen because actual C/QPP benefits are computed using an average of the maximum pensionable earnings of the current and two previous years.

Details of the five proposals are provided later in the text.

85. Economic Council of Canada. op. cit. (see footnote 2) pp. 103-104. Maximum pensionable earnings have not yet reached the level of the average industrial wage, but they will have done so when the present system reaches its maturity.

86. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) pp. 242-250. This part of the report deals with Option 4, which is the most important of the alternative proposals described in that study.

87. Quebec, Comité d'étude sur le financement du régime de rentes du Québec et sur les régimes supplémentaires de rentes (Cofirentes +). op. cit. (see footnote 79) p. 67.

88. Canada, The Senate. op. cit. (see footnote 30) pp. 67 and 85; Canadian Labour Congress. op. cit. (see footnote 80) p. VI-7. In Table 2, the reason for the difference in benefits at low and middle incomes between the Senate Committee and the CLC proposals is that the CLC recommended an increase in the Old Age Security pension of singles to raise it to 60% of the rate for couples.

89. Economic Council of Canada. op. cit. (see footnote 2) p. 104.

90. Same as footnote 86.

91. Land, Hilary. "The Case of the United Kingdom" in The Treatment of Women in the Public Pension Systems of Five Countries. (see footnote 11) pp. B-75, B-76.

92. Québec, Cofirentes +. op. cit. (see footnote 79) p. 78. In that proposal, self-employed persons would continue to contribute twice the amount paid by employees having the same earnings.

93. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) pp. 272-274.

94. Canada, Statistics Canada. Pension Plans in Canada - 1978. Catalogue no. 74-401. p. 53.

95. Canada, Statistics Canada. Labour Force Survey. Cited by Art Veness, of the Department of National Health and Welfare, in his presentation to the Canadian Association on Gerontology, Halifax, November 1979.

96. Canada, The Senate. op. cit. (see footnote 30) p. 14.

97. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) p. 191; Québec, Cofirentes +. op. cit. (see footnote 79) p. 81.

98. Economic Council of Canada. op. cit. (see footnote 2) p. 105.

99. Canadian Labour Congress. op. cit. (see footnote 80) Appendix A.

100. Saskatchewan, Legislative Assembly, Bill No. 117, 1979-80. Section 4.

101. Québec, Cofirentes +. op. cit. (see footnote 79) p. 82; Economic Council of Canada. op. cit. (see footnote 2) p. 75; Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) p. 188.

102. Québec, Cofirentes +. op. cit. (see footnote 79) p. 81.

103. Same as footnote 99.

104. For a very late sample of this, see Canada Pension Plan Advisory Committee. Indexation of Benefits. Ottawa: 1980.

105. This is very evident in the report of the Economic Council of Canada (see footnote 2). Also see Barnes, Leslie W.C.S. "Pension Indexing - A New Perspective" in The Labour Gazette. July 1977. pp. 313-314.

106. Same as footnote 94.

107. This was first suggested in Québec, Cofirentes +. op. cit. (see footnote 79) p. 81; it was further developed in Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) pp. 225-231.

108. The number of people who belong to money purchase pension plans comes from Canada, Statistics Canada. Pension Plans in Canada - 1978. Catalogue no. 74-401. p. 30; the information on the federal human rights law is from "Canadian Human Rights Benefit Regulations", adopted pursuant to section 18 of the Canadian Human Rights Act, Canada Gazette, Part II, Vol. 114, No. 2, January 23, 1980. pp. 279-288.

109. Canada, Revenue Canada - Taxation. Taxation Statistics. 1980 Edition (analyzing returns for 1978). Ottawa: 1980. p. 59. RRSP holders do not necessarily have to buy life annuities with their funds, but banks report that most owners of fair-size plans choose this route.

110. Canada, Statistics Canada. Life Tables, Canada and Provinces 1975-1977. Catalogue no. 84-532. pp. 15, 17.

111. Calculated from the same source as above.

112. Canadian Association of University Teachers, Pension Committee and Status of Women Academics Committee. Unisex Mortality Tables. August 1975. p. 3.

113. Canadian Life Insurance Association. Brief to the Canadian Human Rights Commission on Draft Pensions and Insurance Regulations. November 1978. pp. 17-18.

