Reducing Poverty among Older Women:

The Potential of Retirement Incomes Policies

By

Monica Townson

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ABSTRACT

Poverty rates among the elderly have been reduced over the last two decades although the majority of older women, who are on their own, remain poor. Retirement income policies could be used to reduce poverty among the future elderly and ensure the financial security of women in old age. But public policy on retirement incomes must take into account the origins of older women's poverty including women's lower earnings, their family responsibilities, the way in which they combine paid and unpaid work during their lifetimes, the changing structure of the paid work force, the fact that women, on average, will generally spend longer in old age than men will and the likelihood that most women will be left on their own eventually. New policy initiatives might be developed at all levels of the retirement income system, but public pension programs hold out the greatest potential for preventing poverty of older women in the future.

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LIST OF ABBREVIATIONS AND ACRONYMS

APP	personal pension plan (United Kingdom)
CAPSA	Canadian Association of Pension Supervisory Authorities
CPP	Canada Pension Plan
CIA	Canadian Institute of Actuaries
CPI	Consumer Price Index
CUPE	Canadian Union of Public Employees
EI	Employment Insurance
GIS	Guaranteed Income Supplement
GSS	General Social Survey
HRDC	Human Resources Development Canada
IRA	individual retirement account (United States)
LICO	Low Income Cut-Off
MBM	Market Basket Measure
OAS	Old Age Security
QPP	Quebec Pension Plan
RPP	Registered Pension Plan
RRSP	Registered Retirement Savings Plan
SERPS	state earnings-related pension schemes (United Kingdom)
SLID	Survey of Labour and Income Dynamics
YBE	Year’s Basic Exemption
YMPE	Year’s Maximum Pensionable Earnings

PREFACE

Good public policy depends on good policy research. In recognition of this, Status of Women Canada instituted the Policy Research Fund in 1996. It supports independent policy research on issues linked to the public policy agenda and in need of gender-based analysis. Our objective is to enhance public debate on gender equality issues and to enable individuals, organizations, policy makers and policy analysts to participate more effectively in the development of policy.

The focus of the research may be on long-term, emerging policy issues or short-term, urgent policy issues that require an analysis of their gender implications. Funding is awarded through an open, competitive call for proposals. A non-governmental, external committee plays a key role in identifying policy research priorities, selecting research proposals for funding and evaluating the final reports.

This policy research paper, ***Reducing Poverty Among Older Women: The Potential of Retirement Incomes Policies***, was proposed and developed under a call for proposals in August 1997 on reducing women's poverty: policy options, directions and frameworks. Nine research projects were funded by Status of Women Canada on this issue. These projects range from very broad analyses to more focussed studies.

Some of the broad areas of policy research undertaken through this call for proposals examine the dynamics of poverty, links between social policy and gender inequality, and frameworks and policy options for reducing women's poverty. Some of the more specific research questions look at links between housing and employment, hidden costs of eldercare, effects of home care on women's poverty, pay equity in Quebec and the relationship between women and the state in Quebec, and retirement incomes. A complete list of the research projects funded under this call for proposals is included at the end of this report.

We thank all the researchers for their contribution to the public policy debate.

EXECUTIVE SUMMARY

Poverty rates among the elderly have been reduced over the last two decades, largely as a result of the maturing of the Canada Pension Plan as well as ad hoc improvements in government programs, such as the Guaranteed Income Supplement. However, while there has been an improvement in the financial situation of older women, the majority of older women, who are on their own, remain poor.

There is a growing controversy over how poverty is measured. Statistics Canada's Low-Income Cut-Offs (LICOs), which are widely used as an indication of poverty, measure low income in relative terms, based on the percentage of income individuals and families spend on the basic needs of food, clothing and shelter compared with the rest of the population. Corporate-funded research institutes argue that poverty should be measured in absolute terms, so only those without sufficient income to purchase a clearly defined group or "basket" of minimal basic necessities would be considered "poor." Advocates of an absolute measure of poverty also claim that the extent of poverty in Canada has been greatly exaggerated. They see no urgent need for governments to take action or for public policies to be developed to deal with poverty.

Governments are now also moving in this direction, and Human Resources Development Canada is working with the provinces to develop a "needs-based" measure of poverty, called the Market Basket Measure, which could be used to evaluate the success of policies to address poverty, such as the child tax benefit. The adoption of such a measure would almost certainly reduce the numbers of older women considered to be "poor" and could weaken support for public policies to address their needs.

Many of today's older women did not work outside their homes and were, therefore, unable to accumulate pensions in their own right. But although women, who will be old in the future, will have spent most of their adult life in paid employment, their financial security in old age is by no means assured. Important changes now under way might even increase the chances of women being poor when they grow old.

Patterns of paid and unpaid work are changing. A high percentage of women in the paid work force are employed in part-time and non-standard jobs, including self-employment, where low earnings may be accompanied by little or no job security. Women must still interrupt their paid employment because of family responsibilities. And the unpaid work of women may increase as government cutbacks reduce public sector provision of social services, in the expectation that these can be provided at "no cost" by families, and an aging population increases the demand for elder care. Coverage of workplace pension plans is declining, and women's lower earnings still make it difficult for them to set aside private savings for their old age.

At the same time, as women face these challenges, pension policy is moving away from the collective responsibility which has been fundamental to Canada's public pension programs.

Policy makers have been preoccupied with the cost of public pensions. There is pressure to reduce benefits and even to privatize the public pension system, shifting responsibility on to individuals, who will increasingly be expected to save for themselves and provide their own retirement incomes. Women will find it particularly difficult to do this. To the extent that they are unable to do so, poverty among older women may increase, unless policies can be developed to address their needs.

Pension policy can be used to address the poverty of older women in two ways.

- It can mitigate poverty in old age by providing benefits to poor women once they are old.

- It can assist women through a variety of measures that would improve their ability to accumulate retirement income throughout their lifetimes.

Such measures would have to take into account the origins of women’s poverty, which could include:

- women’s lower earnings;
- their family responsibilities;
- the way in which they combine paid and unpaid work during their lifetime;
- the changing structure of the paid work force and the labour market;
- the fact that women generally live longer than men and, therefore, on average, will spend longer in old age than men will; and
- the fact that most women will be left on their own eventually.

Federal and provincial governments have a range of pension policy instruments through which they could develop initiatives to reduce the poverty of older women. Not only do they provide income support programs such as Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), but they administer the Canada and Quebec pension plans (CPP/QPP). They also regulate private workplace pension plans and determine the regulations for tax-assisted retirement savings in Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs) through the *Income Tax Act*.

New policy initiatives might be developed at all levels of the retirement income system to address the poverty of women as they grow old, but the first two tiers of the system—the public pension programs—clearly hold the greatest potential.

Some of the changes that might be made include:

- using OAS to recognize women’s family responsibilities and unpaid work;
- indexing public pensions to wages rather than prices;

- extending the child-rearing drop-out in the CPP/QPP to include periods of time spent in other unpaid caregiving work for family members;
- restructuring the Year’s Basic Exemption (YBE) in the CPP/QPP and providing an additional tax credit to help workers in non-standard jobs;
- requiring the mandatory division of CPP/QPP pension credits between spouses at retirement;
- improving surviving spouse benefits in the CPP/QPP; and
- increasing the replacement rate of CPP/QPP retirement pensions for low-income workers.

The tax-assisted private retirement income system of registered workplace pension plans and RRSPs offers only limited potential for initiatives that might help reduce the poverty of women who will be old in the future. However, there are some measures that could be initiated here too.

Pensions provide the main source of income for a significant period of most people’s lives. For women, this often amounts to a quarter of their lifetime. Developing effective pension policies that specifically take into account the needs of women are, therefore, essential to addressing the poverty of older women.

1. PENSION POLICY AND OLDER WOMEN

Many older women in Canada are likely to end their days in relative poverty. In spite of government programs, improved pensions and more women than ever before in the paid work force, 49% of older women on their own are poor. Until quite recently, these women were the poorest group in Canadian society. Since 1990, however, female lone parents who are the head of a family can claim that dubious distinction, with a poverty rate of 56% (Statistics Canada 1999a, Text Table 4).

Efforts to address the poverty of older women have concentrated almost exclusively on the provision of income support to people once they reach age 65, through federal programs such as Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), as well as provincial top-ups for low-income pensioners. These programs will likely remain the primary avenue for dealing with poverty among women who are already 65 or older. But other policies might be developed to prevent, or at least reduce, poverty among women who will be seniors in the future.

The possibility of improvements in the retirement income system to address the needs of women as they grow old first came to prominence about 20 years ago. In a major review of the pension system at the beginning of the 1980s, special attention was paid to the financial situation of older women. For example, at the National Pensions Conference, held in Ottawa in 1981, income security for older women was one of four key items on the agenda. Canadians generally engaged in what came to be known as “the great pension debate.” This was characterized by the publication of a number of reports on the pension system by various bodies, including a federal task force on retirement income policy (Dept. of Finance 1979), a Senate committee (Canada 1979), the Economic Council of Canada (1979), a Royal Commission on the Status of Pensions in Ontario (Ontario 1980), the federal government, which issued a “green paper” (Dept. of Finance 1982), and a House of Commons task force (Canada 1983).

All these reports acknowledged the precarious financial situation of older women. The main preoccupation at that time was how to respond to “a growing concern among many groups about the current and future well-being of Canada’s elderly” (Dept. of Finance 1979, Foreword). The position of older women was of particular concern. In 1980, at the time of the National Pensions Conference, 72% of unattached women aged 65 or older had incomes below Statistics Canada’s Low-Income Cut-Offs (LICOs), while almost 18% of older women living in families had low incomes. Overall, 40% of women, compared with 27% of men aged 65 or older had incomes below the LICO (Statistics Canada 1999a, Text Table III).

Changes in Workplace Pension Plans

Federal and provincial governments implemented policies during the first half of the 1980s in an attempt to address some of the concerns about women and the pension system identified during the debate. Changes were made in legislation governing workplace pension plans to make surviving spouse benefits mandatory, unless both spouses agree in writing to waive this right. Employers having a pension plan for full-time workers were required to allow part-time workers to join, and portability options were introduced to allow workers to transfer pension benefits when they changed jobs.

But these changes were not retroactive. They applied only to benefits earned after the new laws came into place. In a sense, they might be viewed as an effort to address the poverty of older women since they were expected to improve the future financial security of women who belong to a workplace pension plan—or whose spouse or partner is a pension plan member.

However, the majority of Canadian workers are not covered by the private pension system. As well, coverage of workplace pension plans is now declining, as employers try to reduce costs and avoid responsibility for guaranteeing defined benefit pensions for employees. In 1980, for example, 57% of men and 48% of women with full-time paid jobs belonged to workplace pension plans (Statistics Canada 1984, Table C: 13). By the beginning of 1998, only 42% of men and 40% of women in paid employment were covered by these pension plans (Statistics Canada 1999b, Table 4: 18). Women in the paid work force are still concentrated in sectors of the economy where a workplace pension plan is the exception rather than the rule.

Changes in Public Pension Programs

The 1982 government green paper, *Better Pensions for Canadians*, had suggested a number of changes to public pension programs (some of which were subsequently implemented) intended to improve the retirement incomes of women. But for the most part, these were relatively minor changes, such as ensuring that surviving spouse benefits would continue even if the surviving spouse remarried, and providing for the voluntary division of Canada Pension Plan (CPP) credits between spouses when both reached retirement age. Similar changes were made in the Quebec Pension Plan (QPP). A proposal to increase CPP survivor benefits for spouses over age 65 when their spouse died was not adopted.

Generally, nothing significant was done through the public pension system to address the specific needs of older women following the great pension debate. In 1987, the CPP was changed to allow for an actuarially reduced retirement pension to be paid at age 60, and credit splitting between spouses in the event of marriage breakdown was extended to common-law spouses. Parallel changes were made in the QPP in 1984 and 1989.

In the 1990s, governments began to express concern about the high cost of public pensions and to explore ways in which benefits could be restrained or even cut back. However, a proposal to abolish the OAS and GIS and replace them with an income-tested seniors benefit was eventually abandoned when the government’s financial situation improved. And proposals, which would have been implemented in 1998, for significant cuts in CPP benefits were also scaled back.

Poverty Rates of Some Older Women Remain High

Poverty rates among the elderly have been reduced over the last two decades, largely as a result of the maturing of the Canada Pension Plan as well as ad hoc improvements in government programs, notably the Guaranteed Income Supplement. By 1997, 19% of Canadians aged 65 or older had incomes below the LICOs, compared with 34% in 1980 (Statistics Canada 1999a, Text Table IV). While there has been an improvement in the financial situation of older women, almost half of all older women, who are on their own, remain poor. Since most women are likely to end up on their own eventually, such a high rate of poverty is still cause for concern.

It should be noted that there is a growing debate on how poverty is measured and whether it is appropriate to use Statistics Canada’s LICOs as a measure of low income. Although Statistics Canada has pointed out many times that the LICO should not be considered a “poverty line,” it is widely used as an indication of poverty. Those who object to this approach claim that people whose income is below the cutoff are only “poor” in relation to the rest of the population. They claim that rates of poverty have, therefore, been overstated. Instead of a relative measure of poverty, they argue for an absolute measure that would define the “basic necessities” and determine how much money is required to provide them. Under such a system, only people who do not have enough money to provide themselves with a basic minimum of food, clothing and shelter would be considered “poor.”

Clearly, if “poverty” were to be redefined to reduce the number of people considered “poor,” policy makers might decide there was no longer a problem of poverty among older women. In such circumstances, they might be reluctant to make significant changes in pension policies to improve the financial situation of women as they grow old. Determining the extent of poverty among older women in the future is, therefore, a key to policy development in this area.

The Assumption that Future Seniors Will Be Better Off

Women may be poor in old age for a variety of reasons. It has generally been assumed that the major reason for continued high rates of poverty among older women is that most of today’s older women did not work outside the home and were, therefore, unable to accumulate pensions in their own right. Recent changes in public pension programs tended to assume that now that most married women work outside the home, they will be able to earn pensions in their own names and, therefore, there is less need to be concerned about the poverty of these women in old age.

For example, the government information paper on changes to the Canada Pension Plan, issued in February 1996, makes the statement that “CPP survivor benefits were designed in an era when most women did not work outside of the home.... Today, when 68 per cent of working-age women are in the work force, consideration could be given to redesigning CPP survivor benefits so that they reflect the changing realities of today’s families” (Dept. of Finance 1996a: 40).

The implicit assumption seems to be that active measures to address the poverty of older women will not be required, because women will now be able to provide an adequate retirement income for themselves through their own earnings in the paid work force.

New Directions in Pension Policy

Public pension programs have played a key role in reducing poverty among older women over the last two decades, and government transfers are still the main source of income for older women. But recent trends in pension policy raise serious concerns about the future. The expectation increasingly seems to be that public pension programs will play a less prominent role in Canada's retirement income system.

Pension policy is moving away from the collective responsibility and pooling of risks which are fundamental to Canada's public pension programs. The current preoccupation with the cost of public pensions has resulted in pressure to reduce benefits and to shift responsibility on to individuals, who will increasingly be expected to save for themselves and provide their own retirement incomes. Women may find it particularly difficult to do this. To the extent that they are unable to do so, poverty among older women may increase, unless policies can be developed to address their needs.

Changing Patterns of Paid and Unpaid Work

While it might have been expected that the likelihood of old age poverty would be considerably reduced as more and more women spend most of their adult lives in paid employment, their financial security in old age is by no means assured. Important changes now under way could possibly increase the chances of women being poor when they grow old.

Patterns of paid and unpaid work are changing. While most women are now participating in the paid work force, more and more of them are in part-time and non-standard jobs including temporary or contract work, own-account self-employment, that is, without employees, or multiple jobs. Coverage of occupational pension plans is virtually non-existent in such jobs, and low wages and a lack of job security make it particularly difficult to save for retirement.

Women's average earnings are still considerably lower than those of men, even when both are employed full time for a full year. And lower earnings make it difficult for women to set aside private savings for their old age.

Women must still interrupt their paid employment because of family responsibilities. As well, as social services previously provided through the public sector are cut back and effectively transferred to "the voluntary sector," there may be an implicit assumption that women will be able to undertake much of this work without pay. To the extent that women are expected to do more of this unpaid work, this could have serious implications for the financial well-being of women in old age.

Unless particular attention is paid to the significant differences between women and men in the kind of paid jobs they hold and their different lifetime patterns of paid and unpaid work, and unless those differences are factored into public policy on retirement incomes, recent progress in reducing poverty among older women may well be reversed.

Need to Preserve Economic Autonomy

These developments also raise concerns.

- Will women have to rely increasingly on the financial support of a spouse or partner to ensure their financial security in old age?

- Is it appropriate to expect that they will do so?

- How will women who have no spouse or partner be affected?

- What are the implications of such assumptions for women's equality if they undermine women's economic autonomy?

Recent changes to public pension programs appear to have made no acknowledgment of the importance of establishing and maintaining the economic autonomy of women as a way of preventing or reducing the poverty of women in old age. For example, the proposed new seniors' benefit—since abandoned—was to have been based on family income. While separate cheques would have been issued to each spouse in a couple, effectively, a woman's entitlement to a benefit would have been determined by the income of her spouse.

Failure to acknowledge the importance of women's economic autonomy was also evident in a recent gender analysis of changes to the CPP, issued by the federal, provincial and territorial governments of Canada. It made the claim that, in relation to their contributions to the plan, a key reason women get more out of the CPP than men is because of the benefits they receive as survivors of men (Dept. of Finance 1997b).

Can Pension Policy Address the Poverty of Older Women?

There has been considerable research on the situation of older women and the economic position of seniors. However, little attention has been paid to the factors that determine whether or not women will be poor when they are old, and whether or how those factors may be changing. For instance, what will be the impact of an increasing trend to non-standard work on the poverty of women as they grow old? How will the incidence of poverty in old age change if women face an increasing burden of unpaid work? What will be the impact of retirement income policies now being developed on the poverty of older women?

It is important that policy makers consider these issues as they plan changes to the retirement income system. Federal and provincial finance ministers are now required to review the operation of the CPP every three years. The first review under the new legislation, completed at the end of 1999, did not produce any further changes to the plan. However, policy issues relating specifically to women were left open for discussion when the legislative changes were made, effective in 1998. Consideration of these issues is ongoing.

They included further changes to the way in which the first few thousand dollars of earnings are exempted from CPP contributions, further changes to surviving spouse benefits, and a possible requirement that spouses be required to share their CPP credits annually as these are accumulated. This latter suggestion could also involve changes to the child-rearing drop-out provisions which ensure that a parent (generally, the mother) is not penalized for the years of little or no earnings when the child was under seven years of age. Potential changes could be to the detriment of women.

In addition, the government is under pressure to make changes in the tax treatment of private retirement savings. It has also been urged to abolish the CPP completely and replace it with a system of mandatory private savings plans, or to allow individuals to opt out of the CPP and have their contributions directed to an individual retirement savings account instead. These developments might well increase the poverty of older women in the future.

