

# PENSIONS IN CANADA:



## POLICY REFORM BECAUSE WOMEN MATTER

As women become seniors in Canada, they are considerably more dependent than men on public pensions. If they live alone, as most will at some point, they're also likely to struggle on woefully low incomes. For very many women, there's not much gold in their 'golden' years.

This is because much of retirement income is derived from contributions based on lifetime earnings. A majority of women are at a disadvantage as they have:

- ♦ lower wages than men,
- ♦ more part time, low paying work,
- ♦ frequent breaks for **unpaid** caregiving and, therefore,
- ♦ much less ability to stockpile money in private retirement savings plans.

This situation is particularly bleak for aboriginal and immigrant women. It may seem surprising but not much in our current situation promises improvement in the foreseeable future.

In this country, governments at all levels have vowed to provide social safety nets with the overarching goal of eliminating poverty. However, the Standing Committee on the Status of Women in Ottawa recently heard from women's groups across the nation that program and policy changes throughout the past decades had had significant yet unintentional negative impacts on women. Ways in which the present system denies many of them decent retirement incomes include:

- ♦ its inability to compensate for income inequality based on gender, underemployment, and women's unfair burden of caregiving,

- ♦ the disproportionate reduction of a survivor's share of a spouse/partner's pension, and
- ♦ the obscure fact that government taxation policy for retirement savings ... the focus of much emphasis these days ... unjustly favours high income earners, mostly males.

Currently, social policy also works against this vulnerable population. Governments have cut many programs for seniors making individuals more

responsible for their own well-being; rather than continuing a more collective approach. This 'sink or swim' trend is a direct consequence of our country's involvement in the global market economy that values profits more than people.

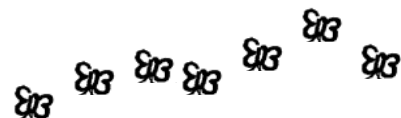


Women Elders in Action (WE\*ACT) has written a position paper on pension reform to raise awareness of the current pitfalls for this generation of women contributing both waged and unwaged work. It asks the federal government to improve our national pension and supporting policies so

women will be more fairly valued for their meaningful contributions to society and treated more equitably in their later years. This will ensure them a better chance to be fully engaged as the next stage of life unfolds.

Read on to unearth some surprising workplace and pension statistics that support WE\*ACT's argument for our recommendations for change.

# Factors Affecting Women's Pensions



Well-over 40% of senior women living alone live below the pre-tax Low Income Cut Off (LICO). (Stats Canada, 2001) In 1997, this number was approximately 360,000 women. (National Council on Welfare, 1999c)

Senior women live in poverty due to low pension incomes: 65% of people collecting public pensions (Old Age Security Pension/Guaranteed Income Supplement) are women. (Stats Canada, 2003)

Basic Old Age Pension and Guaranteed Income Supplement for single people who have no other income is currently set at about \$1050 a month.

Many women have little Canada Pension Plan (CPP/QPP) or private occupational pension income because these plans are based on lifetime earnings.

In 2004, the average CPP benefit paid to women aged 65 – 69 was \$335/mo. (58% of that for men who received on average \$578). (Stats Canada, Nov/04)

Over 60% of women don't have workplace pensions. This is partially due to the fact that they are more likely to have low-paid, part-time and/or contract work. (C. Wiggins, 2003)

Women earn, on average, 73 cents for every dollar men earn. (Stats Canada, 2001)

Women still carry a disproportionate burden caring for children, people with disabilities, their grandchildren and the elderly. Women are twice as likely to care for their frail parents or other relatives as men. (Stats Canada, 2004 publication)

In 2003, only 59% of women over the age of 15 had paid employment compared with 73% of men. (C. Young, 2004)

Women have waged work for only 75% of their potential working years; men work for 94% of their potential. (C. Wiggins, 2003)

Poverty for senior women is not simply historic. Young women today will suffer hardship later due to factors such as: lack of reliable, cheap, quality daycare that keeps them out of the workforce or only working part-time; their need to care for aging parents; cuts to good-paying union jobs during their earning years; the development of user-pay programs for seniors; and Joint and Last Survivor Rates set at 60% even though approximately 2/3 of previous pension income is required to maintain household and daily living expenses for a survivor upon the death of a spouse/partner.

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Over 38% of low-paying, dead-end jobs are held by people with a post secondary certificate, diploma or degree. Women hold two thirds of these jobs. (R. Saunders, 2004)

In British Columbia, women previously held nearly 75% of the 20,000 decent-paying public sector jobs lost since 2001. (S. Fuller/L. Stephens, 2004)

Immigrant women must live in Canada for ten years between the ages of 18 and 65 before they can collect 25% of Old Age Pension. The amount they get at 65 will not be increased by staying additional

years except through indexing. To collect full OAP, they must reside in Canada for 40 years between ages 18 and 65. This applies even if they have Landed Immigrant Status or are a Canadian Citizen. This policy contravenes the Charter of Rights and Freedoms.