114. Barnhart, E. Paul. "Comments" in Discrimination Against Minorities and Women in Pensions and Health, Life and Disability Insurance. Vol. I: Proceedings and Papers. Washington: U.S. Commission on Civil Rights, 1978. p. 511.

115. Williams, Lois G. "Statement" in Discrimination Against Minorities and Women in Pensions and Health, Life and Disability Insurance. Vol. I. (see footnote 114) p. 25.

116. Wilkins, Russell. Health Status in Canada 1926-1976. Institute for Research on Public Policy, 1980. p. 22.

117. Roseman, Ellen. "Are Unisex Life Insurance Rates Unfair?" in The Globe and Mail, September 11, 1979.

118. Canadian Life Insurance Association. op. cit. (see footnote 113) pp. 7-8, 17-18.

119. Denenberg, Herbert S. "An Overview Report: Discrimination in the Insurance Marketplace and in the Insurance Business - With Primary Emphasis on Life, Health, Disability and Pensions" in Discrimination Against Minorities and Women in Pensions and Health, Life and Disability Insurance, Vol. I. (see footnote 114) p. 258.

120. Statement by Jim Witol, spokesman for the Canadian Life Insurance Association, as quoted in O'Neill, Juliet. "Proposal to Bar Pension Plan Sex Discrimination Opposed" in Ottawa Citizen, February 6, 1979.

121. Jonung, Christina. "The Case of Sweden" in The Treatment of Women in the Public Pension Systems of Five Countries. (see footnote 11) pp. B-37 and B-44.

122. Land, Hilary. op. cit. (see footnotes 91 and 11) p. B-72.

123. Gordon, Nancy M. The Treatment of Women in the Public Pension Systems of Five Countries. (see footnote 11) pp. A-2 (for France), A-9 (for West Germany), A-15 (for Sweden) and A-21 (for the United Kingdom).

124. Hoskins, Dalmer and Bixby, Lenore E. Women and Social Security: Law and Policy in Five Countries. Washington: U.S. Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics, Research Report No. 42, 1973. p. 35 (for France); Haines Elizabeth. op. cit. (see footnote 11) p. B-25 (for Germany).

125. Gordon, Nancy M. op. cit. (see footnote 11) p. A-30.

126. Hoskins, Dalmer and Bixby, Lenore E. op. cit. (see footnote 124) p. 46-47.

127. An equivalent method should also be used in the case of workers with very low average lifetime earnings who drop out of the labour force completely to take care of young children or disabled relatives. As a result, these people would not only have their average earnings stay at the same level, for pension purposes, but would actually have them increase while they are working in their homes.

128. Unpublished data from Statistics Canada's Survey of Consumer Finances, 1976 (1975 Income - Economic Families), provided by the Consumer Income and Expenditure Division, Statistics Canada.

129. Canada Pension Plan Act, Revised Statutes of Canada 1970, Chapter C-5, as amended, Section 6(2) (f); An Act Respecting the Quebec Pension Plan, Revised Statutes of Quebec 1965. Chapter R-9, as amended, Section 3(d).

130. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) p. 341; Economic Council of Canada. op. cit. (see footnote 2) p. 109.

131. Hoskins, Dalmer and Bixby, Lenore E. op. cit. (see footnote 124) p. 62 (for the United Kingdom); Ruellan, Rolande "The Case of France" in The Treatment of Women in the Public Pension Systems of Five Countries. (see footnote 11) pp. 18-19; Gordon, Nancy M. op. cit. (see footnote 11) Appendix A, p. A-10 (for West Germany); Weissenberg, G. "Social Security for Women in Austria (With Special Reference to Long-Term Benefits)", in Women and Social Security. Geneva: International Social Security Association, Studies and Research No. 5, 1973. p. 70; Hoskins, Dalmer. "Problems of Divorce for Social Security Policy: ISSA Enquiry on Social Security and Divorced Persons" in Social Security Provisions in Case of Divorce. Geneva; International Social Security Association, Studies and Research No. 11, 1978. p. 32 (for Italy).