Can retirement income policies be used to reduce poverty among the future elderly and ensure the financial security of women in old age, while preserving their economic autonomy as they grow old? This report looks at the impact of retirement incomes policies on the financial security of older women. It examines how various policies on public pensions might be combined with various types of policies on workplace pension plans and private retirement savings to address the question of financial security for women in old age. It also discusses new policy initiatives that might be developed to address the poverty of women as they grow old, given women's unpaid work and the increasing prevalence of non-standard employment for women in the paid work force.

2. CURRENT RETIREMENT INCOME POLICY AND PROGRAMS IN CANADA

Canada’s retirement income system is generally described as having three tiers. The first tier consists of Old Age Security and the Guaranteed Income Supplement which provide a basic guaranteed income to seniors and are funded through the general tax revenues of the federal government. The Spouse’s Allowance program, which also falls under this tier, provides benefits to low-income individuals aged 60 to 64 who are married to low-income pensioners or are widows who have not remarried. Low-income single and divorced people aged 60 to 64 are not entitled to Spouse’s Allowance, nor are low-income married people with spouses under age 65. Because OAS/GIS is a federal program, the federal government acting alone may develop policy and make any changes it deems necessary.

The second tier of the system is the Canada Pension Plan and the parallel Quebec Pension Plan, constituting an earnings-related social insurance program, funded by contributions from workers and their employers. No government funding is involved, although individuals receive a tax credit for their CPP/QPP contributions. The federal and provincial governments, acting together, administer the CPP, and changes to the plan require the consent of two thirds of the provinces having two thirds of the population. In effect, federal and provincial finance ministers (including the minister from Quebec) develop policies for the CPP, although Quebec residents do not participate in the CPP.

While Quebec administers the QPP and determines policies for that plan, the QPP is integrated with the CPP. The plans pay similar benefits and have the same contribution rates. Individuals who have contributed to both plans during their lifetime paid employment receive benefits based on their combined record with both plans.

The third tier of the retirement income system consists of private retirement savings. This includes both private workplace pension plans, known as Registered Pension Plans (RPPs), and Registered Retirement Savings Plans (RRSPs), through which individuals may save for their own retirement with tax assistance from the government, paid for by all taxpayers. Although arrangements in the third tier are commonly referred to as “private,” the terminology is misleading since governments are involved in regulating this part of the system and contributing to its financing through tax assistance to RRSP investors, pension plan members and employers.

The Range of Pension Policy Instruments Available to Governments

The government’s role in pension policy, therefore, is not limited to the provision of income support programs such as OAS and GIS and the administration of public earnings-related pensions through the CPP/QPP. Workplace pension plans must be registered for tax purposes, so the federal government, through Revenue Canada—now the Canada Customs and Revenue Agency—can set out the requirements these plans must meet for registration.

Both federal and provincial governments also regulate private workplace pension plans through pension benefits legislation, which sets minimum standards relating to benefit structures, investments and so on, designed to protect the interests of pension plan members. Federal legislation applies to pension plans sponsored by employers under federal jurisdiction, such as banks, transportation and communications companies. Employers under federal jurisdiction employ about 10% of the work force.

As well, through the *Income Tax Act*, the federal government establishes the rules and requirements for tax assistance to private retirement savings in RRSPs and sets limits on the accumulation of pension benefits through workplace pension plans.

Federal and provincial governments, therefore, have a wide range of instruments through which they can develop and implement pension policies. Most of these avenues could be used to implement measures to improve the future financial security of women. In fact, such measures have been enacted in the past, for example, when federal and provincial pension regulatory authorities made surviving spouse benefits mandatory for private workplace pension plans, or when federal and provincial governments agreed to include the child-rearing drop-out provision in the CPP/QPP.

A Comprehensive Approach

Obviously, the various elements of the retirement income system interact with each other, so changes to one part of the system may affect the operation of another part. For example, reducing the level of benefits available from the public earnings-related plan (the CPP/QPP) could increase claims on the basic income guarantee (OAS/GIS). Policies that resulted in more people saving on their own for retirement, could conceivably result in reducing claims on the first tier of the system.

However, in spite of increasing concern about the aging of the population, there has been no effort by governments to develop a comprehensive strategy on retirement incomes, incorporating the various instruments available to federal and provincial governments, that would focus on how the well-being of future seniors can be assured. Instead, piecemeal changes have been made to public pension programs, apparently without any consideration of how all the various parts of the retirement income system will fit together and how changes in one part of the system might interact with changes in other parts.

For the most part, recent changes have focussed on reducing the cost of the system, rather than improving its ability to provide retirement incomes to seniors. For example, the proposed seniors benefit was structured to reduce the cost of the program, anticipated to increase significantly as the population ages. It would have resulted in reduced benefits for many seniors, particularly for married women.

Changes to the CPP, in effect from January 1, 1998, were also designed to reduce the cost of the program. Initially, it had been proposed to avoid contribution rate increases by reducing benefits. Again, many of the proposed changes would have had an adverse impact on women.

Ultimately, benefit reductions were much more limited, and major changes were made in the financing of the program instead. The government has also postponed planned increases in contribution limits for RRSPs, presumably because tax assistance for such plans results in significant losses in tax revenues.

At the provincial level, regulators have been moving in the direction of reducing regulation of workplace pension plans—also ostensibly to reduce the cost of such plans to employers. While regulation has generally been considered a way of protecting beneficiaries of pension plans, there has been no consideration of how reduced regulation might affect pension benefits.

In his first budget, tabled in February 1994, Finance Minister Paul Martin promised a paper on Canada's aging society. He said it would "look at what an aging society will need in terms of services; and what changes are required to the public pension system to ensure it is affordable" (Dept. of Finance 1994: 10). The paper was also expected to look at the question of changes to the tax treatment currently in place for private saving for retirement, including the issue of RPPs and RRSPs "and the use to which funds invested are directed" (Dept. of Finance 1994: 10). The aging paper did not materialize. But the government went ahead to propose some changes to the retirement income system and to implement others, without discussing a coherent whole and without announcing an overall strategy for pensions.

In the current political climate, it would probably be unrealistic to expect policy makers to develop a coherent and comprehensive strategy to use pension policies to prevent or reduce poverty among older women in the future. This is not to say that such policies could not be developed, where there is the political will to do so. It is also vital, as policies are implemented that change the various parts of Canada's retirement income system, to ensure a full analysis of the potential impact of these changes on women has been done.

3. THE EXTENT OF POVERTY AMONG OLDER WOMEN

Clearly, if policies are developed to address the poverty of older women, it will be important to be able to measure the extent of their poverty as well as to assess the direction of trends in poverty rates of older women in order to evaluate the effectiveness of policy initiatives. However, although it is generally accepted that a high percentage of older women are poor at the present time, it is probably fair to say there is no consensus on what their current rate of poverty might be.

Canada does not have any kind of official "poverty line," although since the early 1970s, Statistics Canada has produced low-income rates based on a measure called the Low-Income Cut-Off (LICO) which is widely used as an indication of poverty. On this basis, in 1997 (the most recent year for which data were available), 24.0% of women aged 65 or older were "poor." The rate of low income for older women in families was 5.4%, while 49.1% of unattached older women had incomes below the LICO (Statistics Canada 1999a, Text Table III). Whether this is an accurate reflection of the poverty of older women may be open to debate. The way in which poverty is measured is now the subject of some controversy.

Measuring Relative Poverty with LICOs

The LICOs define "low income" in relative terms. They are based on the percentage of income individuals and families spend on the basic needs of food, clothing and shelter in comparison with the rest of the population. According to the Family Expenditure Survey of 1992, the average family spends about 34.7% of its pre-tax income on these basic needs. To calculate the LICO, Statistics Canada assumes that any family spending 20 percentage points more than the average family on basic needs would be in "straitened circumstances." In other words, families falling below the LICOs generally spend 54.7% or more of their pre-tax income on food, clothing and shelter.

Statistics Canada notes that, in recent years, there has been extensive and recurring media coverage of the LICOs and their relationship to the measurement of poverty. At the heart of the debate is the use of the LICOs as poverty lines. Since their publication began over 25 years ago, Statistics Canada has always emphasized that "the LICOs are quite different from measures of poverty. They reflect a consistent and well-defined methodology that identifies those who are substantially worse off than the average. In the absence of an accepted definition of poverty," Statistics Canada says (1999a: 16), "these statistics have been used by many analysts who wanted to study the characteristics of the relatively worse off families in Canada." These measures have enabled Statistics Canada to report important trends such as the changing composition of this group over time.

Statistics Canada (1999a: 51) also emphasizes that while the LICOs are commonly referred to as poverty lines, "they have no officially recognized status nor does Statistics Canada promote their use as poverty lines." Can the LICOs be used to measure the extent of poverty among older women? Could they also serve as a guide to policy makers who would like to develop policies to address older women's poverty?

The National Council of Welfare—a group of private citizens appointed by the federal government to advise the Minister of Human Resources Development on matters of concern to low-income Canadians—takes the following position: "Regardless of the terminology, the cut-offs are a useful tool for defining and analyzing the significantly large portion of the Canadian population with low incomes. They are not the only measures of poverty used in Canada, but they are the most widely accepted and are roughly comparable to most alternative measures" (NCW 1990: 5).

Using an Absolute Measure of Poverty

Corporate-funded research institutes, such as the Fraser Institute, have been strong advocates of an alternative measure of low income that would define poverty in absolute terms. Essentially, this approach would determine a specific assortment of goods and services—sometimes referred to as a "basket of goods"—that would constitute the basic necessities of life for individuals and families. Only those without sufficient income to purchase these minimal basic necessities would then be considered "poor."

Researcher Christopher Sarlo, of Nipissing University in North Bay, Ontario, uses this approach to calculate "poverty lines" for the Fraser Institute, and he concludes that less than 2% of the population of Canada is poor (Sarlo 1996: xvi). Sarlo allocates people the amount of money he thinks they should have for their basic needs of food, clothing and shelter—and nothing more. His budgets appear to be designed to define "poverty" as being on the borderline of deprivation.

Needless to say, such a stringent definition of the basic necessities needed for survival makes it possible to eliminate poverty by defining it away. For example, Sarlo estimates that only 8.64% of all unattached individuals were "poor" in 1993, while Statistics Canada's LICOs indicated 37.14% of all unattached individuals had incomes below the cutoffs (Sarlo 1996: 255). Sarlo's "poverty line" for a family of four in 1993 was $15,392. In comparison, the Statistics Canada LICO for a family of four in a city with a population of 500,000 or more in that year was $30,655. Sarlo claims the LICO is "roughly twice the basic needs line" and the poverty rate "about four times higher" (Sarlo 1996: 227-8).

Defining Poverty Away

"Poverty rate" calculations such as these seem to be designed to convince the general public that the extent of poverty in Canada has been greatly exaggerated and that there is really no need for governments to take action or for public policies to be developed to deal with poverty. Are policy makers likely to be convinced too? Could they be persuaded that there is no need to develop policies to address the poverty of older women because most of these women are not really "poor"?

While that may seem unlikely, it is perhaps significant that there is an initiative under way, sponsored by the provincial and territorial ministers of social services and Human Resources Development Canada (HRDC), to develop a “needs-based” measure of poverty, called the Market Basket Measure (MBM). The calculation will take the same approach as Sarlo does, although it appears it will not go to the same extremes in restricting the amounts allocated for basic necessities.

The collaboration between HRDC and the provinces apparently originated because provinces were interested in measuring the success of the National Child Benefit in reducing child poverty. And, as one analyst notes, “public concern about the suitability of existing measures to monitor the impact of such programs is growing” (Webber 1998: 1).

Apparently, the ministers are seeking to define a measure of poverty that, among other things, “is credible with respect to the severity of poverty” (Webber 1998: 9). Cynical observers might say the objective of the exercise is to reduce the reported rate of child poverty and thus minimize the challenge that policies on child poverty have to meet. If the provincial ministers agree on a new “poverty” measure, Statistics Canada has committed to produce the estimates. In that eventuality, the new MBM would almost certainly become the preferred measure of poverty used for social policy purposes. And it will almost certainly result in much lower measured rates of poverty among all groups, including older women.

The National Council of Welfare says that poverty among all groups of seniors could fall noticeably if poverty were to be measured by the new MBM. Seniors tend to have incomes that are very close to the current LICOs, the Council says. “Even a modest drop in the poverty lines under a shift to market basket measures could lead to a further decline in the poverty rates of seniors” (NCW 1999a: 30).

Clearly, the intention is to address the concern that the LICO is “too high” (Webber 1998: 7). Such charges were levelled during the recent debate on pension reform when those who advocated cutting back public pensions generated a considerable backlash against seniors. Claims that the poverty of seniors has been exaggerated can be an effective strategy in preventing reform of retirement income policies to improve financial security for future seniors.

Such pressures inevitably weaken any mandate policy makers may feel they have to address issues of poverty among older women. As well, in the context of promoting women’s equality and reducing poverty among older women, the use of an absolute measure of poverty raises other concerns. In his work for the Fraser Institute, Sarlo takes the position that “prevailing ‘poverty lines’ are in fact tools for measuring inequality and tell us nothing about poverty” (Sarlo 1996: 3).

In terms of addressing the poverty of older women, however, a strong case can be made for using a relative measure of low income. The use of absolute measures of poverty implies that policy makers need not be concerned if older women—or any other low-income group—falls far behind the rest of the population. That surely is contrary to generally accepted principles of equality and social justice.

Trends in Low Income among Older Women

Despite the controversy over how poverty is measured, it is clear that a high percentage of older women still have low incomes in relation to other groups in society. This is especially the case for older women on their own. For policy development purposes, it is important to:

- examine the extent of low income among older women;
- review recent trends in low-income rates;
- understand the reasons for high rates of low income; and
- make some assessment of potential future developments that may improve the financial situation of older women.

Since Statistics Canada's LICOs are still the most widely used measure of low income in Canada, they have been used here to document the extent of low income among older women. In the discussion below, the terms "poverty" and "poor" refer to those whose incomes are below the pre-tax LICOs.

Income data from Statistics Canada show income and poverty rates for all women, for women in families where the "head" is aged 65 or older and for "unattached" women. For its report on incomes, Statistics Canada says that in families consisting of married couples, with or without children, the husband is considered the head. The term "unattached" refers to a person living alone or in a household where he or she is not related to other household members (Statistics Canada 1999a: 43).

Statistics Canada also produces a measure to gauge the depth of poverty referred to as the "average income deficiency." For example, it says that in 1997, the average income of lone-parent families headed by women, 56% of whom had low incomes, was $9,000 below the cutoffs. While low-income rates for elderly unattached women were also very high, it was estimated that the average income deficiency for low-income women in this group was about $3,000 (Table 1).

Table 1: Average Income Deficiency in Constant (1997) Dollars
Low-Income Families and Individuals

	1980 $	**1985** $	**1990** $	**1997** $
Elderly married couples	3,467	3,146	3,210	3,705
Unattached elderly women	4,887	4,157	3,461	2,993
Female lone-parent families	10,103	10,249	8,960	9,036

Source:
Statistics Canada, 1999a, Text Table V.

4. CHANGING TRENDS THAT WILL AFFECT THE POVERTY OF OLDER WOMEN

The financial situation of women in their senior years depends on how they spent the pre-retirement period of their lives and their ability to accumulate funds, or the right to benefits to support themselves when they are older. Today's older women may be poor largely because they spent most of their lives as full-time homemakers and were not able to accumulate pension benefits in their own right through paid employment. Many have had to depend on the income of a spouse or partner for support in their old age. They may have had little or no surviving spouse benefits when they were left alone, so they have had to turn to government transfers for support. And where such transfers are inadequate, women are likely to fall below the low-income line. Evidence of this is to be found in the fact that, while the rate of low income for older women in families in 1997 was only 5.4%, older unattached women had a low-income rate of 49.1%. Overall, 24.0% of women aged 65 or older in 1997 had incomes below the LICO (Table 2).

Table 2: Poverty of Older Women

Percentage of Women Aged 65 or Older with Incomes Below the LICO

	1980	1982	1984	1986	1988	1990	1992	1994	1996	1997
All women	39.8	36.0	35.1	32.0	32.7	27.1	26.8	25.8	27.0	24.0
Women in families	17.5	13.3	14.5	11.8	10.9	6.6	8.2	6.3	7.8	5.4
Unattached women	71.6	70.4	65.7	61.2	61.4	53.8	54.0	52.9	53.4	49.1

Source:
Statistics Canada 1999a, Text Table III.

There is no doubt that the role of women in the economy and in society is changing. Some of those changes may mean that fewer women will end up poor in their old age, but that outcome cannot necessarily be assumed. Developing effective policies to address the poverty of older women requires that some assessment be made of the changes now under way to determine what impact these changes might have on the financial situation of older women in the future.

- What will the changing patterns of women's paid and unpaid work mean for their future financial security?

- Will workplace pension plans provide an important source of retirement income for women in the future?

- Are women in the paid work force now able to save enough to provide themselves with an adequate retirement income?

- Are all these factors likely to eliminate the problem of poverty among older women in the future? If not, can we look to pension policies to solve the problem?

What follows is a brief, but by no means exhaustive, review of some of the changing trends that will affect the poverty of older women. The kinds of considerations that need to be taken into account in evaluating the potential of pension policy to address women's poverty in old age are highlighted.

Changing Patterns of Paid and Unpaid Work

There is no doubt that a key reason for high rates of poverty among today's older women is that most of them did not work outside the home for any significant period of time and so had no opportunity to accumulate pension benefits in their own names. These were the mothers of the baby boom generation. They had large families—an average of three or four children—and society expected them to stay at home as full-time homemakers. In the early 1950s, for example, only 11% of married women worked outside their homes, and married women accounted for only 30% of all women in the paid labour force. By 1995, more than 61% of married women worked outside their homes, and they accounted for almost 65% of all women in the paid work force (Table 3).

Table 3: Married Women in the Paid Work Force
1931-1995

Year	Participation Rate %	As Percentage of All Women in Paid Work Force
1931	3.5	10.0
1941	4.5	12.7
1951	11.2	30.0
1961	22.0	49.8
1971	37.0	59.1
1981	50.6	60.0
1991	61.4	64.2
1995	61.4	64.5

Sources:
Connelly 1978, Table 1.1 for years 1931-1971; Statistics Canada 1989a, Table 3 for 1981; Statistics Canada 1992c, Table 3 for 1991; Statistics Canada 1996b, for 1995.

Participation in the Paid Work Force

Since the early 1950s when today's older women were in their prime child-bearing years, there has been a remarkable increase in the percentage of women who work outside their homes. In 1996, for example, 78% of all women aged 25 to 44 and 72% of all women aged 45 to 54 were in the paid work force (Statistics Canada 1997a). Some observers have argued that women retiring in the future will have had paid employment for most of their adult lives and will, therefore, have been able to accumulate pension benefits through contributions to the CPP/QPP, membership in workplace pension plans and their own tax-assisted savings in RRSPs. But the nature of women's paid employment is also changing. Participation in paid employment will not necessarily ensure that women in the future will no longer be poor when they grow old.

Increases in Part-Time Work

It has always been the case that a high percentage of women in the paid work force have been employed in part-time jobs. Recently, however, the percentage of employed women working part time has been increasing. In 1981, 24% of women's paid jobs were part time. By 1996, that percentage had risen to 29% (Statistics Canada 1989a, Table 3; 1997a). Almost one third of women with part-time jobs that year said they would have preferred to work full time but could not find a full-time job (Table 4).