# Key Recommendations for Pension Policy Reform

## PUBLIC PENSIONS

1. Increase Guaranteed Income Supplement (GIS) so that total Old Age Security/GIS is at a level at least commensurate with the pre-tax Low Income Cut Off (LICO).
2. Make full entitlement to OAS/GIS universal so that every individual who is a permanent resident of Canada at age 65 or older, whose income/circumstances meet the GIS requirement, is entitled to OAS/GIS regardless of the time they've spent in this country.



3. Raise the income ceiling for maximum CPP contributions from \$40,500 to at least \$60,000. Thus, higher income earners would contribute more to the fund.
4. Modify CPP/QPP so that it replaces 50% of the income for low-income workers, disproportionately women. The current maximum of 25% of average wage consigns those receiving the least pay to a continuation of extreme poverty throughout their retirement years.
5. Oppose privatization of public pensions. Research clearly indicates moving to privatization means investors lose a sizeable portion of that investment for fees, commissions and program maintenance paid to private financial institutions who are the big winners.
6. Develop a parallel 'dropout' provision in the CPP/QPP to the existing child care dropout to include persons who are caring for people with disabilities or providing eldercare or care for grandchildren so that women's care-giving contributions are recognized and not penalized when benefits are calculated.
7. Develop ethical investment policies for CPP/QPP to ensure that our pension investments are socially responsible and do not support companies or enterprises that manufacture or trade in military arms or weapons; have records of poor labour practices; contribute to environmental degradation; or whose conduct, practices or activities are similarly contrary to Canadian values.

## PRIVATE OCCUPATIONAL PENSIONS

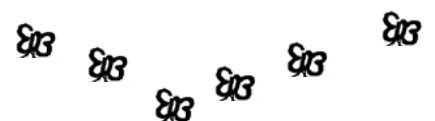
8. Encourage the provision of components such as child rearing dropouts, care for people with disabilities and eldercare in workplace pension plans to duplicate those that should be available through CPP/QPP. (See # 6).
9. Set Joint and Last Survivor rates to cover the real costs of maintaining the same residence and standard of living for the survivor once a spouse is gone. Research is required to determine that figure which is suggested to be between 66 2/3 and 70%.
10. Create policy to ensure that all workers logging more than 10 hours a week have access to workplace pensions. Currently, approximately 60% of working women do not have access to company plans. Encourage the development of pensions that are portable and suited to the short term and mobile nature of many women's experience of paid employment.

## TAXATION CONSIDERATIONS

11. Ensure incomes below the poverty line (commonly understood as Low Income Cut Off) are not taxed.
12. Reform income tax policy to convert deductions for Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs) savings to credits to be subtracted from taxes owed. This would make contributions more equitable between those in higher and lower tax brackets. Use the subsequent revenue increase to fund changes to OAP/GIS.

## INDEXING

13. Ensure that pensions, both public and private, are fully indexed to reflect the real increases in the cost of living experienced by seniors.



# CANADA'S PENSION SYSTEMS

## I OLD AGE SECURITY PROGRAMS

- 1 Old Age Security Pension
- 2 Guaranteed Income Supplement
- 3 Allowance (spouses 60 – 65 of seniors)
- 4 Allowance for the Survivor (widows 60 – 65)

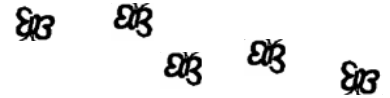
## II CANADA PENSION PLAN (CPP) and QUEBEC PENSION PLAN (QPP)

- 1 Retirement Pension – based on lifetime earnings
- 2 Death Benefit –one time payment
- 3 Survivor Benefit
- 4 Children's Benefit
- 5 Disability Pension

## III OCCUPATIONAL/WORKPLACE PENSIONS & PRIVATE PENSIONS

- 1 Registered Pension Plans (RPPs)
- 2 Registered Retirement Savings Plans (RRSPs)

Call Social Development Canada at 1-800-277-9914 for details about Old Age Security and CPP or check their website at [www.sdc.gc.ca](http://www.sdc.gc.ca); for programs in Quebec, phone la Régie des rentes at 1-800-463-5185 or visit their website at [www.rrq.qc.ca](http://www.rrq.qc.ca)



WE\*ACT's creation of our position paper on pension reform, *Pensions in Canada: Policy Reform Because Women Matter* was the culmination of several years of active research and public discussion by many of our members in the lower mainland and through our provincial network. This work has been funded by Status of Women Canada and 411 Seniors Centre Society but does not necessarily represent their views. Your comments on our position are welcome any time.

If you would like to access our Speakers' Bureau or add your organization's name in support of this call for pension reform, or for a hardcopy of the complete paper, call the **WE\*ACT** office at 411 Seniors Centre, Wednesday through Friday. (Ce document est aussi disponible en français)

To access our paper online: [www.411seniors.bc.ca](http://www.411seniors.bc.ca) Special Projects > WE\*ACT

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