132. Shifrin, Leonard. "Half-Baked Idea Just 'Candy'" in Ottawa Citizen, December 3, 1980.

133. This was most clearly expressed in: Cook, Gail C.A., ed. Opportunity for Choice: A Goal for Women in Canada. Ottawa: Statistics Canada and the C.D. Howe Research Institute, 1976. It is also omnipresent in the Report of the Royal Commission on the Status of Women in Canada, Ottawa: Information Canada, 1970.

134. Ciuriak, Dan and Sims, Harvey. Participation Rate and Labour Force Growth in Canada. Ottawa: Long Range and Structural Analysis Division, Department of Finance, 1980; Denton, Frank T., Feaver, Christine H. and Spencer, Byron G. The Future Population and Labour Force of Canada: Projections to the Year 2051. Ottawa: Economic Council of Canada, 1980. Participation rates for 1980 were obtained from Statistics Canada, Labour Force Survey Group.

135. Canada, Statistics Canada. Labour Force Annual Averages 1975-1978. Catalogue No. 71-529, p. 9; more detailed figures from unpublished data derived from Statistics Canada's Survey of Consumer Finances, 1976 (Income 1975 - Economic Families) - microdata tape, provided by the Analytical Services Division, Policy Planning and Information Branch, Health and Welfare Canada.

136. Calculated from data contained in Canada, Statistics Canada. Population Projections for Canada and the Provinces 1976-2001. Catalogue No. 91-520. p. 252.

137. Decision Marketing Research Limited. Women in Canada. Ottawa: Office of the Co-ordinator, Status of Women, 1976. pp. 49-50. This survey found that 75% of Canadians still believe that the place of the mother of young children is in the home.

138. Canada, The Senate. op. cit. (see footnote 30) p. 93.

139. Same as footnote 8.

140. The person this happened to is a lawyer and a friend of the author of this report.

141. Quebec Pension Plan Regulations, Order in Council 2297, 1965, as amended by Order in Council 1738, 1978. Section 8.03; Canada Pension Plan Regulations, C.R.C. 1978. c. 385, as amended, Section 54.

142. Information obtained in various telephone conversations with field officers from the Hull office of the Régie des Rentes du Québec.

143. Conversations with higher officials of the CPP and QPP who prefer to remain unidentified.

144. Family Relations Act, Revised Statutes of British Columbia, 1979. p. 121, Sections 43 and 45(3)(d); Civil Code of the Province of Quebec, Section 1266(h).

145. Menzies, June. op. cit. (see footnote 10) p. 15.

146. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) pp. 198, 337; Economic Council of Canada. op. cit. (see footnote 2) p. 109.

147. These views were expressed by acquaintances of the author at the time the C/QPP was being designed in the 1960s.

148. Minister of National Health and Welfare v. Lydia (Komnevonic) Storry and Theresa Storry, Pension Appeals Board, April 4, 1973 in CCH, Canadian Employment Benefits and Pension Guide Reports, no. 8584, p. 6130.

149. These examples are based on the rationales given in the following judgments: Minister of National Health and Welfare v. Margaret L. Foran et al., Pension Appeals Board, May 27, 1980 in CCH, op. cit. (see footnote 148) no. 8838, pp. 6522-6524; Minister of National Health and Welfare v. Mary B. Richardson et al., Pension Appeals Board, November 8, 1979 in CCH, op. cit. no. 8825, pp. 6500-6502.

150. Royal Commission on the Status of Women in Canada. Report. Ottawa: Information Canada, 1970. p. 82.

151. U.S. Department of Health, Education and Welfare. Social Security and the Changing Roles of Men and Women. Washington: 1979. Appendix A.

152. The Old Age Security rates used here are those actually paid in 1980. The GIS rates are those which would have applied in 1980 if the $35 mid-year increase had been in force throughout the year.

The proposals on which the benefits shown in this table are based are described earlier and later in this report.

153. Canadian Labour Congress. op. cit. (see footnote 80) p. VI-7. The CLC also recommended increasing the Old Age Security benefits of the single elderly to 60% of those of couples, and changing the recovery rate used in the GIS from 50% to 66 2/3%. This means that the GIS would be reduced by $1 for every $1.50 of personal income, instead of $1 for every $2 as is being done now.

154. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) Summary Volume. p. 47.