Part-time workers are included in the CPP/QPP, provided they earn more than the year's basic exemption of $3,500 a year. But this plan is designed to replace a relatively low percentage of earnings when a person retires. Women who work part time for extended periods will find their retirement income from this source reduced accordingly.

Most part-time workers are not covered by workplace pension plans. Pension legislation in all jurisdictions requires employers who have a pension plan for full-time workers to allow part-time workers to join the plan. However, most part-time workers are employed in sectors of the economy where workplace pension plans are generally not provided. In addition, while part-time workers may be given the option of joining the pension plan, membership is often voluntary, and employers may provide cash in lieu of benefits.

Low earnings make it difficult for part-time workers to save for their own retirement and are also a major reason why many of these workers choose not to join the pension plan or to accept cash instead.

Trend to Non-Standard Employment

Over recent years, there has also been a marked expansion of other types of "non-standard" employment, including contract work, self-employment, temporary work and part-year work, or multiple jobs with a series of employers. Such jobs have been referred to as "non-standard" in comparison with a "standard" job, generally defined as a full-time, full-year job with a single employer on a permanent long-term basis. According to some estimates, more than one third of all jobs may now be considered "non-standard" compared with perhaps one quarter 10 years ago (Table 5).

Women are much more likely than men to be employed in non-standard jobs. It has been estimated that 40% of women's compared with 27% of men's paid jobs fall into the category of non-standard employment (Table 5). Some individuals, of course, may hold a combination of non-standard jobs. A self-employed person may work part time, for example, or be employed full time on a temporary basis. A part-time worker may work a full year for the same employer on a long-term basis. A person with multiple jobs may have some part-time, some full-time and some temporary work. The data in Table 5 eliminate double counting of non-standard workers as far as possible.

Table 4: Trends in Part-Time Employment
Canada, 1984-1996

Year	Total Part-Time Employment			Male Part-Time Employment			Female Part-Time Employment		
	’000s	As % of Total Jobs	% Who Want Full Time	’000s	As % of Total Male Jobs	% Who Want Full Time	’000s	As % of Total Female Jobs	% Who Want Full Time
1984	1,669	15.3	30.1	482	7.6	33.4	1,187	25.7	28.7
1985	1,737	15.5	29.3	486	7.6	33.3	1,251	26.1	27.7
1986	1,789	15.5	28.3	514	7.8	30.9	1,274	25.7	27.2
1987	1,804	15.2	26.6	510	7.6	27.5	1,294	25.1	26.1
1988	1,882	15.4	23.7	527	7.7	24.3	1,355	25.2	23.5
1989	1,888	15.1	22.2	536	7.7	22.0	1,352	24.5	22.3
1990	1,932	15.4	22.4	561	8.1	23.0	1,371	24.4	22.1
1991	2,023	16.4	27.7	597	8.8	29.8	1,425	25.5	26.9
1992	2,058	16.8	32.5	618	9.3	35.8	1,440	25.9	31.1
1993	2,143	17.3	35.5	658	9.7	38.0	1,485	26.4	34.3
1994	2,493	18.8	31.8	779	10.7	33.1	1,715	28.6	31.3
1995	2,509	18.6	31.9	783	10.6	33.0	1,725	28.2	31.5
1996	2,589	18.9	n/a	801	10.7	n/a	1,788	28.9	n/a

Sources:
Statistics Canada, 1989a, b, 1991, 1992c, 1993, 1994b, 1995b, 1996b, 1997a.

Table 5: Non-Standard Employment by Age, Sex and Industry
Canada, 1989 and 1994

	1989	1994	1989	1994
	Definition 1[1]		**Definition 2**[2]	
	% of Total Employment[3]			
Total	28	33	19	21
Women	35	40	29	29
15-24	49	64	46	54
25-34	30	33	24	22
35-44	35	37	26	25
45-54	31	35	24	23
55-64	35	41	28	30
Men	22	27	11	14
15-24	41	52	37	45
25-34	18	25	8	12
35-44	16	22	4	7
45-54	19	19	3	6
55-64	22	30	12	9
Industry				
Agriculture	54	65	9	19
Natural resources based	10	14	6	10
Manufacturing	13	14	8	9
Construction	28	45	16	20
Distributive services	19	23	10	11
Business services	24	33	12	15
Social services	35	39	28	30
Public administration	16	21	13	16
Retail trade	40	42	34	31
Other consumer services	48	47	36	32

Notes:
[1] One or more of part-time work, temporary work, own-account, self-employment or multiple job holding. (People in more than one category are counted only once.)
[2] Part-time and/or temporary work only. (People in both categories are counted only once.)
[3] For temporary workers, this calculation excludes the self-employed.

Source:
General Social Surveys, 1989 and 1994. (Krahn 1995, Table 3).

Statistics on non-standard employment show only the percentage of those in this kind of work at a particular point in time. There is no way of knowing whether women employed in non-standard work will eventually find more permanent employment or whether their non-standard jobs are likely to be the only kind of employment they will ever have. Studies have shown that the presence of dependent children, particularly preschoolers, increases the incidence of non-standard work arrangements, such as part-time, irregular and shift work (Statistics Canada 1998b). However, there are indications that non-standard work is increasingly becoming the norm.

Analysts attribute the expansion of non-standard employment to economic change and the increased demand for work force flexibility. For example, a study by Grant Schellenberg and Christopher Clark (1996: 11) for the Canadian Council on Social Development concluded that "the use of new forms of employment is one of many strategies used by business to achieve 'flexibility' and survive in the new economic environment." Labour markets are changing in response to globalization and rapid change, these authors say. They conclude that non-standard work will continue to take the place of more traditional employment arrangements.

By definition, workers in non-standard jobs do not have a permanent or ongoing relationship with an employer. They are, therefore, not likely to be covered by a workplace pension plan. As well, the temporary or intermittent nature of their employment may make it difficult for them to save for retirement on a regular basis. Because they are also unlikely to be covered by Employment Insurance, they may have to use any savings they have managed to accumulate to provide themselves with financial support in transition periods from one job to another.

Increase in Self-Employment

While self-employment is considered a form of non-standard employment, the enormous increase in this form of paid work warrants special attention in any consideration of policies to address the poverty of older women. More than three quarters of the job growth in Canada since 1989 has been in self-employment. The self-employed now account for 17% of all paid workers, up from 12% 20 years ago (Statistics Canada 1997f: 7). According to Statistics Canada, the increasing incidence of self-employment among older workers could reflect a growing tendency to start a business after early retirement. But, it also appears that the age of retirement has declined faster for paid workers than it has for the self-employed, leaving relatively more self-employed in the market.

A recent report on self-employment noted that while self-employment is more prevalent among men than women, the rate of growth over the last 20 years has been stronger for women (Statistics Canada 1997f: 9) (Table 6). As well, Statistics Canada reports that the male/female earnings gap was larger among the self-employed than within the employee population, even after taking into account the fact that part-time employment was higher among women. Among full-time, full-year workers, self-employed women earned 64% of the average earnings of self-employed men. The comparable figure among employees was 73% (Statistics Canada 1997f: 26).

For a number of reasons, an increasing trend to self-employment raises concerns about financial security in old age. The CPP covers self-employed individuals, although they must pay both the employer and the employee contribution to the plan—a fact that does not seem to have been considered in the recent reforms to the CPP which will increase contribution rates by 73% over a period of only six years.

Table 6: Trends in the Incidence of Self-Employment
Percentage of Employed Women and Men Who Are Self-Employed

	1976	1989	1996	Percentage Point Change 1976 to 1996
Women				
15-24	5.4	5.3	7.2	1.9
25-34	7.5	7.6	9.6	2.1
35-44	10.6	10.9	13.6	3.0
45-54	12.3	14.0	14.9	2.6
55+	14.4	18.0	23.4	9.0
Men				
15-24	6.2	5.5	6.9	0.7
25-34	10.9	12.5	13.9	3.0
35-44	17.8	19.7	20.9	3.1
45-54	19.8	23.3	25.1	5.2
55+	23.3	31.2	38.3	15.0
Total				
15-24	5.8	5.4	7.1	1.3
25-34	9.7	10.4	11.9	2.2
35-44	15.3	15.8	17.6	2.2
45-54	17.3	19.4	20.5	3.3
55+	20.7	26.6	32.7	12.0

Source:
Statistics Canada 1997f, Table 3.

Self-employed people must provide for their own retirement through private savings. Most have no access to workplace pension plans. Just how successful they will be in accumulating private savings will depend mainly on their earnings during the period they are self-employed. On this score, the position of women is not encouraging. In 1995, for instance, average earnings of women in the age group 25 to 54 who were self-employed for their own account, that is with no employees, were $15,900, compared with an average $30,200 for self-employed men of the same age. Average earnings of women in the same age group who were employees were $28,400, compared with $42,100 for men (Statistics Canada 1997f, Table 8: 25).

Family Responsibilities and Paid Employment

Women's participation in the paid work force has always been influenced by their family responsibilities. When today's older women were younger, married women were not expected to work outside the home. Until the mid-1950s, for example, women employed by the federal government were required to resign their paid employment when they got married. Women who are now in their 60s generally had three or four children and stayed at home as full-time homemakers, often until the youngest child was old enough to go to school.

This pattern began to change in the early 1960s as fertility rates dropped. Women born during the 1940s were much less likely to drop out of the paid work force for long periods of time when they had children (Ciuriak and Sims 1980: 20). They were also having fewer children. The total fertility rate (the average number of children a woman will have) for Canada in 1961 was 3.84. By 1971, it had fallen to 2.19. And at the time of the 1981 Census, total fertility was only 1.70 (Ram 1990, Appendix Table 6.3). During the 10-year period from 1985 to 1994, Canada's total fertility rate fell even further to 1.65 and it was only 1.53 in Quebec (Dumas and Bélanger 1997, Table 15).

The majority of mothers with young children now work outside the home. At the time of the 1971 Census, only 27% of married women with children under 6 years old were in the paid work force (Ram 1990, Appendix Table 6.5). But by 1996, 72% of all mothers with children under 16 were in the paid work force, as were 66% of mothers of preschool children under 6 and 64% of mothers of children under 3. And 68% of mothers of children under 3 with paid employment had full-time jobs (Statistics Canada 1997a, Table 8).

However, women still make adjustments in their paid employment to care for family members, who now increasingly include older dependent family members. These adjustments, which may include working part time, taking an unpaid leave of absence or leaving the paid work force permanently, all potentially have an impact on the poverty of women as they grow old.

Little information is available about the number of women who must make adjustments in their participation in the paid work force because of family responsibilities. Statistics Canada has conducted two surveys of the weekly, daily and hourly work routines of paid workers—once in November 1991 and again in November 1995. But these surveys took place at different phases in the business cycle. That makes it difficult to detect real trends as opposed to cyclical patterns (Statistics Canada 1998b: 12). However, the 1995 survey found that the presence of dependent children, particularly preschoolers, increases the incidence of non-standard work arrangements such as part-time, irregular and shift work.

Among mothers with preschool children, 23% worked an irregular schedule in November 1995 because of child care or the care of other family members. Hardly any fathers did so for this reason. Some 83% of fathers who worked part time and had preschool children at home would have preferred more work hours; this was true of only 38% of mothers in a similar situation (Statistics Canada 1998b: 8).

Writing in the1998 publication, *Work Arrangements in the 1990s*, which analyzed the results of the November 1995 survey, Katherine Marshall notes: "Striking a balance between work and family responsibilities has become increasingly difficult over the past two decades because of fundamental labour market, demographic and social changes" (Statistics Canada 1998b: 72). She says it is clear that family responsibilities play a role in altering work patterns, but it is not known how much influence employees have had in choosing their work arrangements. For example, it is not known whether mothers with non-standard work arrangements were given the opportunity to alter their work patterns or whether they had to switch jobs in order to do so. The survey did find, however, that men's work patterns change only slightly when dependent children are present.

Marshall also notes that the aging of the population is increasing the numbers of workers with dependent elderly parents living with them or nearby, but an independent study of the impact of this was not possible. However, Marshall says the data suggest that more employed women than men cope with elder care by doing some paid work at home and by having non-daytime work schedules. Weekly work hours are also reduced for women, but not for men, when seniors live in the home (Statistics Canada 1998b: 73).

Data such as those collected in the survey of work arrangements provide a useful snapshot of how women's paid employment may be affected by their family responsibilities. Clearly, this may also contribute to inadequate incomes for women in old age. But to assess the extent of the impact of family responsibilities on the poverty of older women requires more information, particularly:

- the time frame during which these changed work arrangements continue;
- the impact it has on the long-term earning capacity of women and indirectly on their ability to save for retirement; and
- what trends are becoming evident.

Unfortunately, there is almost no information on this. Statistics Canada's longitudinal Survey of Labour and Income Dynamics (SLID) should eventually have data on the extent to which women have to make these adjustments and the length of time over which they are made, as well as earnings data before and after work adjustments. At present, the survey has not been conducted for enough years to permit this kind of assessment. As well, because of small sample size, it is difficult to get accurate information that distinguishes between labour market adjustments made as a result of child-rearing responsibilities and those made because of elder care responsibilities or caregiving for other dependent family members. For these reasons, SLID data at the moment—like the Survey of Work Arrangements—can only offer a very broad snapshot of what is happening.

The following four tables (tables 7 to 10), based on data from SLID, refer to the year 1995 only. However, they offer some indication of the number of families with dependants and the types of labour market adjustments being made by women and men as a result of their family responsibilities.

Based on the SLID data, it was estimated that about 2.8 million families had dependants living with them in 1995. Of these, about 2.4 million were families with dependent children only. About 10% of all families (274,000) had elderly parents or relatives only, and 127,000 had more than one type of relative living with them (Table 7).

About half of all the families with dependants did not make any labour market adjustment because of these family responsibilities. However, it must be emphasized that this could have been because they already had a spouse at home caring for the dependent family members. In more than half of these families (815,000) the major income earner was a man living with his spouse. In almost 8% of families with dependants, both women and men (210,000) changed their pattern of paid work as a result of their family responsibilities (Table 8).

Table 7: Families with Dependants
Canada, 1995

		Sex of Major Income Earner			
		Male		Female	
		Living with a Spouse			
	Total	Yes	No	Yes	No
Total ’000s	2,788	1,739	223	451	375
Percentage	100.0	62.4	8.0	16.2	13.5
Type of dependants living with family					
More than one relative type					
’000s	127	65	17	25	20
%	100.0	51.4	13.1	19.7	15.8
Children only					
’000s	2,380	1.624	51	413	292
%	100.0	68.2	2.1	17.4	12.3
Parent(s) only					
’000s	192	18	124	6	42
%	100.0	9.6	64.9	3.4	22.1
Young relative(s) only					
’000s	8	2	3	1	2
%	100.0	21.5	41.7	7.2	29.6
Elder relative(s) only					
’000s	82	30	27	6	19
%	100.0	36.7	33.5	6.9	22.9

Source:
Statistics Canada, Survey of Labour and Income Dynamics (SLID) special tabulations.

Of women who had made changes in their participation in the paid work force because of their family responsibilities, the majority (469,000) chose to work part time. But a significant number (284,000) had taken a voluntary leave of absence from their paid jobs (Table 9).

It is also of interest to note that the vast majority of women (809,000), who made adjustments in their participation in paid employment because of their family responsibilities, were living with a spouse who was the major income earner in the family. But among those women who were on their own—those who were the major income earner in the family and were not living with a spouse—the most prevalent form of adjusting to family responsibilities (46,000) was to quit paid employment completely (Table 10).

Clearly, all these forms of adjusting participation in the paid work force as a result of family responsibilities will have an impact on women’s current earnings and on their ability to save for retirement, maintain membership in workplace pension plans and build up pension rights in the CPP/QPP—all of which affect their financial security in old age.

Table 8: Who Makes the Labour Market Adjustment?
Families with Dependants, Canada 1995

		Sex of Major Income Earner			
		Male		Female	
		Living with a Spouse			
	Total	Yes	No	Yes	No
Total ’000s	2,788	1,739	223	451	375
Percentage	100.0	62.4	8.0	16.2	13.5
Labour market adjustment by major income earner or spouse					
By male only					
’000s	308	207	38	63	0
%	100.0	67.2	12.3	20.5	0
By female only					
’000s	672	473	0	114	85
%	100.0	70.4	0	17.0	12.6
By male and female					
’000s	210	155	0	55	0
%	100.0	73.9	0	26.1	0
No labour market adjustment					
’000s	1,419	815	164	186	255
%	100.0	57.4	11.6	13.1	17.9
Don't know					
’000s	180	89	21	33	36
%	100.0	49.8	11.6	18.6	20.1

Source:
Statistics Canada, Survey of Labour and Income Dynamics (SLID) special tabulations.

Table 9: Labour Market Adjustments Made by Women and Men with Family Responsibilities
Canada 1995

Type of Adjustment Made	Female ’000s	Male ’000s	Total ’000s	Female as % of Total
Irregular work schedule	50	7	57	87.7
Voluntary job absence	284	149	433	65.6
Voluntary joblessness	51	38	89	57.3
Voluntary part time	469	142	611	76.8
Quit job	50	7	57	87.7
Total making adjustments	1,120	579	1,699	65.9

Source:
Statistics Canada, Survey of Labour and Income Dynamics (SLID) special tabulations.

Table 10: Family Situation of Women with Family Responsibilities Who Made Labour Market Adjustments
Canada 1995

		Sex of Major Income Earner			
		Male		Female	
		Living with a Spouse			
	Total	Yes	No	Yes	No
Irregular work schedule	50	42	0	6	1
Voluntary job absence	284	191	0	71	22
Voluntary joblessness	51	34	0	4	13
Voluntary part time	469	366	0	75	29
Quit job	266	176	0	44	46
Total making adjustments	1,120	809	0	200	111

Source:
Statistics Canada, Survey of Labour and Income Dynamics (SLID*)* special tabulations.

Increases in Unpaid Work
It must be emphasized that, while the majority of adult women now participate in the paid work force, there is still a sizable percentage of women who do not. While many women may choose to remain at home to care for children or older dependent family members, others might have preferred to work for pay if appropriate and affordable child care or elder care had been available—although there are no reliable data on the extent of this.

Numbers showing the participation of women in the paid labour force represent the percentage of the population aged 15 and over who are either working or looking for work. In other words, these numbers include those who are unemployed. The employment ratios shown in Table 11 indicate the percentage of women in various age groups who actually had paid employment in 1996 when just over half of all Canadian women aged 25 or older were employed. But there were significant differences among age groups in the ratio of those employed to the total number of women in the group.

More than 1.5 million women aged 25 to 54 were not in the paid labour force in 1996. It can be assumed that many of them were engaged in unpaid work in the home. In 1992, for example, women, whose main activity was keeping house, in two-parent families with preschool children, spent an average of 8.5 hours a day doing unpaid household work. The figures were 7.8 hours for lone mothers with young children and around seven hours a day for women with a spouse and for female lone parents whose youngest child was aged 5 and over (Statistics Canada 1995a: 70).