155. Economic Council of Canada, op. cit. (see footnote 2) pp. 99-100.

156. Same as above, p. 108.

157. Québec, Cofirentes +. op. cit. (see footnote 79) pp. 68-70.

158. Québec, Conseil des affaires sociales et de la famille. Rapport annuel 1979-80. Québec: Éditeur officiel du Québec, 1980. pp. 18-20.

159. Canada, The Senate. op. cit. (see footnote 30) p. 93.

160. Canada, Senate Debates, April 24, 1980.

161. Canada, Statistics Canada. Pension Plans in Canada 1978. Catalogue No. 74-401. p. 80.

162. Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) pp. 197-198.

163. Same as footnote 100, Section 16.1(1).

164. Same as footnote 100, Section 16.1(2).

165. Staples, Thomas G. "Trends in the Definition of Risk in Old-Age and Invalidity Schemes" in International Social Security Review, Vol. XXXI, No. 2, 1978. pp. 178-179.

166. Weissenberg, G. op. cit. (see footnote 131) p. 68.

167. Economic Council of Canada. op. cit. (see footnote 2) p. 108.

168. Canada, Statistics Canada. Pension Plans in Canada 1978. Catalogue No. 74-401, p. 79.

169. U.S. Department of Justice, Task Force on Sex Discrimination, Civil Rights Division. op. cit. (see footnote 25) p. 46.

170. Same as above.

171. Québec, Cofirentes +. op. cit. (see footnote 79) pp. 68-70.

172. Québec, Conseil des affaires sociales et de la famille. op. cit. (see footnote 158) p. 20.

173. Gordon, Nancy M. op. cit. (see footnote 11) p. A-33.

174. Canada Pension Plan Act, R.S.C. 1970, p. C-5, as amended, Section 63(2); an Act Respecting the Quebec Pension Plan, R.S.Q. c. R-9, as amended, Section 91; and Legal Department, Quebec Pension Plan administration.

175. Québec, Cofirentes +, op. cit. (see footnote 79) p. 82; Canadian Labour Congress. op. cit. (see footnote 80) Appendix A, p. 2; Economic Council of Canada. op. cit. (see footnote 2) pp. 106-107; Canada, The Senate. op. cit. (see footnote 30) p. 15; Canada, Task Force on Retirement Income Policy. op. cit. (see footnote 2) pp. 348-350.

176. Collins, Kevin. op. cit. (see footnote 26) pp. 205-206.

177. Calculated from Canada, Statistics Canada. Income Distributions by Size in Canada. 1965 Edition, p. 41, and 1979 Preliminary Edition, p. 20.

178. Same as above, 1965 edition.

APPENDIX 1

Regular Canada/Quebec Pension Plan Benefits Paid to People Aged 65 and Over, June 1979

Type of Benefit	Men Age 65 +	Men Age 65 to 69	Women Age 65+	Women Age 65 to 69
Retirement pensions				
. % of population receiving one	70.5%	85.2%	20.9%	32.1%
. average benefit per recipient	$122	$160	$ 87	$108
Surviving spouse's pensions				
. % of population receiving one	0.2%	0.2%	6.7%	9.3%
. average benefit per recipient	$ 59	$ 58	$ 93	$ 87
Combined pension* (retirement and survivors')				
. % of population receiving one	0.1%	0.1%	0.4%	0.7%
. average benefit per recipient	$154	$182	$143	$153
All pensions				
. % of population receiving one	70.8%	85.5%	28.0%	42.1%
. average benefit per recipient	$122	$159	$ 89	$104

* Only compiled separately by the Quebec Pension Plan

SOURCES: Canada, Department of National Health and Welfare. Canada Pension Plan Statistical Bulletin. vol. 11, No. 2, June 1979; Québec, Régie des rentes du Québec. Bulletin statistique. vol. 13, no. 2, juin 1979; unpublished data on OAS/GIS/SPA recipients for June 1979, provided by the Systems Division, Information Systems Directorate, Policy, Planning and Information Branch, Department of National Health and Welfare.