Women who work in their homes without pay generally must rely on financial support from a spouse or partner, or from government programs such as social assistance. As these women grow old, they may also have to rely on pension income from spouses or partners, combined with government programs such as OAS/GIS. The key issue for policy makers concerned about preventing poverty among older women in the future is whether the unpaid work of women will increase as a result of social and economic policies or other factors, and the impact this would have on the financial situation of women in old age.

Table 11: Paid Employment in Relation to Population

Percentage of women in different age groups with paid employment, Canada, 1996

Age Group	Population ’000s	Not in Paid Labour Force ’000s	Employment/ Population Ratio %
25 years and over	9,945	4,257	52.4
25-34 years	2,369	530	70.3
35-44 years	2,487	531	72.0
45-54 years	1,888	531	66.5
55-59 years	664	340	45.1
60-64 years	608	464	22.0
65-69 years	583	540	7.1
70 years and over	1,345	1,321	1.7

Source:
Statistics Canada 1997a, Table 1.

Structural adjustment, downsizing in both the private and public sector, and cutbacks in social services all affect the amount of unpaid work women do. Policy makers often implicitly assume that services previously provided through the public sector will be undertaken by families—generally women—on a “voluntary” basis. As well, as social services previously provided through the public sector are cut back and effectively transferred to “the voluntary sector,” there may be an implicit assumption that women will be able to undertake much of this work without pay. To the extent that women are expected to undertake more of this unpaid work, there could also be serious implications for the financial well-being of women in old age.

These developments also raise concerns about whether women increasingly will have to rely on the financial support of a spouse or partner to ensure their financial security in old age. Is it appropriate to expect they will do so? How will women who have no spouse or partner be affected? What are the implications of such assumptions for women’s equality if they undermine women’s economic autonomy?

Strategies to transfer public services to the “voluntary” sector may involve a heavy cost for women. They may result in an interruption of earnings from paid employment, early termination of membership of a workplace pension plan and the undermining of women’s ability to set aside private savings for retirement—all of which may increase the likelihood of poverty in old age. The cost of an increased volume of unpaid work for women as they grow old may be an increased reliance on spouses or partners for income in retirement, as well as a higher probability of having to count on inadequate government programs for the bulk of their retirement income.

Economist Isabella Bakker (1998: 9) observes that privatizing coping strategies through unpaid work will also have implications for government revenues.

> On the one hand, such downloading of costs to households and communities will appear as a saving in government budgets; on the other hand, costs will still occur either in a hidden form through women's time use and opportunity costs, or in the short- and long-term capacities of individuals to pay taxes plus increased demand pressure on existing social services.

Efficiency gains in the paid economy, due to privatization, the introduction of user fees or cuts in public sector employment, for example, fail to consider the transfer of costs from the paid to the unpaid economy, Bakker notes (1998: 10). "Hence, costs are rendered invisible and imposed on women through an intensification of their labour and unmeasured activities." She urges that these policy decisions be made explicit "so we know the basis for policy choices." In the context of addressing the future poverty of older women, such advice is particularly important.

Coverage of Workplace Pension Plans

Despite the remarkable increase in women's participation in the paid work force, most women—and most men, for that matter—are not covered by a workplace pension plan. Pension coverage for women had increased significantly since the mid-1980s, but it peaked in 1993 and has been declining since then (Table 12).

Table 12: Coverage of Workplace Pension Plans
Percentage of labour force and paid workers

	1985 %	1987 %	1989 %	1991 %	1993 %	1995 %	1997 %
Women							
Labour force	29.1	29.9	31.8	34.0	34.1	33.5	32.4
Paid workers	35.6	35.8	37.4	40.8	41.9	40.6	39.9
Men							
Labour force	39.9	39.4	39.0	38.9	36.4	35.1	33.5
Paid workers	50.1	48.4	47.0	49.2	46.8	44.0	42.3
Total							
Labour force	35.3	35.3	35.9	36.7	35.4	34.3	33.0
Paid workers	43.9	42.9	42.7	45.4	44.6	42.4	41.2

Source:
Statistics Canada 1999b: 18.

It should be noted that participation in a workplace pension plan is restricted to paid workers having an employer–employee relationship. But labour force data also include the self-employed working in unincorporated businesses, unpaid family workers and the unemployed (NCW 1990: 16-17). To the extent that these groups account for an increasing proportion of the labour force, the percentage of the total labour force covered by a workplace pension plan will decline. A more realistic indication of pension coverage is the number of pension plan members related to the number of paid workers.

Statistics Canada reports that the last recession and the continuing economic restructuring since the early ’90s adversely affected the participation of men in workplace pension plans. For example, industries—mainly manufacturing and construction—that experienced reductions in both employment and pension plan membership during the previous recession predominantly employ men (Statistics Canada, 1999b: 18).

Statistics Canada suggests that the increased coverage of women workers was partly as a result of changes in pension legislation requiring employers with a workplace pension plan for full-time workers to allow part-time employees to join. However, many women are employed in small businesses and in the service sector of the economy where pension coverage is generally low. Less than 20% of employees in these sectors are members of pension plans (Table 13). In the public sector, virtually 100% of workers are covered by a workplace pension plan and women account for 55% of all members of public sector pension plans (Statistics Canada 1999b: 18). But as government cutbacks and downsizing continue, overall pension coverage may continue to decline and women will be particularly affected.

Some care is necessary in interpreting the data in Table 13, since the calculations relate the number of pension plan members at January 1, 1995 to the annual averages of employment in various sectors shown in the labour force data for 1994. As well, definitions of various sectors—notably public administration—may differ from one source of data to the other. Nevertheless, the table may be useful as an indication of wide differences in pension plan membership from one sector of the economy to another.

Part-Time Workers

The fact that such a high percentage of women in the paid work force work part time is another reason why many women are not covered by workplace pension plans. Following the great pension debate at the beginning of the 1980s, special efforts were made to improve pension coverage for women workers by bringing part-time employees into the pension system. Pension regulators in all jurisdictions tried to make sure part-time workers would have access to pension plans at work. In general, federal and provincial pension legislation specifies that where there is a pension plan for full-time workers, part-time workers must be given the option to join, generally once they have completed two years of continuous service (Statistics Canada 1996d, Appendix C: 172).

However, efforts to improve the future financial security of part-time workers may turn out to be not as effective as hoped. It is important to note, for instance, that the requirements apply only to benefits earned after the relevant legislation came into effect, generally in the late 1980s. This means that people who worked part-time before the new legislation, did not have the right to join the pension plan during that period of their part-time employment.

Table 13: Pension Plan Coverage by Industry

January 1, 1995 [1]

Industry	Total			Male			Female		
	Jobs ’000s	Plan Members ’000s	% with Plan	Jobs ’000s	Plan Members ’000s	% with Plan	Jobs ’000s	Plan Members ’000s	% with Plan
Agriculture	425	4.4	1.0	285	3.0	1.1	140	1.4	1.0
Resource based	277	96.7	34.9	239	84.5	35.4	38	12.2	32.1
Manufacturing	1,949	925.4	47.5	1409	727.7	51.6	541	197.7	36.5
Construction	750	280.1	37.3	670	273.6	40.8	80	6.4	8.0
Transportation and communications	978	401.0	41.0	722	292.3	40.5	257	108.7	42.3
Wholesale and retail trade	2,314	428.1	18.5	1,285	231.3	18.0	1,028	196.8	19.1
Finance, insurance and real estate	788	349.2	44.3	304	108.0	35.5	484	241.2	49.8
Community, business and personal service	4,932	959.9	19.5	1,888	378.2	20.0	3,044	581.7	19.1
Public administration[2]	877	1,723.8	100.0	487	830.8	100.0	391	893.1	100.0
Unspecified	n/a	1.4	-	n/a	0.9	-	n/a	0.5	-
TOTAL	13,292	5,169.6	38.9	7,290	2,930.0	40.2	6,002	2,239.7	37.3

Notes:
[1] Pension plan data for January 1, 1995, compared with employment data for 1994, annual averages.
[2] Plan membership data include defence, while employment data do not.

Sources:
Statistics Canada 1996c, Table 4; 1995b, Table 10.

As well, the inclusion of part-time workers applies only when an employer already provides a pension plan for employees. There is no requirement in any jurisdiction that employers provide occupational pension plans for their employees, whether full time or part time. As a result, pension legislation directed at part-time workers may not do much to improve access to pension coverage for women who work part time, because most of them work in sectors of the economy where employers do not generally provide occupational pension plans. In 1996, for example, 58% of women who were employed part-time were working in service occupations, while 23% of women part-time workers were employed in retail trade (Statistics Canada 1997a, Table 10).

Eligibility for part-time workers to join the pension plan is generally determined by earnings over a period of time. For example, in British Columbia, employees who have earned at least 35% of the CPP Year's Maximum Pensionable Earnings (YMPE) for at least two years must be allowed to join the pension plan, if there is one. (For 2000, the YMPE is $37,600. Workers do not have to contribute to the CPP on that part of their earnings in excess of this amount.) In some provinces, an alternative test is the number of hours worked. In Ontario, for example, a part-time employee must have earned at least 35% of the YMPE or worked at least 700 hours for two consecutive years to be eligible to join a pension plan.

The requirement of earnings at 35% of the YMPE may also screen out many part-time workers from pension coverage. For 2000, 35% of the YMPE would be $13,160. Most women who work part time on a regular basis probably cannot meet that test. For example, in 1997, 42% of women who worked mostly part time for a full year earned less than $10,000 (Statistics Canada 1999c, Table 3). In those jurisdictions where there is an alternative test of hours worked (Prince Edward Island, Quebec, Ontario and Saskatchewan), part-time workers are more likely to qualify for pension plan membership. Women aged 25 and above who were part-time workers in 1996 usually worked between 17 and 18 hours (Statistics Canada 1997a, Table 22). On an annual basis, this would be about 900 hours a year.

Annual pension plan data collected by Statistics Canada give no information on the percentage of pension plan members who are part-time workers or on the percentage of part-time workers who are covered by private pension plans. Generally, where there is a pension plan for full-time workers, membership is mandatory for those workers. Sometimes, part-time workers employed by the same employer are also required to join the pension plan. But often, membership for part timers is voluntary, while it is mandatory for full-time employees. No information is available on the number of part-time workers who choose to join pension plans, where that choice is given. Nor is there any information on the number of part-time workers who join workplace pension plans where membership is mandatory.

In some cases, employers offer part-time workers cash in lieu of benefits. According to a 1995 survey by Watson Wyatt Worldwide of salaried workers in 353 non-unionized firms, 8.23% of respondents allowed cash in lieu of benefits for part-time workers.[1] There was no information from the survey on the percentage of part-time workers who took advantage of this option. However, since earnings of part-time workers are generally low, it would not be surprising if many of them would prefer cash in lieu of benefits.

Where pension plan membership for part-time workers is optional, or where cash is offered in lieu of benefits, it would probably be reasonable to assume that most part-time workers will not opt to join the pension plan because of their low earnings.

Pension Coverage for Other Non-Standard Jobs

The trend toward non-standard employment has serious implications for pension coverage. People in “standard” jobs can expect to work full time on a long-term basis for one employer. Employers providing stable and permanent long-term employment frequently offer pension and benefits coverage to employees. In fact, employers have often used pension and benefits packages as a way of attracting and retaining the workers they need for these permanent and long-term jobs. Unions find it easier to organize workers employed in “standard” jobs, and union membership greatly increases the likelihood of being covered by a pension plan (Table 14).

In contrast, non-standard jobs are often characterized as temporary, part time and unstable. Most types of non-standard jobs are unlikely to be covered by occupational pension plans. Such plans are usually only available to full-time permanent employees. Self-employed workers and temporary workers would generally be excluded from coverage.

The Likelihood of Having a Workplace Pension

There are several factors that increase the likelihood of having a pension plan at work, but many of them are less likely to apply to women than to men (Table 14). Those employed with a large employer are more likely to belong to a pension plan than those employed by a small business. In 1994, for example, 76% of those working for an employer with 500 or more employees said they had a pension plan at work. In contrast, only 10% of those working for an employer with fewer than 20 employees had pension coverage at work. But 38% of women compared with 33% of men in paid employment work for employers with less than 20 employees (Statistics Canada 1998b, Table 1-4b).

Membership in a union greatly increases the chances of having a pension plan. In 1994, 85% of those who were union members belonged to a pension plan, while only 31% of those who did not belong to a union said they had pension coverage. But about 31% of female paid workers are unionized compared with 38% of men (Statistics Canada 1998b, Table 6-12).

Part-time employment considerably decreases the chances of belonging to a pension plan. Only 21% of part-time employees said they had pension coverage in the 1994 survey, compared with 51% of full-time employees. And 29% of women, compared with 11% of men, in paid employment have part-time jobs (Statistics Canada 1997a, Table 10).

Few non-standard workers have a pension plan at work. According to data from Statistics Canada’s General Social Survey (GSS), only 24% of those in non-standard jobs in 1994 had a pension plan, compared with 27% in 1989 (Table 14).

Table 14: Pension Coverage of Paid Workers Aged 15 to 64
By Different Characteristics, Canada, 1989 and 1994

	Total Employed Population		Covered by Pension Plan [1]			
	1989	1994	1989		1994	
	'000s	'000s	'000s	%	'000s	%
Size of employer[2]						
Total	12,468	12,799	6,501	52	5,986	46
Less than 20	3,709	3,902	641	17	391	10
20 - 99	2,223	1,806	990	45	624	35
100 - 499	1,836	1,718	1,177	64	1,094	64
500 or more	4,536	4,544	3,633	80	3,476	76
Not stated	163	830	60	37	312	38
Union membership						
Yes	3,408	3,610	2,842	83	3,056	85
No	8,952	9,082	3,621	40	2,830	31
Not stated	108	107	37	35	…	…
Type of employment						
Full time	10,525	10,597	6,064	58	5,442	51
Part time[3]	1,905	1,972	428	22	410	21
Not stated	38	230	…	…	44	19
Type of work						
Standard	9,598	8,785	5,729	60	4,926	56
Non-standard[4]	2,794	3,778	758	27	923	24
Not stated	76	236	…	…	46	20
Employment status						
Employee	10,647	10,923	6,253	59	5,741	53
Self-employed	858	1,153	70	8	65	6
Employer	900	716	170	19	90	13
Not stated	63	…	…	…	…	…

Notes:
[1] Only number and proportion of affirmative responses shown.
[2] Based on number of employees.
[3] Those working a total of less than 30 hours per week in one or more jobs.
[4] Any of part-time, part-year or temporary work.

Source:
General Social Surveys, 1989 and 1994 (Krahn 1992, Table 16 and special tabulations).

The Future of Workplace Pension Plans

As coverage of the more traditional type of workplace pension plan declines, it seems unlikely that many women will be able to look to this source of income as a way of avoiding poverty in old age. As well, the kind of pension provided through the workplace is changing.

In 1986, for example, 92% of pension plan members belonged to a defined benefit pension plan which guarantees a retirement benefit related to earnings and/or years of service. Only 7% of pension plan members belonged to a defined contribution pension plan, which does not guarantee any particular pension at retirement. By 1998, about 12.5% of all pension plan members belonged to this kind of pension plan (Statistics Canada 1999b, Table 12). (In a defined contribution pension plan, employers and employees contribute a fixed percentage of the employee's earnings to a fund, which is invested. The amount in the fund when the employee retires is used to purchase a retirement annuity.)

Statistics Canada reports that 60% of women, compared with only 39% of men, who belong to workplace pension plans, are employed in the public sector (Statistics Canada 1999b: 23). As public sector employment continues to decline, therefore, it could have serious implications for pension coverage of women in paid employment. Total employment in the public sector, which reached a peak of 903,000 jobs in 1993, had dropped to 791,000 by 1997, a decline of 10% since 1989 (Statistics Canada 1996b: A50; 1998a, Table 9).

Some employers in the private sector claim that a heavy burden of regulation has made defined benefit pension plans too costly to administer. In addition, employers who sponsor this type of pension plan must guarantee the promised benefits for employees when they retire. It would appear that, increasingly, employers are switching to defined contribution pension plans or group RRSPs, where no particular pension has to be guaranteed. This development may also have serious consequences for women, whose intermittent attachment to the paid work force and greater life expectancy may make it difficult for them to accumulate adequate retirement incomes from these sources.

Earning and Saving for Old Age

Since most adult women are now in the paid work force, there may be an implicit assumption that they will be able to set aside retirement savings for themselves and thus avoid poverty as they grow old. Pension policy has recently emphasized the importance of individuals saving for themselves, and generous tax assistance is given for retirement saving through RRSPs. The ability to participate in such plans, of course, depends on the level of a woman's earnings, and on the stability of those earnings and the obligations she may have to contribute to family income and to support her dependants.

The average earnings of women in paid employment have improved significantly over the last 30 years, and the gap between the earnings of women and men has narrowed. In 1967, for example, women who worked full time for a full year earned an average $18,725, or 58.4% of the average earnings of men. By 1997, women's average earnings had risen to $30,915, or 72.5% of the average earnings of men who worked full time for a full year (Statistics Canada 1999c, Text Table I). (All amounts are in constant 1997 dollars.)

But the median earnings of women who worked full time for a full year in 1997 were only $28,944 (Statistics Canada 1999c, Table 20). Median earnings represent the mid-point of earnings of all women, where half earn more than this and half earn less. Average earnings may include some people with high earnings but many more people with low earnings. For this reason, median earnings are generally a more accurate reflection of what a typical woman worker might earn.

However, when part-time and other workers are included, the earnings data are not very encouraging. Average earnings of all women workers in 1997 were only $21,167, which was 63.8% of the average earnings of all men in paid employment. The reason for the difference is undoubtedly the fact that a much higher percentage of women in the paid work force were employed part time. Median earnings of all women workers were only $18,401 (Statistics Canada 1999c, Table 2).

Some observers suggest that because higher education levels are generally associated with higher incomes, increasing levels of education for women will result in higher earnings which, in turn, would be more likely to lead to higher retirement incomes. Income data indicate that the higher a woman's educational level, the higher her earnings are likely to be. For example, in 1997, median earnings of a woman with a university degree who worked full time for a full year were $41,763, compared with only $20,492 for women with only an elementary school education. However, while the percentage of women with university degrees is increasing, they still represent a minority of the women with full-time, paid jobs. For example, it was estimated that about 820,000 (21%) of women working full time for a full year in 1997 had university degrees (Statistics Canada 1999c, Table 6). In 1987, about 17% of women working full time for a full year had university degrees (Statistics Canada 1999c, Table 6).

As more and more women reach higher levels of education, women's average earnings may indeed increase, making it easier for them to save for retirement. However, this kind of improvement may be offset if:

- increasing numbers of women are employed in non-standard jobs and, therefore, do not work full time for a full year;
- women continue to interrupt their paid employment for family responsibilities and caregiving activities; and
- coverage of workplace pension plans continues to decline.

A recent study of trends in women's earnings by researchers at the Canadian Council on Social Development is not encouraging. The authors concluded that while advocates of greater economic equality between women and men can take solace from the fact that, as a group, women have slowly moved up the earnings ladder over the last 30 years, these gains are not necessarily secure. Preliminary analysis showed that the women who made wage gains over the last decade were the beneficiaries of a pool of good jobs in the health, education and social service sectors. However, as the structure of the economy continues to change, with the continuing polarization of job opportunities, the authors said, there is a real danger that women's economic advances will be halted. Such a situation would herald greater economic insecurity for all Canadians (Scott and Lochhead 1997: 2).

Non-Standard Work Affects Earnings

The increasing prevalence of non-standard employment for women in the paid work force does not augur well for their ability to set aside retirement savings for themselves and protect themselves from poverty or low income when they grow old. And because of the often temporary nature of their employment, fluctuations in income and frequently low wages, many women may be unable to save for retirement.

Of course, not all non-standard work is poorly paid or unstable. A highly paid professional may be self-employed, for example, and well able to allocate private savings for retirement. A part-time worker employed by the same employer on a long-term basis may be a member of an occupational pension plan. And all workers in paid employment—whether employed or self-employed, full time or part time—are covered by the CPP or QPP, unless they earn less than the annual Year's Basic Exemption (YBE) now frozen at $3,500.

But women in non-standard jobs may be less likely to have funds available to invest in RRSPs or save for their retirement. Earnings of self-employed workers are more polarized than those of employees. About 45% of all self-employed workers in 1995 made less than $20,000 a year, and women are more likely to be at the lower end of the earning scale. Average annual earnings of own-account, self-employed women ranged from $4,300 for those aged 15 to 24, to $15,900 for those aged 25 to 54. Self-employed women who also employed others had much higher earnings on average. But less than 38% of all self-employed workers employ others (Statistics Canada 1997f: 19, 25).

Family Responsibilities Affect Earnings

There is also evidence that women's family responsibilities still limit their earnings and affect their ability to provide for their own future financial security. Among women in the prime earnings years of 35 to 54, married women have the lowest average earnings of all women, even when they work full time for a full year (Table 15).

Are Women Saving for Retirement?

Perhaps not surprisingly, in view of their lower earnings, women are less likely than men to be saving for retirement through RRSPs. Even when they do contribute, women effectively receive less tax assistance than men because of their lower earnings. Taxpayers are allowed to make an annual contribution of up to 18% of earned income to an RRSP—with a dollar maximum, currently $13,500—and to deduct the full amount of the contribution from income for tax purposes. Someone with income of about $60,000 who is in a 54% tax bracket and makes a $1,000 RRSP contribution will save $540 in taxes. Someone with an income of about $28,000 whose marginal tax rate might be about 26% and who makes a $1,000 RRSP contribution would receive a tax rebate of only $260.

Contributing to RRSPs

Theoretically, RRSPs allow those without occupational pension plans to set aside their own savings for retirement. However, the data indicate that few people do this, particularly if they have low earnings. While it may be unrealistic to expect younger workers to start saving regularly for retirement, even among those aged 25 or older, the majority of individuals entitled to make an RRSP contribution do not take advantage of this opportunity. Of those who do contribute to an RRSP, most do not do so on a regular basis.

Table 15: Average Earnings of Women
By Age and Marital Status, 1997

	25-34 $	**35-44** $	**45-54** $	**55 Years and Over** $
Full-year, full-time workers				
Single	29,947	34,664	40,719	...
Married	28,152	32,173	32,140	28,687
Other	30,858	35,408	35,795	28,779
Total	28,833	32,916	33,452	28,848
Other workers				
Single	12,473	17,291	...	...
Married	12,074	12,999	12,944	12,177
Other	…	14,139	16,200	12,845
Total	12,139	13,436	13,688	12,319
All earners				
Single	23,255	30,049	35,929	...
Married	21,030	24,196	24,806	19,076
Other	23,765	27,784	30,118	20,210
Total	21,786	25,262	26,385	19,501

Source:
Statistics Canada 1999c, Table 11.

In the five-year period from 1991 to 1995, for example, 53% of women and 43% of men aged 25 to 64, who were entitled to contribute to an RRSP did not do so (Table 16). Only 15% of women and 20% of men, who had RRSP contribution room, made RRSP contributions in all five of the years. For both women and men, the percentage contributing in all five years was highest for those 45 to 54. But even in this age group, where people have 20 years or less to go before retirement, only 22% of women compared with 27% of men with RRSP contribution room contributed to an RRSP in the five years.

Data in Table 16 include all those entitled to contribute to an RRSP, including some who had occupational pension plans but were also entitled to make an RRSP contribution. However, the picture is no brighter if we look only at those without any pension plan. Less than 27% of women aged 25 to 64 in 1993 who had no occupational pension plan were contributing to an RRSP in 1993 as a way of preparing for retirement (Table 17).

Table 16: Trends in RRSP Contributions, Individuals Aged 25 to 64[1]
Canada, 1991-95

Sex	Age	Total ’000s	% of Column	Number of Years in which Contributions Were Made (% of row total)					
				0 Years	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**
Men	25-34	1,844	27.7	48.8	12.9	10.0	8.6	8.2	11.4
	35-44	2,094	31.5	41.3	10.7	8.6	8.4	9.7	21.3
	45-54	1,605	24.1	37.9	9.3	8.2	8.1	9.6	26.9
	55-64	1,103	16.6	41.1	9.4	8.3	8.0	9.9	23.3
	Total	6,646	100.0	42.5	10.8	8.8	8.3	9.3	20.3
Women	25-34	1,988	30.6	59.4	11.0	8.2	7.0	6.3	8.1
	35-44	2,134	32.9	54.1	9.9	7.5	6.8	7.4	14.2
	45-54	1,479	22.8	44.6	9.4	7.5	7.5	9.2	21.7
	55-64	890	13.7	49.6	8.7	7.2	7.4	8.2	19.0
	Total	6,491	100.0	52.9	10.0	7.7	7.1	7.6	14.7
Total	25-34	3,833	29.2	54.3	11.9	9.1	7.8	7.2	9.7
	35-44	4,228	32.2	47.8	10.3	8.1	7.6	8.5	17.7
	45-54	3,083	23.5	41.1	9.3	7.8	7.8	9.4	24.5
	55-64	1,993	15.2	44.9	9.1	7.8	7.7	9.1	21.3
	Total	13,137	100.0	47.7	10.4	8.3	7.7	8.4	17.5
Not known	Total	6,100	100.0	96.7	0.8	1.6	0	0	0.8

Note:
[1] Includes only taxfilers who filed a tax return each year.

Source:
Statistics Canada 1997g and unpublished data.

For both women and men who have no pension plan, it would appear the urgency of saving for their own retirement increases as they get older. But even most of those about to retire were not saving anything through an RRSP. In the age group 55 to 64, for example, only 38% of women who had no workplace pension plan contributed to an RRSP in 1993.[2]

Since these data refer only to those who do not have an occupational pension plan, the fact that so few women—even those rapidly approaching retirement age—are making use of RRSPs may be taken as a strong indication that these women face a bleak financial future.

From the point of view of women’s ability to earn and save for retirement, it is important to emphasize that few lower income workers contribute to an RRSP, even when they have contribution room available. Less than 20% of all those with incomes under $20,000 and no occupational pension plan, made an RRSP contribution in 1993, while 85% of those with incomes of $80,000 and above who did not have an occupational pension plan contributed to an RRSP in that year (Table 18).

Table 17: Contributions to RRSPs by Age Group

Individuals Aged 25 to 64[1] without Pension Plans,[2] Canada, 1993

		Total with RRSP Room and no PA ’000s	Total Contributing to RRSPs ’000s	Those with Room Who Contributed %
Men	25-34	1,412	379	26.8
	35-44	1,202	403	33.5
	45-54	798	300	37.6
	55-64	578	240	41.5
	Total	3,990	1,322	33.1
Women	24-34	1,444	289	20.0
	35-44	1,238	312	25.2
	45-54	735	258	35.1
	55-64	418	160	38.3
	Total	3,835	1,019	26.6
Both	25-34	2,857	668	23.4
	35-44	2,441	714	29.3
	45-54	1,534	558	36.4
	55-64	996	400	40.2
	Total	7,828	2,340	29.9

Notes:
Although 1995 data are available, special tabulations would be required to update this table to 1995.
[1] Includes only taxfilers aged 25 to 64 and assessed in 1993.
[2] Individuals without a Pension Adjustment (PA) were assumed to be without an occupational pension plan.

Source:
Statistics Canada 1995c, Table 1A.

However, among those lower- and middle-income people without pension plans who did contribute to RRSPs, women seem much more likely than men to contribute. Of those with incomes between $10,000 and $20,000 in 1993, 17% of men, but 22% of women made an RRSP contribution, While in the income bracket of $20,000 to $30,000, 42% of women and only 16% of men who had no pension coverage saved for retirement through RRSPs. There is no obvious explanation for these differences.

The average amount contributed also increases with age. This is to be expected since the RRSP contribution limit is a percentage of earnings, and earnings generally increase with years of experience. As well, the higher one’s income, the higher the amount one is allowed to contribute, and the greater the tax saving to the individual. The average amount contributed by women was $2,931, compared with an average $4,360 for men.

Table 18: Contributions to RRSPs by Income Group
Individuals Aged 25 to 64 [1] without Pension Plans,[2] Canada, 1993

Income Level $000s	Total with RRSP Room and No PA '000s	Total Contributing to RRSPs '000s	Percentage of Those with Room Who Contributed %	Average Contribution $
Men				
Less than 10	768	39	5.1	1,256
10 < 20	990	164	16.6	1,841
20 < 30	1,713	278	16.2	2,275
30 < 40	593	282	47.6	3,073
40 < 50	312	185	59.3	4,207
50 < 60	161	109	67.7	5,585
60 < 80	142	108	76.1	7,629
80 +	183	156	85.2	10,859
Total	4,062	1,322	32.5	4,360
Women				
Less than 10	1,330	86	6.5	1,067
10 < 20	1,329	288	21.7	1,648
20 < 30	682	289	42.4	2,268
30 < 40	283	174	61.5	3,361
40 < 50	107	77	72.0	4,725
50 < 60	49	38	77.6	6,035
60 < 80	40	33	82.5	7,656
80 +	41	34	82.9	9,778
Total	3,861	1,019	26.4	2,931
Both				
Less than 10	2,099	125	6.0	1,126
10 < 20	2,319	452	19.5	1,718
20 < 30	1,595	567	35.5	2,271
30 < 40	876	455	51.9	3,183
40 > 50	420	263	62.6	4,360
50 < 60	210	147	70.0	5,701
60 < 80	183	141	77.0	7,661
80 +	224	190	84.8	10,666
Total	7,925	2,340	29.5	3,738

Notes:
Although 1995 data are available, special tabulations would be required to update this table to 1995.
[1] Includes only taxfilers aged 25 to 64 and assessed in 1993.
[2] Individuals without a Pension Adjustment (PA) were assumed to be without an occupational pension plan.

Source:
Statistics Canada 1995c, Table 2B.

How Much Have Women Saved for Their Old Age?

Although we now have good data on the numbers or people contributing to RRSPs and some information about the frequency of these contributions, there is still very little information about the amount of savings women who do manage to contribute to an RRSP might have accumulated. There is no source of information on the number of RRSP accounts, nor on the number of individuals with RRSP savings, although there is limited information on the total assets accumulated by all Canadians in RRSPs. SLID will eventually generate data on the wealth of individuals, including assets held in RRSPs. This information can then be linked to work history and other variables. In the meantime, there is no way of obtaining information about assets accumulated in RRSPs by age, gender, income level or any other measure.

Regrettably, Statistics Canada's Survey of Financial Security—originally called the Assets and Debts Survey—now under way, may not be of much help in this regard. The survey will collect data on the basis of families and not by individuals. It appears it will, therefore, be impossible to use the results of this survey to estimate the assets women have accumulated. This makes it much more difficult to make any assessment of the likelihood of poverty among women as they grow old.

Cashing in Savings before Retirement

Regardless of the amounts women have accumulated in RRSPs, there is no requirement that these funds be used to provide a retirement income. People may use their RRSP retirement savings at any time for any purpose as long as amounts withdrawn from the RRSP are included in income in the year of withdrawal. They are then subject to tax at the individual's marginal tax rate.

The government now allows people to withdraw funds from an RRSP to buy a home or pay for post-secondary education under certain circumstances and up to certain limits. There are no tax consequences of such withdrawals as long as amounts withdrawn are paid back over a specified period. It appears that more and more people have been using RRSP savings for purposes other than retirement income. In 1995, for example, almost 800,000 Canadians aged 25 to 64 or 5.5% of all taxfilers in that age group, cashed in RRSP savings (Statistics Canada 1997g: 32). The home buyer's program accounted for only 1% of these withdrawals.

Some of these individuals were probably taking early retirement, since one quarter of those who cashed in their savings early were between 55 and 64. These individuals may have drawn on their RRSP savings to tide them over until they are eligible for CPP/QPP or OAS, or for pensions from a workplace pension plan. Older workers who lose their jobs and are unable to find other employment may also have to draw on their RRSP savings for support.

But over half (52%) of those withdrawing cash from their RRSPs before age 65 were under age 45, and these individuals withdrew 36% of the total amount. These people are more likely to be withdrawing RRSP money for purposes other than retirement income. A study of the income sources of taxfilers who drew on their RRSP savings in 1991, showed that nearly one in five received neither employment income from paid work or self-employment, nor Unemployment Insurance benefits during the year. Studies by Frenken and Standish (1994: 37) also showed that 44% of those cashing in their RRSPs before retirement were women and 56% were men.

The implication is clearly that individuals who have managed to set aside private savings for their retirement may have to tap into these savings if they lose their jobs or face temporary periods of unemployment. This is a particularly important issue for women in non-standard jobs. Where jobs are temporary, unstable or low paying, people may have to use accumulated retirement savings to provide themselves with financial support between contracts or during periods of unemployment. Self-employed individuals, of course, are not eligible for Employment Insurance, so using RRSP savings may provide them with replacement income when they cannot find work. Some self-employed people may use RRSP savings to ease the transition from employment to self-employment, or to start a business. But there are no data to indicate how widespread this practice might be. Anecdotal evidence also indicates that many women may use RRSP savings to provide income when they must withdraw temporarily from the paid work force because of child-bearing or other family responsibilities. There appear to be no studies to indicate the extent to which this is happening.

While these workers may have planned and saved for retirement, their financial security may be jeopardized by the very nature of their employment. This is particularly problematic for older workers, who may lose a job prior to the age at which they planned to retire or the age at which they are eligible for benefits from public programs such as OAS and CPP, but are unable to find another job because of their age.

Reliance on a Spouse or Partner

Counting on a spouse or partner for support in old age is something about which most women have no choice. Even those who worked outside the home when they were younger have generally not been able to provide adequate retirement incomes for themselves. Most women are married or in a common-law relationship when they enter their senior years. At the 1991 Census, for example, almost 75% of women in the age group 45 to 64 were spouses or common-law partners. Given their longer life expectancy, most of these women will eventually be left on their own—especially since their spouses or partners are generally older than they are. The 1991 Census showed that only 43% of women aged 65 or older were spouses or partners (Statistics Canada 1995a, Table 2.2). In addition, the older they are, the more likely it is that women will be on their own. Women represented 55% of the population aged 65 to 74, but they were 60% of those aged 75 to 84, and 70% of people aged 85 and older (Statistics Canada 1995a, Table 1.2).

Because they had little opportunity to accumulate retirement savings in their own names, benefits they receive as surviving spouses could potentially be an important source of income for many of today's older women. However, it is evident that such benefits have not been effective in helping women left on their own to avoid poverty in old age.

Women without a Spouse or Partner

Of course, surviving spouse benefits do nothing to help women who have no spouse because they were never married. Divorced women generally are not entitled to surviving spouse benefits either. And while older, divorced women may have been entitled to a share in both the public and private pension credits accumulated by their spouse during the marriage, most men do not have a workplace pension plan. Receiving a share in a spouse's CPP/QPP entitlement is likely to provide only a relatively small amount when a divorced woman reaches retirement age.

Surviving Spouse Benefits

Until the pension reforms of the 1980s, which made surviving spouse benefits mandatory, many workplace pension plans did not provide benefits for surviving spouses of contributors. Those that did, often required the contributor to choose a reduced retirement pension if the individual wanted to provide a survivor benefit for her/his spouse after the individual's death. Many opted for the higher retirement pensions, giving them a higher income during their lifetime, but leaving their widow/widower without a pension.

The CPP/QPP has always paid benefits to surviving spouses. (The first CPP surviving spouse benefits were paid in 1968, following the 1966 establishment of the CPP). If the surviving spouse is 65 or older when the contributor dies, he/she will get 60% of the deceased's retirement pension. Benefits for younger surviving spouses are structured somewhat differently. But since the CPP/QPP retirement pension is equivalent to only 25% of the contributor's average annual lifetime earnings, up to a maximum dollar limit, the amount paid to survivors is generally very low. In November 1999, for example, the average surviving spouse benefit being paid to women was only $273.45 a month. Women represented 87.6% of all those receiving CPP survivor benefits (HRDC 1999).

In the past, reform of both public and private pensions has attempted to address the poverty of older women by improving surviving spouse benefits. Changes in provincial legislation governing private workplace pension plans made surviving spouse benefits mandatory unless both spouses agreed in writing to waive that right, although the changes were not retroactive.

Surviving spouse benefits were originally intended to provide an ongoing pension for women who had not worked outside the home and who might have been left with little or no income if their spouse's pension had ceased when he died. In the past, some women's groups, which saw such benefits as an indication of women's economic dependency on their spouses, criticized survivor benefits. They argued for a pension for women in their own right, perhaps through a special CPP pension for homemakers in recognition of their unpaid work. In effect, OAS functions in this way, since it is paid to women in their own names without reference to a spouse or partner. It does not depend on participation in the paid work force and, while it is clawed back from those with higher income, the repayment is based on individual income. However, the amount of the benefit is low.

Policy makers preoccupied with reducing the cost of public pensions have recently suggested that it may now be time to revisit the concept of surviving spouse benefits. Some critics of the CPP have argued that including benefits for surviving spouses in the public pension plan has unnecessarily increased the cost of the CPP. Others have suggested that now that most married women are in the paid work force, there may no longer be any need for surviving spouse benefits. As the government's 1996 information paper put it, "Today when 68 per cent of working age women are in the work force, consideration could be given to redesigning CPP survivor benefits so that they reflect the changing realities and needs of today's families" (Dept. of Finance 1996a: 40).

Ironically, the needs of women seem to have disappeared in this formulation. Since almost 90% of those receiving surviving spouse benefits are women, it might have been expected that the needs of women not "the needs of today's families" would have been the prime consideration if any changes are to be made. But federal and provincial governments agreed to continue the review of survivor benefits over the next few years.

Spousal RRSPs

Under the tax-assisted private retirement savings system, one spouse may use part of her/his RRSP contribution limit to contribute to an RRSP in the name of the other spouse. In effect, spousal RRSPs are a way of income splitting which is particularly useful for one-earner couples because it allows part of the couple's eventual retirement income to be transferred to the lower income spouse and, therefore, to reduce the taxes the couple will pay on their joint income.