APPENDIX 2

Canada/Quebec Pension Plan Employee Contributions as a Percentage of Earnings at Various Income Levels, 1981

Level of earnings	Canada/Quebec Pension Plan contributions	Canada/Quebec Pension Plan contributions as a % of earnings
$ 5 000	$ 64.80	1.3%
10 000	154.80	1.5%
14 700	239.40	1.6%
20 000	239.40	1.2%
25 000	239.40	1.0%
50 000	239.40	0.5%
100 000	239.40	0.2%

APPENDIX 3

Sex of Canada Pension Plan Contributors and Sex of Recipients of Canada Pension Plan Disability Benefits, 1978

	% of CPP contributors who are		% of CPP disability pension recipients who are	
Age	Female	Male	Female	Male
- 25	43.5%	56.5%	12.7%	87.3%
25 to 29	39.6%	60.4%	28.1%	71.9%
30 to 34	36.1%	63.9%	29.6%	70.4%
35 to 39	36.7%	63.3%	26.1%	73.9%
40 to 44	37.0%	63.0%	25.2%	74.7%
45 to 49	35.6%	64.4%	26.2%	73.8%
50 to 54	35.0%	65.0%	27.3%	72.7%
55 to 59	33.4%	66.6%	28.1%	71.9%
60 to 64	29.3%	70.7%	27.2%	72.8%
18 to 65	38.0%	62.0%	27.3%	72.7%

SOURCES: Canada, Department of National Health and Welfare. Canada Pension Plan Contributors 1978; Canada, Department of National Health and Welfare. Canada Pension Plan Statistical Bulletin. Vol. 10, No. 4, December 1978.

APPENDIX 4

Employer-Sponsored Pension Plan Coverage by Industry and Sex, 1976

Industry	% of paid workers who are women	% of workers who are in employer-sponsored pension plans	
		Women	Men
Agriculture	28.0%	0.4%	0.9%
Mines, quarries, oil wells	7.9%	47.0%	74.0%
Manufacturing	26.7%	28.0%	55.0%
Construction	6.8%	4.0%	47.0%
Transportation, communications	20.2%	56.0%	48.0%
Trade, commerce	41.4%	11.0%	15.0%
Finance, insurance, real estate	59.2%	32.0%	46.0%
Services	60.3%	22.0%	29.0%
Public administration	32.6%	98.0%	98.0%
All industries	38.1%	31.0%	50.0%

SOURCES: Canada, Statistics Canada. Labour Force Annual Averages 1975-1978, Catalogue no. 71-529; unpublished data from Statistics Canada's Pension Base, cited by Art Veness in a presentation to the Canadian Association of Gerontology, Halifax, November 1979.

APPENDIX 5

Marital Status of Canadians Aged 65 and Over, 1976

	Women	Men	Both sexes*
Single	115 260 (10%)	83 755 (10%)	199 020 (10%)
Married	439 030 (39%)	647 670 (74%)	1 086 700 (54%)
Widowed	561 070 (50%)	133 340 (15%)	694 415 (35%)
Divorced	11 580 (1%)	10 635 (1%)	22 215 (1%)
Total*	1 126 940 (100%)	875 400 (100%)	2 002 350 (100%)

SOURCE: Canada, Statistics Canada. Canada Year Book 1978-79. Ottawa: 1978, p. 159.

* Totals do not always add up because of rounding.

APPENDIX 6

Statistics Canada Poverty Lines

Estimates for 1980

No. in family	Population of Area of Residence: 500 000 and over	100 000-499 999	30 000-99 999	Less than 30 000	Rural
1	$ 5 815	$ 5 443	$ 5 286	$ 4 862	$ 4 225
2	8 427	7 891	7 664	7 048	6 131
3	10 753	10 072	9 775	8 996	7 822
4	12 790	11 976	11 625	10 696	9 299
5	14 297	13 384	12 997	11 960	10 399
6	15 695	14 695	14 268	13 127	11 413
7 or more	17 210	16 108	15 643	14 390	12 514

SOURCE: Canada, Statistics Canada. Income Distributions By Size in Canada - Preliminary Estimates for 1979. Catalogue No. 13-206, p. 8. Updated by adding 10%.

APPENDIX 7

Summary of the Recommendations of the Royal Commission on the Status of Pensions in Ontario

According to the Royal Commission on the Status of Pensions in Ontario, the two goals to be kept in mind in developing a retirement income system are:

1) guaranteeing a minimum level of retirement income below which no person's income is permitted to fall; and

2) replacing a measure of pre-retirement earnings, and thereby assist individuals to maintain their living standards.