There is little information about the assets women have accumulated in spousal RRSPs, since data are not published distinguishing spousal RRSP contributions from regular RRSP contributions. While it is not possible to assess the potential contribution of spousal RRSPs to reducing overall poverty among older women, there are indications that it is likely to be of limited significance. For example, one study estimated that only 12% of women who accumulated RRSP savings in 1989 received all or part of their deposits from their husbands (Frenken 1991: 9).

Replacement Income for Widows

Given women's lower average earnings and their concentration in insecure, non-standard jobs with no pension coverage and where they are unable to set aside private retirement savings, women will no doubt continue to need a replacement income to maintain their standard of living on the death of a spouse or partner. That their financial security should depend on attachment to a man, however, raises serious concerns about women's economic autonomy.

5. THE POTENTIAL FOR PENSION POLICY TO ADDRESS THE POVERTY OF OLDER WOMEN

There is no question that the maturing of the CPP/QPP and the increased participation of women in the paid work force have helped reduce poverty rates among older women over the last 20 years. Statistics Canada reports that the most significant change in the incomes of seniors since the early 1980s is the proportion who now receive CPP/QPP benefits. More than 82% of those aged 65 or older collected CPP/QPP benefits in 1993; less than 75% did in 1983. Most of the growth was attributable to women, a reflection of their increased presence in the paid work force (Statistics Canada 1997c, Table 7.7). More than 73% of women aged 65 or older reported income from CPP/QPP benefits in 1993, compared with just under 59% who reported income from this source in 1983 (Statistics Canada 1997c, Table 1-6).

While 38% of the income of older women in 1997 still came from the basic programs of OAS and GIS (Table 19), reliance on GIS, which goes only to low-income seniors, has been declining dramatically in recent years. In 1983, for example, 50% of OAS recipients also received GIS. By 1994, this was down to 40%. At the same time, the percentage receiving maximum GIS and Spouse’s Allowance (available only to people aged 60 to 64 who are widows or married to a low-income pensioner) also dropped “because benefits from the Canada and Quebec Pension Plans were providing more seniors, particularly women, with another source of income” (Statistics Canada 1997c: 110). In 1994, for example, only 15% of people receiving GIS were receiving the maximum benefit. In comparison, 25% of GIS recipients in 1983 were receiving the maximum benefit (Statistics Canada 1997c, tables 5-2, 5-4).

Table19: Sources of Income of Seniors

Type of Income	1997		
	Women %	**Men** %	**Total** %
OAS and GIS	38.1	21.2	28.7
CPP/QPP	21.8	21.1	21.4
Other government transfers	4.2	3.7	3.9
Total government transfers	64.2	46.0	54.1
Retirement pensions	13.2	26.5	20.6
RRSPs	4.5	4.7	4.6
Investment income	12.7	10.7	11.6
Employment income	3.8	10.6	7.6
Other income	1.7	1.5	1.6
Total	100.0	100.0	100.0
Average income	$16,070	$26,150	$20,451

Source:
Statistics Canada 1999c, Table 7.5: 106.

Tax/Transfer System Lowers Inequality

Transfer payments play a crucial role in providing income security for older women. About 64% of the income of women aged 65 or older in 1997 came from government transfers of all kinds, which was an increase from the year before. Social programs that provide income have reduced the number of poor seniors in Canada. It may also be assumed that transfers in the form of public pensions have been responsible for reducing the "depth of poverty" in which older women find themselves, especially compared to women who are lone-parent heads of families and who do not generally receive such benefits.

But, as some observers have noted, many seniors have been lifted just barely above the poverty level by the various income programs. Instead of being poor, they are now simply near poor (Ross et al. 1995). In the case of elderly women on their own, those who are still poor are not quite as poor as they used to be (Table 20).

The data in Table 20 indicate that the average income of older women on their own was $665 lower in 1996 than it was 16 years earlier in 1980. But average income after tax and transfers was $1,728 higher in 1996 than in 1980. (All amounts are in constant 1996 dollars.)

Table 20: Average Income by Different Income Concepts, Transfers and Income Tax in Constant (1996) Dollars

Selected Families and Individuals

	1980 $	**1985** $	**1990** $	**1996** $
Elderly married couples				
Average income before transfers	21,429	19,467	22,681	21,558
Average transfer payments	12,957	15,359	17,025	18,030
Average total money income	34,386	34,826	39,707	39,588
Average income tax	3,067	3,256	5,152	5,932
Average income after tax	31,317	31,997	34,554	33,656
Elderly unattached women				
Average income before transfers	7,493	7,513	8,152	6,828
Average transfer payments	7,919	9,497	10,705	11,311
Average total money income	15,412	17,010	18,858	18,139
Average income tax	771	1,163	1,797	1,772
Average income after tax	14,639	15,847	17,060	16,367
Female lone-parent families				
Average income before transfers	19,371	17,477	17,467	16,437
Average transfer payments	5,754	6,414	7,307	7,607
Average total money income	25,126	23,891	24,774	24,044
Average income tax	2,074	2,395	2,640	2,685
Average income after tax	23,050	21,495	22,133	21,359

Source:
Statistics Canada 1998d, Text Table VII.

How Can Pension Policy Address the Poverty of Older Women?

Clearly, not all the factors that make women poor in old age can be addressed through pension policy. Women's low earnings might be improved through policies on pay equity and employment equity, for example. Ability to combine paid employment with family responsibilities could be enhanced through provision of appropriate and affordable child care and social services to the elderly.

Essentially, pension policy can be used to address the poverty of older women in two ways.

- It can mitigate poverty in old age by providing benefits to poor women once they are old.
- It can assist women through a variety of measures that would improve their ability to accumulate retirement income throughout their lifetimes.

Such measures would have to take into account:

- women's lower earnings;
- their family responsibilities;
- the way in which they combine paid and unpaid work during their lifetime;
- the changing structure of the paid work force and the labour market, which has particular relevance for women;
- the fact that women generally live longer than men and, therefore, on average, will spend longer in old age than men will; and
- the fact that most women will be left on their own eventually.

In the past, both of these approaches have been used—with some success—in an attempt to address the financial situation of older women. But although the poverty of older women was given such high priority at the national pensions conference in 1981, official interest now seems to have virtually disappeared. Policy makers apparently do not even acknowledge that women may have particular needs or concerns about old age, or that pension policies may have a differential impact on women. While the great pension debate of the early 1980s placed the emphasis squarely on securing the well-being of future seniors—and particularly older women—the focus now is almost exclusively on "the rising costs of our public pension system" (Dept. of Finance 1995: 56).

The following sections of this paper review a range of pension policies that might be introduced through the various policy instruments at the disposal of federal and provincial governments that could have a beneficial effect on the poverty rates of older women. Some assessments are made of the potential impact on older women's poverty of pension policies that are now under consideration.

Alleviating Poverty through Basic Income Guarantees

Canada already has programs designed to prevent poverty among older Canadians. Continuing high poverty rates among certain groups of seniors, particularly older women on their own, imply that these programs have not been entirely successful in meeting this objective. These programs, which constitute the first tier of the system, consist of OAS, the GIS and the Spouse's Allowance. All these programs are funded from the general revenues of the federal government and, together, they provide a guaranteed annual income for seniors and some near seniors.

Old Age Security was designed as a universal program paying a monthly, flat rate, inflation-indexed benefit to all Canadians on an individual basis at age 65, as long as they meet certain residency requirements. The Guaranteed Income Supplement payable to low-income pensioners aged 65 and older, and the Spouse's Allowance, payable to some low-income people aged 60 to 64, are income tested on a family income basis and directed at seniors and near seniors who have little or no other income apart from OAS. (The Spouse's Allowance benefit is equivalent to OAS and GIS but paid to certain people who are not yet old enough to qualify for OAS/GIS).

It should be noted that the Spouse's Allowance discriminates on the basis of marital status and has been challenged in the courts on the grounds that it contravenes the equality clauses of the *Canadian Charter of Rights and Freedoms*.[3] The program is only available to individuals aged 60 to 64 who are married to a low-income pensioner, and widows aged 60 to 64 who have not remarried since their spouse died, regardless of when the spouse died and regardless of the spouse's income at the time of death. Low-income individuals aged 60 to 64 who have never married, or who are divorced, separated or married to a partner who is not yet 65, are not entitled to benefits under the Spouse's Allowance. The Federal Court of Canada recently ruled that such discrimination was a "reasonable limitation" under section 1 of the Charter. However, it is possible the case may be appealed.

While OAS is generally described as a "universal" benefit, universality was effectively eliminated in 1989 when the federal government introduced a clawback to take benefits back from people whose income exceeded a certain threshold. Old Age Security has always been taxable, so anyone receiving it must include it in income and pay tax on it when filing their tax return. But the clawback required seniors whose individual net incomes were $50,000 or more in 1989, to pay back some or all of their OAS benefits. Since July 1996, the government has imposed the clawback before paying out the benefits, so the amount of OAS people actually receive in any year now depends on the income they declared on their tax return the previous year.

The Role of OAS in Income Replacement

While most people think of OAS as a program intended to prevent poverty among seniors, it has also played an important role in replacing pre-retirement income when people retire. For example, for a woman working full time for a full year in 1997, and earning an average $30,915, the maximum OAS benefit of $4,959 represented about 16% of her pre-retirement earnings. It is generally considered that retirement income needs to be about 70% of pre-retirement earnings to protect a worker's standard of living in retirement. Using this rule of thumb, a worker earning an average $30,915 would need a retirement income of about $21,640, and OAS would provide about 23% of her replacement income needs. Combining OAS with a CPP/QPP retirement pension, set at 25% of average earnings, indicates that women working full time for a full year might be able to replace about 41% of their pre-retirement earnings through the public pension system. Of course, it should be noted that workers with low earnings may need a higher replacement ratio if they are to avoid poverty in retirement.

For one-earner couples, OAS is even more important as a source of income replacement in retirement, because the couple receives two OAS benefits even though they had only one pre-retirement income. For instance, a one-earner couple, consisting of a worker earning the average wage (currently about $37,600) and a spouse who does not work outside the home, entitled to full OAS benefits would receive roughly $10,000, which is equivalent to about 27% of the earning spouse's pre-retirement income. Since the wage-earner spouse would also receive CPP/QPP equivalent to 25% of average earnings, the couple would be able to replace 52% of their pre-retirement wage income from public pension programs.

Importance of OAS for Women

The OAS benefit has always been particularly important for women because it does not depend on being in the paid work force. Even women who have never worked outside the home can get an OAS benefit in their own names when they reach age 65. The only requirement for eligibility is residency in Canada for 10 years, although immigrants may receive a prorated benefit if they have not lived in Canada for at least 40 years after age 18. Even after the clawback was implemented, married women were still entitled to OAS in their own names based on their own incomes, because the clawback is based on individual income. For these reasons, the program offers considerable potential for the introduction of initiatives that might help reduce poverty among older women, while at the same time preserving their economic autonomy.

The Proposal for a New Senior's Benefit

In the 1995 budget, the federal government announced it intended to change the first tier of the retirement income system by abolishing OAS and GIS, along with two tax credits directed at seniors, and replacing them with a new tax-free, but income-tested, seniors benefit, to control program costs. The new program was to have come into effect in 2001, but in the face of strong protests from all sides, the government has now abandoned the proposal—at least for the time being—and the first tier of the retirement income system remains unchanged.

The proposed seniors benefit would have had a major impact on women, although this was not explicitly acknowledged. A key feature was that it would have been income tested based on family income. In effect, this meant that a married woman's right to benefits would have depended on the income of her spouse or partner, since men generally have higher incomes than women, both before and after retirement.

Of course, GIS and Spouse's Allowance are already based on family income. But for 45 years, the OAS has been a flat rate benefit, paid to all seniors, regardless of their other income. For women who have not worked outside the home, OAS is the only pension they get in their own names. Many women have seen their OAS benefit as an acknowledgment —albeit a token one—of the contribution their unpaid work in the home makes to their family and to society. Switching to a benefit based on family income clearly would undermine the economic autonomy of women.

Abolishing the OAS in favour of an income-tested seniors benefit would also have converted it from an income replacement plan which could be relied on by Canadians in planning the income needed in retirement to replace their pre-retirement earnings, to an anti-poverty program, targeted on those with lowest incomes. Although the seniors benefit proposal was eventually dropped, the government is still under considerable pressure to "target" OAS so it is available only to those with the lowest incomes. For example, in late January 2000, the Association of Canadian Pension Management, an association of pension plan sponsors and their advisors, released a report on the pension system advocating further restrictions on the availability of OAS and GIS, and suggesting that the government seriously consider basing eligibility for these programs on assets as well as income (ACPM 2000).

The Potential for New Policy Initiatives

Since the first tier of the retirement income system is funded from the general tax revenues of the federal government, these programs are vulnerable when the federal government wants to cut costs. Changes to these programs can be made unilaterally by the federal government and are achieved through the budget process. But this feature also means that it would be relatively easy to modify these programs to address the poverty of older women.

For today's older women living in poverty, an improvement in these benefits to provide a better basic guarantee could help close the income gaps referred to earlier in this paper and at least bring these women up to the low-income line. For example, the maximum benefit available in 1996 to a single individual through OAS and GIS combined was $10,426. The LICOs for a single individual in that year, based on 1992 expenditure patterns, ranged from $11,839 for those living in rural areas to $17,132 for persons living in urban areas with a population of 500,000 or more. For couples, the maximum combined OAS/GIS in 1996 was $16,905, while the LICOs for two persons ranged from $14,799 for those living in rural areas, to $21,414 for those living in urban areas with a population of 500,000 or more (Statistics Canada 1997e, Text Table VIII).

Raising the amount of the basic income guarantee might be accomplished through increasing the amount of OAS, or increasing the amount of GIS, or some combination of both. If such an initiative were to be presented as an anti-poverty measure, it might be more appropriate to achieve it through an increase in the amount of GIS. In fact, there have been ad hoc increases in the amount of GIS over the years, which have gone some way toward helping low-income seniors. Although the GIS program is based on family income, most people probably would not regard a family income test as objectionable when the program is seen as preventing poverty. As well, making adjustments to OAS, as described below, would preserve the economic autonomy of married women.

Using OAS to Recognize Family Responsibilities and Unpaid Work
For women, initiatives might be taken through this part of the retirement income system to address factors that have the potential to contribute to their poverty. As noted earlier, receipt of OAS does not depend on attachment to the paid work force. Nor does the amount of the benefit depend on the income of a spouse or partner. In effect, the program is a way of recognizing the unpaid work women do in the home by giving them a modest pension in their own right. Further modifications to the program might be made specifically to recognize women's unpaid work as a protection against the possibility of poverty in old age. For the purposes of pension policy, unpaid work might be defined as child care, care for other dependent family members (specifically the elderly and those with disabilities) and volunteer work of a caregiving nature within the community (Townson 1997b: 5).

There have been suggestions that OAS benefits might be increased for women who have had children so their unpaid work in raising their children could be recognized in the pension system. Generally, such discussions did not include recognition of unpaid caregiving for other family members, such as elderly parents or dependants with disabilities, perhaps because concern about this type of unpaid work done by women has only surfaced recently. Of course, this type of family responsibility is nothing new for women, but policy analysts may have been slow in recognizing the ultimate cost it imposes on women in terms of lost pension income and the probability of poverty in old age.

Over the years, women's groups have tried to develop mechanisms to recognize women's unpaid work in the pension system. One of the most controversial ideas has been the suggestion that full-time homemakers might be included in the CPP/QPP. Since the CPP/QPP is an earnings-related pension plan, serious problems would be raised if people with no earnings were to be included. Both contributions and benefits in the CPP/QPP are based on earnings in the paid work force. To include those without earnings would, therefore, require making some assumption about the level of hypothetical earnings on which their benefits would be based.

Participants in the debate about a homemaker pension in the CPP/QPP also wrestled with the question of how someone with no earnings could contribute to the plan. Would the wage-earning spouse be required to contribute on behalf of the full-time homemaker? At what level would he/she contribute? Should a full-time homemaker be allowed to contribute voluntarily to the CPP/QPP? This is especially important since individuals in the paid work force are not allowed to increase their CPP/QPP pensions by making additional voluntary contributions, even if they could afford to do so. Should full-time homemakers be allowed to participate in the CPP/QPP regardless of whether or not they had dependants or whether or not they cared for them personally?

Critics of the homemaker pension proposal expressed serious reservations about providing a pension to women solely on the grounds that they did not participate in the paid work force, regardless of whether or not their unpaid work involved any caregiving responsibilities. The critics also suggested that serious inequities could be created between the women in the paid work force with low earnings, receiving low benefits from an earnings-related plan but also doing unpaid work in the home, and the women working as full-time homemakers who might be able to accumulate higher CPP/QPP pensions because someone else contributes to the plan for them.

Most of these problems could be avoided if women’s unpaid caregiving work were recognized through OAS instead. For instance, it would not be necessary to establish any hypothetical earnings level, nor would it be necessary to refer to the income of the other spouse or to require the other spouse to make contributions. The economic autonomy of women would be preserved. As well, use of this particular program would enable a benefit to be designed to recognize the unpaid work women do through their family caregiving responsibilities, whether or not they are also employed in the paid labour force.

Women who, during their lives, have undertaken unpaid caregiving work might be given additional OAS benefits where the amount of the additional benefit depends on the number of children, or other dependants for whom they have been caregivers, perhaps, with adjustments for the length of time during which these responsibilities were undertaken. It should not be too difficult to establish parameters for such a program. For example, the child-rearing drop-out provision in the CPP/QPP applies to years when a parent had a child under the age of 7. A person who had two children two years apart is, therefore, allowed to exclude nine years from the calculation of average earnings on which the retirement pension will be based. There is no requirement that the person actually leave the paid work force during that period. The individual is simply allowed to exclude those years if it is to her/his advantage to do so.

The child-rearing drop-out provision is available to the person—generally the mother—who would have been eligible for the child tax credit (even if that benefit is not actually paid because the person’s income was too high). The Income Security Programs Branch of Human Resources Development Canada applies the child-rearing drop-out, using tax and other administrative records at its disposal, to calculate the amount of a person’s CPP retirement pension at the point when application for the pension is made.

A similar approach might be taken to determine the amount of additional OAS benefits payable to an individual who had had caregiving responsibilities prior to applying for OAS. Policy makers might want to consider if additional OAS benefits should also be given to those who undertake unpaid caregiving activities within the community, since such activities may be more difficult to document. However, it should be relatively easy to substantiate caregiving activities for specific individual family members, whether children, elderly individuals or persons with disabilities.

If such a proposal were adopted, it would increase the cost of the OAS program. However, it should be remembered that not only are OAS benefits taxable, but they are clawed back from individuals whose income exceeds $53,215 at 1998 rates. Those design features could remain in place, thus limiting any increase in the net cost of the program. In addition, providing better benefits for older women through OAS would also reduce the number of older women who claim GIS.

Indexing to Wages Rather than Prices

While all the programs in the first tier of the retirement income system, as well as the CPP/QPP, are indexed for inflation, adjustments are made according to increases in the Consumer Price Index (CPI). Over the long run, wages tend to increase faster than prices, so older people who receive pension benefits linked to price increases tend to fall further and further behind the rest of the population.

Some researchers have suggested this indexing regime will increase the rates of poverty among seniors in the future. In a paper prepared for a conference on retirement income policy, held at Queen's University in early 1996, Michael Wolfson and Brian Murphy, both now at Statistics Canada, made the case that the long-term costs of Canada's public pension programs have been considerably overstated. While public pension plan benefits are fully indexed to the CPI, the tax system is only indexed to the extent that inflation, measured by the CPI, exceeds 3%. As a result, while the total cost of the OAS program will increase as the population ages, the government will take in proportionately more of these benefits in taxes and clawbacks because of the different indexing regimes.

But these authors also warn that the other side of the coin is that, even without any changes to existing public pension programs, pension costs will not be unduly burdensome to the economy. The long-run implication of Canada's indexing regime for taxes and transfers is that there will be an increase in the incidence of low income among the elderly. While the federal government's 2000 budget restored the full indexing of the tax system, Wolfson and Murphy (1997) have said that of greatest significance, is the fact that, because indexing of OAS (and CPP/QPP retirement pensions) is linked to prices and not to wages, the value of these public pension programs will decline in relation to average wages as time goes by. This will leave many elderly people with sub-standard incomes in comparison with the rest of the population.

This outcome could be avoided, of course, if OAS and other pubic pension programs were indexed to wages rather than prices. Since women on average live longer than men, such a change would be particularly beneficial in helping to prevent poverty among older women.

Changing the Canada/Quebec Pension Plan

The Canada Pension Plan and the Quebec Pension Plan constitute the second tier of Canada's retirement income system. Everyone in the paid work force must contribute to the CPP, whether they are employees or self-employed, full time or part time. Residents of Quebec contribute to the Quebec Pension Plan, administered by the Government of Quebec. The CPP is administered by the federal and provincial governments and no changes to the plan may be made without the approval of two thirds of the provinces (including Quebec) having two thirds of the population. The plan is funded entirely by contributions from employers and employees. There is no government funding in the CPP/QPP.

Recent changes, which came into effect at the beginning of 1998, included new funding arrangements involving a major increase in contribution rates over the next few years and the establishment of a multi-billion dollar fund that will be invested in the stock market. Fund earnings will be used to supplement contribution revenue in order to pay future benefits. The new funding arrangements, which aroused considerable controversy, were accompanied by changes on the benefit side. (This section focusses mainly on the benefit side of the CPP/QPP.)

The features of the QPP are very similar to those of the CPP. The plans are integrated, so a person who worked for some years in Quebec and contributed to the QPP, followed by a period of employment in another province where contributions were made to the CPP, would receive a retirement pension based on contributions to both plans. It would be paid by the jurisdiction where the person retires and applies for a pension. For the sake of simplicity, the remainder of this section refers only to the CPP.

An Income-Replacement Plan

Pensions paid by the CPP are intended to replace a percentage of the worker's pre-retirement earnings to help preserve the standard of living in retirement. To the extent that women have low earnings, an income replacement pension plan will give them low benefits. In addition, a CPP retirement pension is only intended to replace 25% of a worker's pre-retirement earnings up to a certain limit. Low pensions in dollar terms are, therefore, inevitable when workers have low earnings throughout their years of paid employment and their CPP pension averages only one quarter of those earnings.

The low dollar amounts women receive as CPP retirement pensions have sometimes led people to conclude that the CPP is not a beneficial pension plan for women because it provides them with only meagre benefits. In many respects, the CPP is an ideal pension plan for women because it accommodates—much more effectively than most private pension plans or private savings arrangements could ever hope to do—many of the differences and special barriers, described earlier, that women face in providing for their old age.

The CPP retirement pension is equivalent to 25% of the worker's average annual lifetime earnings, up to the yearly maximum, which in 2000 is $37,600. The "working lifetime" over which earnings are averaged to calculate the CPP pension, is defined as the period between age 18 and 65, or from 1966 to age 65 if the worker was over age 18 in 1966 when the CPP began. Because many people are involved in post-secondary education beyond age 18, or may have periods of unemployment during their working life, when they could not contribute to the plan, everyone is allowed to exclude 15% of the period (or roughly seven years) when calculating the average lifetime earnings on which their pension will be based. This provision is often referred to as the general drop-out provision. In addition, an adjustment is made to earnings from earlier years to convert them to current dollars before averaging them. Once the pension is being paid, it is adjusted annually to take account of inflation.

The Importance of the CPP to Women

Many of the special barriers women face in accumulating adequate incomes for old age are accommodated in the CPP. For this reason, the CPP is particularly important for women and has been credited with improving their financial situation in old age and reducing older women's poverty (Statistics Canada 1996d: 110). The CPP provides a crucial element of retirement income for women, most of whom do not benefit from private employer-sponsored pension plans. For today's older women, the CPP provides about 22% of their retirement income, on average, compared with 13% from retirement pensions, 5% from RRSPs and 13% from investments—although 38% of their income on average comes from OAS and GIS benefits (Table19).

Even more important is the fact that, particularly for women, the CPP offers a number of advantages not found in private occupational pension plans.

- **It covers all sectors of the economy.** The CPP covers everyone, regardless of where they work. As noted earlier, most women work in sectors of the economy, such as community, business and personal service, where private pension coverage is lowest. And, as already discussed, the majority of women in paid employment are not covered by private workplace pension plans.

- **It includes part-time and self-employed workers.** As also noted earlier, many women in the paid work force have part-time jobs and an increasing number are self-employed. They are all covered by the CPP, as long as they earn more than the Year's Basic Exemption, now frozen at $3,500. Although pension standards legislation in all jurisdictions now requires employers with pension plans to allow part-time workers to join, many part-time workers are still not covered because they work for employers without pension plans, or because membership of the workplace pension plan is voluntary and they choose not to join.

- **The CPP is completely portable.** This feature is particularly important for women who have tended to be more mobile workers, sometimes withdrawing from the paid work force, for a time, to raise children or changing jobs in search of better pay and prospects. Legislation governing private pension plans now attempts to provide for mobility by allowing workers to transfer vested benefits from one employer to another, or to a locked-in retirement account. But this is still not always possible and, in any case, was implemented only recently and was not retroactive to benefits earned prior to legislative changes.

- **It accommodates family responsibilities.** A key feature of the CPP of particular importance to women is that it accommodates child-rearing responsibilities. In addition to the general drop-out described above, periods when a worker had a child under the age of 7 may be excluded from the calculation of average earnings on which the pension will be based. This means that women are not penalized in terms of retirement income if they must leave the paid work force to bear and raise children, or work part time while their children are small.

  Such a feature is almost unknown in the private retirement income system. Women who have no earned income, for example, during child-bearing years, may not contribute to an RRSP. And while some private pension plans allow workers who withdraw from the paid work force, for a time, to make up lost contributions to the pension plan when they return, the cost of doing so has frequently proved prohibitive for women returning from maternity or child care leave. Until recently, in the federal public service plan, for instance, women returning from such leaves were required to pay triple contributions to the plan—their own current contributions plus their own and the employer's contributions for the period they were on leave—within the same number of years they had been away. For instance, if they were on leave for four years, they were required to make up the pension plan contributions within the first four years back at work—just at a time when they faced additional expenses for child care.

- **Pensions can be shared on divorce.** The CPP provides for the division of pension credits between spouses on divorce—an issue that still proves problematic in most private pension plans. Since men are more likely than women to belong to an employer-sponsored occupational pension plan, the value of the husband's accumulated pension benefits is often a significant asset which might be divided between the spouses at divorce. But many spouses at divorce give up their right to a share in a spouse's employer-sponsored pension in exchange for other assets. This may simplify financial arrangements, but may result in a divorced wife having no pension at retirement.

- **Spouses may share CPP pensions at retirement.** When both spouses reach retirement age, they may voluntarily agree to share the CPP pensions they have accumulated during their marriage, so each receives a cheque in her/his own name. This feature can provide a CPP pension for a spouse who has not worked outside the home, although it is really only half the amount the contributing spouse would have received. For couples where both spouses have been in the paid work force and contributing to the CPP, the provision is a way of equalizing accumulated CPP benefits between spouses and providing a better pension for the lower earning spouse, which is most likely to be the wife. Such a feature is unheard of in private pension plans.

- **The CPP is indexed for inflation.** Few workplace pension plans have inflation protection, although some plans provide ad hoc inflation adjustments at the discretion of the plan sponsor. Inflation protection is particularly important for women because they retire earlier and they live longer than men. Preventing erosion in the value of benefits over time is one way to reduce the chance of poverty as they grow older.

- **The CPP has a flexible retirement age.** People can retire and claim benefits anywhere between age 60 and 70. Those who claim retirement benefits prior to age 65 receive an actuarially reduced benefit, while those who claim benefits after age 65 receive an actuarially enhanced benefit. Since women generally retire earlier than men, this feature is also important for them.

- **Benefits for surviving spouses are provided.** The structure and amount of the benefit varies with the age of the surviving spouse and whether the contributing spouse dies before or after retirement. While pension benefits standards laws governing private pension plans now also require such plans to provide surviving spouse benefits, spouses may waive the right to these benefits, as long as they agree in writing to do so. By waiving the right to survivor benefits, the pension plan member generally receives a higher retirement benefit. But this is not necessarily advantageous for women, who may benefit from sharing a higher retirement income with a spouse as long as the spouse is alive, but give up their right to a surviving spouse benefit when the spouse dies.

Recent Changes to the CPP May Affect Women More

When the government first embarked on the latest round of CPP reforms, it proposed a number of changes to the benefit side of the plan that would have had a marked adverse impact on women. The proposals were made without any gender analysis or any attempt to assess the impact the changes might have had on the incomes of older women in the future. Nor was there any consideration of the potential for the proposed changes to increase the future rate of poverty among older women.

Many of the initial proposals to change the structure of benefits were not adopted. But the fact that policy makers could have overlooked such potentially important consequences is not encouraging. In fact, benefit changes that were included in the most recent round of reforms, as well as further changes now being discussed, may effectively reduce the role played by this public pension program in the retirement income of many of the future elderly. That could have serious implications for the poverty of older women in the future.

Among the changes which have now been implemented were the following.

- **Freezing the Year's Basic Exemption.** The basic exemption from contributions of the first few thousand dollars of earnings has now been frozen at the 1997 level of $3,500. This feature of the CPP helps low-income workers because they are exempted from contributing on a larger portion of their earnings than are higher income workers. By freezing the YBE, the government claimed "that over time more part-time workers will be covered by the CPP and build towards their pensions" (Dept. of Finance 1997a:

12). But it also means that, because the YBE will lose its real value over time, more and more low-income workers will have to contribute a higher percentage of their earnings to the CPP.

- **Freezing the death benefit.** Under the existing program, the CPP pays a lump sum death benefit to the estate of a CPP contributor equivalent to six months of retirement benefits, up to a maximum of 10% of the year's maximum pensionable earnings, or $3,580 in 1997. Originally, the government had proposed to abolish the death benefit. Instead, it decided to reduce the maximum benefit to $2,500 and freeze it at that level. This means that, as time goes by, the real value of the benefit will decline. About 70% of death benefit payments are made on the death of a male contributor, so we may assume that most of those who receive these benefits are women.

- **Limiting combined survivor and disability/retirement benefits.** This change was targeted at women. It imposes further restrictions on benefits paid to those who qualify for their own retirement or disability pension as well as a surviving spouse benefit on the death of a spouse or partner. About 84% of those who receive a combined retirement and survivor benefit are women, and 81% of those who receive a combined survivor/disability benefit are women.

  It is important to note that there were already limits on these combined benefits. The maximum someone could get if they received both their own retirement pension and a surviving spouse benefit was one full retirement pension, which in 1997 was $736 a month. The average amount being received by women who were getting these combined benefits in August 1997 was $519 a month. The recent CPP reforms change the way these combined benefits are calculated, effectively reducing the amount of the total benefit. Persons who are 65 or older, who are entitled to both a survivor benefit and their own retirement pension, will receive the larger of the two benefits and 60% of the smaller. While there was no change to the maximum combined benefit, the effect will be to reduce the average benefits women entitled to combined retirement/ survivor benefits will get.

  Disability benefits under the CPP consist of a fixed monthly amount plus an earnings-related portion. Survivor benefits for spouses under age 65 when their spouse dies, also consist of a flat rate portion and an earnings-related portion. For those who currently receive their own disability pension plus a surviving spouse benefit, the maximum for the combined benefit in 1997 was $1,067 a month. This represented one maximum retirement benefit plus the larger of the two flat-rate benefits. Under the new reforms, those entitled to a combined disability/survivor pension will receive the sum of the larger of the flat-rate portions, the larger of the earnings-related portions and 60% of the smaller of the earnings-related portions. As well, the ceiling will be changed to one maximum disability benefit.

  While these changes may sound complicated, the bottom line is that they will take benefits away from women with disabilities—a fact that was not acknowledged. The average amount being paid to women who received a combined survivor/disability benefit in August 1997 was $790 a month—almost $300 below the maximum permissible amount.

- **Reducing the retirement pension.** The recent CPP reforms also provide for a new way to calculate CPP retirement pensions and the earnings-related portions of disability and survivor benefits. They will now be based on a contributor's average career earnings updated to the average of the YMPE in the last five years instead of the last three years, prior to the commencement of benefits. This change is being phased in over two years. The effect will be to reduce the amount of the retirement pension and of other earnings-related benefits in the CPP. The government said that if this measure had been in effect in 1997, the maximum retirement pension would have been $724 a month instead of $736.

  However, it is important to note that, because the YMPE is based on average wages, calculating retirement pensions based on average earnings over five years instead of three will result in greater reductions in benefits when wages are rising more rapidly than they are at the moment. People who were 65 or older in 1997 and anyone currently receiving a pension from the CPP will not be affected by this change.

Further CPP Changes Now Under Discussion

The recent CPP reforms also included a provision that the plan will be reviewed every three years instead of every five years as it was before. At the end of 1999, federal, provincial and territorial finance ministers completed the first triennial review under the new legislation. No further changes to the benefit side of the plan were announced. However, during the previous round of CPP changes, the finance ministers had set aside a number of unresolved issues, which they agreed to continue discussing. While there was no reference to these issues in the communiqué released by the finance ministers after their December 1999 meeting, a number of the proposals would affect women directly and could further undermine their financial security in the future. Key changes apparently under consideration include the following.

- **More changes in survivor benefits.** The government apparently believes that now that most women are in the paid work force, they will have their own pensions, so the need for surviving spouse pensions will be much less. However, women's lower average earnings and their concentration in insecure, non-standard jobs where there is no pension coverage and where they are unable to set aside private retirement savings, are likely to mean women will still end up with inadequate incomes in retirement. Most married women will continue to need a replacement income on the death of a spouse or partner to maintain their standard of living.

- **Mandatory ongoing credit splitting.** Under the existing plan, CPP pension credits can be divided between spouses on divorce, legal separation or the end of a common-law union. As well, couples can agree to share their CPP pensions when both reach retirement. But the take-up of these options has been low. Some women's groups have argued that sharing a CPP pension between spouses at retirement should be mandatory. The finance ministers are looking at ways in which spouses could be required to divide their CPP pension credits annually as they are earned instead of waiting until both reach retirement age. Ostensibly, the proposal would be to give spouses—mainly women—who don't work outside the home, the opportunity to build up their own CPP retirement pension. While the proposal for mandatory and ongoing credit splitting may help women with little or no earnings, it also undermines women's economic autonomy.

But, dividing pension credits annually raises other concerns that could be detrimental to women who generally work outside the home. For example, it is not clear how the existing child-rearing drop-out would be integrated into the proposed system. Women who were temporarily out of the paid work force to care for children might be forced to have a half share of their spouse's CPP credits for those years, instead of being able to exclude them completely and have a pension based on their own full-time earnings. Elimination of the child-rearing drop-out, as part of a regime where spouses were required to share their pension credits on an ongoing basis could, in some circumstances, mean that women would have lower retirement pensions than they would otherwise have had.

- **More changes to the YBE.** In the last round of discussions, Quebec put forward a proposal to make further changes to the YBE to make it more progressive by varying it with the earnings level of contributors. Under this proposal, those who earn more than $35,400 (the YMPE in 1996) would get no basic exemption. Those who earn only $3,500 would retain the 1996 basic exemption of $3,500, and those who earn between $3,500 and $35,400 (at 1996 rates) would have a basic exemption varying with their earnings. The advantage of this proposal is that it would continue to give some protection to workers with low earnings, while more and more of those with above-average earnings would be denied the basic exemption as the YMPE increases above the 1996 level of $35,400.

The Potential for New Policy Initiatives

Because the CPP does such a good job of accommodating the special concerns of women, it offers considerable potential for new policy initiatives to address and possibly reduce the poverty of older women. For example, measures might be introduced to help low-income workers, many of whom are women. The child-rearing drop-out might be expanded to include other unpaid caregiving activities. Special attention might be paid to how the increasing number of self-employed workers will adapt to sharply increased contribution rates, and improvements in surviving spouse benefits might be made.

However, the effectiveness of using the CPP as a policy instrument to reduce the poverty of older women in the future is undoubtedly limited by the fact that it plays a relatively small role in the overall retirement income system. While it is clearly a vital element in women's retirement incomes, the fact that the CPP pension is only 25% of average earnings is obviously one of the most important limiting factors.

When the CPP/QPP was established in 1966, the earnings replacement rate was deliberately set low in the expectation that private pension plans would play an important income replacement role in the retirement income system. So far, private arrangements have not lived up to these expectations. As we have seen, a minority of workers are covered by private workplace pension plans. And private pension income accounts for only 13% of the income of women who are currently seniors, compared with the 60% of older women's income provided by OAS/GIS and the CPP/QPP (Table 19).

With more and more women in the paid work force in non-standard jobs, coverage of women by private workplace pension plans may drop even further and the ability to contribute to RRSPs will also be limited for many workers in these jobs. A strong public pension plan will become even more important, particularly for women, if progress in reducing poverty among older people is to be maintained and even improved. But although the government claimed that the most recent round of reforms would strengthen the CPP by moving to a partially funded plan, its emphasis was entirely on costs and not on improving benefits. In fact, as noted earlier, changes in the financing of the plan were accompanied by measures that will effectively reduce benefits for future beneficiaries.

Options for improving the CPP that were on the table during the great pension debate of the early 1980s had virtually no exposure in the most recent round of CPP reform discussions. While some of these options might involve higher contribution rates, some changes could be combined with other financing options so no additional increases in contribution rates would be required. For example, if workers were required to contribute on higher levels of earnings, more contribution revenue could be generated. British Columbia suggested a version of this option during the last round of CPP reforms, and the finance ministers agreed to take it under consideration in ongoing discussions. But the proposal was made in the context of keeping contribution rates down and not to improve benefits.

The National Council of Welfare, in a 1990 report, *Pension Reform*, put forward a number of proposals for strengthening the CPP, together with detailed cost estimates. It said its proposals would require modest additional outlays from the federal government from 1990 through 1998, but the government would actually start saving money in 1999. More than anything else, the Council said: "This report shows that sweeping improvements in our current retirement income system are well within the realm of possibility" (1990: 79).