The Commission believes these would be achieved if the following proposals were implemented:

1) Minimum Guarantee

For those aged 65 and over. The Commission thinks that minimum benefits for unmarried people of that age are too low and should be raised to 60% of couples' entitlement. This would be done by increasing the Guaranteed Income Supplement for single pensioners.

For those aged 60 to 64. The Commission disapproves of the present discrimination in favour of some married people of that age who can collect the Spouse's Allowance. It would cure the problem by phasing out the Allowance so that all needy people aged 60 to 64 would have to rely on social assistance.

2) Replacement of Previous Earnings

Under public pension plans. The Commission believes that "social insurance schemes ... should not be extended beyond the provision of a minimum standard of adequacy". Finding that "the CPP provides a reasonable amount of replacement income, especially for those in the lower ranges", it concludes that "the Government of Ontario (should) resist any move to increase the existing levels of retirement benefits and survivor benefits in the Canada Pension Plan".

Under private pension plans. In spite of the above, the Royal Commission recommends that the Ontario government set up a compulsory provincial universal retirement system (PURS). Under this plan, all paid workers and employers would deposit a percentage of the employee's salary in a special account, which would resemble a locked-in Registered Retirement Savings Plan.

As in the "money-purchase" pension plans on which PURS is patterned (see p. 22 of this report), the money would stay in that account until the employee retired, at which point it would be given to an insurance company in exchange for a pension (life annuity) equal to about 20% of the worker's salary.

PURS would differ from present "money-purchase" pensions in that its benefits would be based on unisex mortality tables and would therefore be the same for men and women with identical sums accumulated in their PURS accounts. Unless both spouses agreed to waive them, PURS would also produce surviving spouses' benefits of the "joint and survivor" type equal to 60% of the contributor's entitlement.

A main drawback of PURS is that it would only begin paying full pensions after 30 to 40 years of operation. Also, its benefits would not increase with rises in the cost of living.

To protect pensioners' non-government income from the ravages of inflation, the Commission proposes a new refundable Inflation Tax Credit. This would offset the loss of purchasing power of income from private sources by giving benefits equal to a percentage of income from employer pensions, annuities from RRSPs, etc., up to a ceiling. As a result, the amount of this credit would be greatest for those with higher incomes.

3) Pensions for Women

Women were not a main focus of the Ontario Commission's study but it did give them some thought. It wrote that it "endorses the attitude that there should be a move away from the assumption of need arising out of marital or quasi-marital status, and towards adoption of entitlement as the rationale". It also stated that "the system should be redesigned now to fit the emerging reality of women as workers and to open as many avenues as possible for women to contribute to their own future security".

Having said this, however, the Commission rejects pensions for homemakers, which it mainly equates with proposals for voluntary contributions by women at home to the Canada Pension Plan. It finds that such contributions would: 1) serve only to assist those who are unlikely to require economic assistance in retirement; 2) distort the original social insurance concept of the CPP; 3) create two sets of plan members, those who must contribute and those who may, which might be undesirable on human rights grounds; 4) require radical alteration of the plan's administration; 5) pose work valuation problems; 6) etc..

While the Commission did not try to develop a system of participation by housewives that would meet these objections, it did concede that "it is not perhaps beyond the ability of pension designers to come up with an arrangement" which would do so. If such a system is put forward, it says, it should "be assessed carefully on the basis of the real need of the persons to be covered".

The Royal Commission also rejects the principle of splitting of pension credits between the spouses, whether during marriage or on divorce. It therefore opposes the inclusion of employer-sponsored pension rights in the assets which are shared equally between the spouses in Ontario upon marriage breakdown.

All is not negative, though, because the Commission supports the amendment to the Canada Pension Plan that would exclude from that pension's calculation the years spent at home with young children. It says that this should "take effect without delay".

SOURCE: Report of the Royal Commission on the Status of Pensions in Ontario, including: Summary Report: A Plan for the Future; Volumes I to IV, Design for Retirement; Volume V, Ontario and the Canada Pension Plan; Volumes VI and VII, Pensions for Ontario Public Sector Employees; Volumes VIII and IX, Background Studies and Papers. Toronto: Queen's Printer, 1980.