The big question, of course, would be whether or not there is the political will to make changes to improve CPP benefits to reduce the poverty of older women in the future—particularly since policy makers were apparently unconcerned and unwilling even to acknowledge that many of the changes they so recently implemented will have an adverse impact on women.

In its 1996 report on pensions, the National Council of Welfare noted that although a number of improvements had been made in all three levels of Canada's retirement income system in recent years, "the system still has profound limitations that have not been adequately addressed by governments." As far as the second tier of the system is concerned, the Council said the one shortcoming of the CPP/QPP that overshadows all others is the low limit on retirement benefits. Sadly, the Council noted, "the federal and provincial governments appear to be much more interested in trimming CPP benefits than enhancing them" (NCW 1996c: 45).

An Increase in the Replacement Rate

Increasing the replacement rate of the CPP/QPP as a way of addressing the poverty of older Canadians, particularly older women, was first raised during the great pension debate of the early 1980s. Because most workers have no other earnings-related retirement pension, the labour movement, women's groups and other organizations advocated that the CPP/QPP benefit level be doubled to 50% of covered earnings instead of the current 25%. An increase in the earnings replacement rate, particularly for low-income workers, would address many of the retirement income problems faced by women, including those who have been full-time homemakers for most of their lives, and who might then be able to share in a higher CPP pension through a spouse by division of credits at retirement or in the event of marriage breakdown.

A key proposal, developed by a Quebec government committee in 1977, would have improved CPP/QPP pensions for low-income workers. Known as the COFIRENTES + option, this proposal was to double CPP benefits using a 50% replacement rate for those earning up to half the average wage and 25% thereafter up to the average wage. The effect of this two-step replacement rate would be a CPP pension that replaces 37.5% of earnings for someone earning the average wage. Replacement rates for those whose average earnings were below the average wage would range from 37.5% to 50% (Quebec 1977).

In its 1990 report on pension reform, the National Council of Welfare said that after studying the main options for expanding the Canada and Quebec pension plans, it had concluded that this approach was the best option. The Council noted that if this formula were now in force (in 1990), most seniors with CPP and QPP pension income would no longer be poor, and the federal government would be spending considerably less on GIS and Spouse's Allowance benefits (NCW 1990: 24).

It seems highly unlikely that in the current political climate of cutbacks and reducing the role of the CPP, policy makers would even be willing to consider an option that involved expanding the CPP to help those with lower incomes. Nevertheless, this option would offer considerable potential for improving the retirement incomes of women in the future and would likely reduce significantly the chance of poverty.

Helping Those in Part-Time and Non-Standard Jobs

Individuals in the paid work force earning less than the YBE—now frozen at $3,500—are excluded from the CPP. Many part-time workers and those employed in non-standard jobs are affected by this exclusion and are, therefore, not able to build up a pension through the CPP. In the discussions leading up to the latest round of reforms, there had been some suggestion that the YBE might be abolished completely. All workers would then have been required to contribute to the CPP from the first dollar of their earnings.

It was argued that it would be fairer to require higher income earners to contribute on all their earnings from the first dollar up to the YMPE. Such a requirement would have increased contribution revenue and helped to contain the contribution rate increases the government was considering. The Canadian Institute of Actuaries (CIA) estimated that elimination of the YBE would allow CPP contribution rates to be reduced by about one percentage point (CIA 1993: 16).

The measure would also have brought more part-time and non-standard workers into the CPP and could, therefore, have been particularly beneficial for women. However, requiring lower income workers to contribute to the CPP from the first dollar of their earnings would have meant a huge increase in contribution rates for them. Based on 1993 contribution rates, for example, the CIA estimated that eliminating the YBE would mean a 50% increase in contribution rates for a worker earning $10,000 a year, compared with an 11% increase for a contributor earning the YMPE or more. (In 1993, the YMPE was $33,400.)

However, the federal government had suggested a way in which the YBE might be eliminated to bring more lower income workers into the plan while at the same time protecting them from such a large effective contribution rate increase. In the February 1996 information paper, it was suggested that if the YBE were to be eliminated, lower income workers might be compensated by a special tax credit given through the tax system. Such a measure, the information paper said, “would improve employer compliance and would decrease the contribution rate” (Dept. of Finance 1996a: 31).

In the final version of the CPP reforms, this option was dropped. In the interests of addressing the potential poverty of older women in the future, it would be worth reviewing this proposal again so more part-time and non-standard workers could be included in the CPP. Since all taxpayers now receive a tax credit for their CPP contributions, consideration could be given to increasing the credit in relation to contributions on earnings below the current YBE for taxpayers whose total incomes were below a certain threshold.

Protecting Those with Family Responsibilities

From time to time, women’s groups and others have suggested that the CPP child-rearing drop-out might be expanded to include those whose participation in the CPP is affected by other caregiving responsibilities, such as care of elderly family members or those with disabilities. While it was suggested earlier that individuals with family responsibilities might be given additional OAS benefits in recognition of their unpaid caregiving work, it would also be important to ensure that interruptions in their paid employment as a result of this work do not undermine their CPP retirement pensions which serve to replace a portion of pre-retirement earnings.

Even if a measure to increase OAS benefits for these individuals was adopted, it would still be necessary to retain the child-rearing drop-out in the CPP so the earnings-related portion of the retirement pension is preserved. As more and more women undertake caregiving responsibilities on behalf of dependent family members other than children, protecting their earnings-related pensions will become more urgent if they are to avoid poverty in old age.

On the face of it, there is no reason why the child-rearing drop-out could not be extended to cover these situations. However, policy makers will no doubt raise the issue of administrative difficulty. The child-rearing drop-out, which is calculated at the time an individual applies for a CPP retirement pension, is relatively simple to calculate since it is based on the years when the person had a child under the age of 7. All that is necessary for the contributor to do is to produce birth certificates for any children, and those years can be excluded in calculating the average earnings on which the pension will be based. Whether or not the individual was in the paid work force during that time is irrelevant. The record of earnings and contributions during those years will determine if it is to the individual's advantage to exclude those years.

Such a procedure could not be applied in the case where the contributor had years caring for other dependent family members. However, it should be possible to develop some other way of verifying the caregiving activities and, perhaps, to put some limit on it similar to the way the child-rearing drop-out is limited to the first seven years of a child's life. For example, the 1998 federal budget introduced a new caregiver tax credit which will reduce federal tax by up to $400 for individuals residing with, and providing in-home care for a parent or grandparent over 65 years of age, or for an infirm dependent relative (Dept. of Finance 1998: 112). Administrative records could be used so those who claim the dependant tax credit would also be entitled to a caregiving drop-out in the CPP. While it might be necessary to put some limit on the number of years allowed for a caregiving drop-out, it should be noted that some women doing this kind of unpaid work may already be older, close to the age at which they would claim their CPP retirement pensions. So, limiting the number of years for which they could claim a caregiving drop-out may not impose undue hardship.

Mandatory Credit Splitting

One of the proposals now under discussion by federal, provincial and territorial finance ministers is the possibility of requiring that CPP credits accumulated by spouses during a marriage or common-law union be divided between them on a mandatory basis every year. It would appear that some women's groups have put forward this proposal because the voluntary division of credits—whether at divorce or at retirement—has had such a low take-up rate.

Credit splitting on divorce is already supposed to be mandatory, but some provinces allow spouses to waive their right to a division of CPP credits at marriage breakdown. Presumably, these provisions would be overcome if couples were required to share their CPP credits on an annual basis, although there would be other concerns about mandatory credit splitting on an annual basis, for reasons discussed earlier. If credit splitting were to be made mandatory, it would seem preferable to do so when both spouses reach retirement and are in receipt of CPP pensions.

Women’s groups have long suggested that spouses should be required to divide their accumulated CPP credits when both reach retirement age. The division of credits between spouses at retirement, known as “assignment,” is already a feature of the CPP, but it is voluntary, and few couples take advantage of the option.

Mandatory credit splitting, whether on an ongoing basis or at retirement, might improve the CPP pensions women will eventually receive in their own names and, therefore, it could enhance women’s economic autonomy in old age. But where women remain in a marital relationship, mandatory credit splitting would not increase the total CPP pensions available to the couple. More important is the fact that, as long as the replacement rate of the CPP is so low, mandatory credit splitting is not likely to do much to prevent poverty among older women in the future. Policy makers would also have to consider how surviving spouse benefits would be dealt with if credits were shared between spouses on an annual basis.

Improving Surviving Spouse Benefits

The federal government’s 1982 green paper, *Better Pensions for Canadians,* suggested an improvement in CPP benefits for surviving spouses. Combined with mandatory credit splitting when the younger spouse reached the age of 65, the paper proposed that CPP survivor benefits for spouses over age 65 would be replaced with a continuing pension equal to 60% of the deceased spouse’s retirement pension accrued to date, after the credit splitting. The surviving spouse, whether she had contributed to the CPP or not, would receive 80% of the CPP benefits that had been coming into the household before the death of the spouse. Combined retirement and survivor pensions would thus exceed the ceiling of a maximum retirement benefit (Dept. of Finance 1982: 33). Given that the government has just reduced the limits on combined benefits, it seems most unlikely that such a reform would find favour among policy makers today; however, it is a measure that would address the continuing high rates of poverty of older women who are on their own.

The National Council of Welfare’s 1990 paper on pension reform made a similar proposal, except it suggested the benefit should apply to surviving spouses aged 60 or older. The Council said the change would result in a significant increase in benefits for surviving spouses from one-earner couples, but it would probably mean no more than modest improvements for survivors from two-earner couples (NCW 1990: 37).

The Council also suggested a way of dealing with the fact that divorced spouses do not receive survivor benefits—an issue that has long been a concern to women’s groups. It gave an example of a man who marries at age 20, gets divorced at age 45, remarries at age 50 and dies at age 55. The second wife, his wife of five years, gets a full CPP or QPP survivor pension under the current system. The first wife, his wife of 25 years, gets nothing. The Council expressed the view that the fairest way to handle survivor pensions would be to have prorated benefits in cases where people have been married more than once or had more than one common-law relationship lasting a year or more (NCW 1990: 42, 43). However, it is worth repeating that as long as the replacement rate of the CPP is so low, such measures will not do much to address the poverty of older women in the future.

Privatization of Public Pensions

During discussions about reforming the CPP over the last few years, some people suggested that the CPP be abolished and replaced with a mandatory private savings scheme. Such an approach was advocated by the World Bank in a landmark report on aging, published in the fall of 1994 under the title *Averting the Old Age Crisis.* As a model for other countries, the Bank held up the example of Chile, which until 1994, was the only country that had fully replaced an existing public pay-as-you-go pension scheme, like the CPP, with a mandatory savings scheme.

Mandatory private savings schemes operate like RRSPs, where people contribute to a savings fund and whatever money is left in the fund at retirement is used to purchase a benefit. The amount in the fund depends on the investment skills of the individual, the ups and downs of the stock market, rates of inflation over time, rates of interest prevailing when the benefit is purchased, and the fees and commissions charged by the financial institutions administering the funds, trading the investments and selling the pension annuities. In addition, the size of the fund depends on the worker's ability to contribute regularly over a lifetime of uninterrupted paid employment.

Privatization of public pensions in Chile was implemented in 1981 under the Pinochet dictatorship, with the help of economists from the University of Chicago. Since then, the Chilean pension system has become the model for many Latin American countries abandoning public pension programs, as well as the goal of other more developed countries where the political climate is one of reducing the role of the state in favour of a free market system.

In Canada, the Reform Party advocated the abolition of the CPP and its replacement with a mandatory savings scheme of "Super-RRSPs" based on the Chilean model. More recently, however, Reform appeared to prefer the British system of privatization, which allows people to opt out of the state earnings-related public pension program and have their contributions directed instead to a personal pension plan (roughly equivalent to an RRSP). Strong support for the privatization of public pensions in Canada has also come from corporate-funded, neo-liberal research institutes, such as the Fraser Institute and the C.D. Howe Institute, as well as from others who share the Reform Party's views, including the Alberta government.

Allowing People to Opt Out of the CPP

While the Chilean model was initially the preferred option of those who advocate abolition of the CPP, proponents of privatization of public pensions in Canada are now suggesting people be allowed to opt out of the CPP and have their mandatory contributions directed to their RRSPs instead. In fact, Alberta has said it will consider withdrawing from the CPP and establishing its own pension plan unless federal and provincial finance ministers agree to further CPP changes—including a system of opting out (Alberta 1999).

In its 1998 booklet, *Can Your Pension Be Saved?*, the Reform Party proposed people be allowed to opt out of the CPP and set up their own individual pension plans. This system was introduced in Britain in the 1980s under the Thatcher Government, when individuals were given the right to take out an approved personal pension plan—something like an RRSP—as an alternative to the public system. In Britain, personal pension plans are sold mainly by insurance companies, and aggressive marketing by these companies persuaded many people to opt out of the public pension plan.

People were also persuaded to opt out of defined benefit workplace pension plans in favour of personal pensions which, like RRSPs, do not guarantee any particular benefit. The "mis-selling" of personal pensions became a major scandal in Britain, and the insurance companies, including some of the best-known names in the industry, have been forced to pay heavy fines for malpractice, poor record keeping and bad advice, as well as compensation to those they misled (Townson 1999a).

The Pension Provision Group—a government task force which produced a comprehensive assessment of pension provision in the United Kingdom as part of the Blair Government's 1997-98 pensions review—says that for many of the two million people who chose a personal pension plan (known as an APP) instead of remaining in the state earnings-related pension scheme (SERPS), "the additional income an APP will provide in comparison with SERPS is likely to be marginal and may be equivalent to having taken no action. Indeed some will receive less than SERPS would have provided" (United Kingdom 1998: 126). A significant minority of people may be worse off, says this report, "particularly if they are modestly paid, are already part way through their working lives and do not invest in equities for most, if not all, of the time up to retirement."

According to the Pension Provision Group's report, part-time women employees are the least likely to have a personal pension. The high fixed cost of personal pensions and the lower levels of women's earnings, especially part-time women employees, mean the amounts they are able to contribute cannot support the costs and provide a satisfactory benefit.

Another study of personal pensions for the British Equal Opportunities Commission, showed clearly that not only were women likely to gain very little from an APP, but some would be worse off because they were too old or too low paid when they joined. Men, the authors concluded, were likely to gain much more than women from an APP (Davies and Ward 1993).

Replacing a Defined Benefit Pension with an RRSP
While the advocates of privatization present individual personal pensions or mandatory "Super-RRSPs" as alternatives to the CPP, it is never made explicit that these "private" arrangements are not comparable to the CPP. In fact, what is being advocated is replacing

a defined benefit pension plan, where contributors are guaranteed a pension related to their lifetime earnings and years of service/contributions, with a defined contribution or money purchase plan, with all the disadvantages that entails. In a defined contribution or money purchase plan, contributions are accumulated in a fund, which is invested. Whatever amount is in the fund when the worker wants to retire is used to purchase an annuity, which provides a monthly pension. In other words, only the contribution and not the benefit is defined. A private savings scheme, such as an RRSP, is essentially a form of defined contribution or money purchase plan.

Under a private savings scheme, no pension is promised. In fact, an RRSP or personal savings scheme is not a pension. It is a savings arrangement with no particular benefit guaranteed. In addition, no ancillary benefits are provided through an RRSP. It is simply a fund of money. Disability benefits, survivor benefits, benefits for dependent children, child-rearing drop-out provisions, general drop-outs protecting workers who are temporarily unable to contribute because of illness, unemployment, enrolment in training and education, or other reasons—all of which are available in the CPP—are not provided for in an RRSP.

Low-income workers are particularly disadvantaged by mandatory private savings schemes, because they cannot afford to contribute the mandatory percentage of their earnings. In the Chilean system, workers are required to contribute 10% of their earnings to the mandatory savings scheme, with another 3% to cover administrative costs and an insurance premium for disability and survivor pensions. In addition, there is a mandatory health insurance premium of 7% of earnings. There are no matching employer contributions. Critics of the Chilean system note that for a high proportion of low-paid workers in Chile, combined health insurance and pension contributions at 20% of earnings is too large, encouraging non-compliance. This applies particularly to married women, who may suffer from work interruptions to a degree that pension contributions do not generate any benefits, and who may rely instead on benefit entitlements of contributing partners (Barrientos 1996).

A mandatory savings scheme shifts the risk of providing for retirement on to the individual. Replacing a social insurance pay-as-you-go public pension with a personal savings scheme—even when it is achieved through allowing people to opt out of the public plan—eliminates the collective responsibility and social solidarity that has been the foundation of Canada's public earnings-related pension system for the last 30 years or more.

Serious Disadvantages for Women

The details of these privatization schemes are beyond the scope of this paper and have been discussed at length elsewhere (Townson 1999a). Regardless of whether privatization takes the form of replacing the CPP with a mandatory private savings scheme or allowing people to opt out of the CPP in favour of an RRSP or approved personal pension plan, these schemes present serious disadvantages for women and would, undoubtedly, increase the poverty of older women if they were to be adopted in Canada.

All the barriers women face in providing for their old age, which are so well accommodated in the CPP, would be exacerbated. For example, lower earnings make it difficult for women to contribute to such schemes. This phenomenon is already evident in Canada in the lower participation of women in RRSPs. Employment in the informal sector means that women are often excluded from mandatory privatized schemes. Whether they work part time or full time, and whether they are employees or self-employed, women workers are included in the CPP as long as they earn more than the YBE, now frozen at $3,500.

Women's intermittent work-force attachment also means that, frequently, they cannot contribute to a private savings plan. The general drop-out provisions in the CPP mean that—within certain limits—workers may exclude periods when they may have been unemployed, sick or engaged in higher education, so their retirement pensions are not affected. In addition, a parent may also exclude years when he/she had a child under age 7. In a private savings scheme, of course, years when a person had little or no earnings or had withdrawn from the paid work force to raise children or care for other dependent family members, would also be years when the individual was not contributing to a personal savings plan. The result would be a much lower fund from which to purchase a pension at retirement.

Women in the paid work force are more likely to be employed in non-standard jobs. Much of this employment offers low wages and little job security, making it very difficult for women to save. And women tend to retire earlier than men, generally, for family reasons. Under a private savings scheme, the earlier the person retires, the less opportunity he/she has to build up retirement savings. Women also live longer than men, so they would need to build up larger lump sums in a private savings account to provide themselves with pensions that would last for the rest of their life. With lower earnings and the other considerations outlined above, the possibility of being able to do this is remote. This problem does not arise with the CPP.

In addition to the obvious disadvantages for women under a privatized system such as Chile's, there is often an additional systemic bias against women. For instance, in theory, the Chilean program is supposed to give workers a retirement benefit equivalent to about 70% of their average insured wages over the last 10 years before retirement. But this estimate is based on male workers with male life expectancy and male lifetime work patterns. Women earn less, retire earlier and live longer. And they take time out of paid employment for family responsibilities. It has been estimated that to get the same replacement rate as men, women insured under a fully funded individual scheme would have to contribute 15% to 20% of their insured wages, instead of the 10% needed by the average male worker (Gillion and Bonilla 1992).[4] Given their lower earnings, this would almost certainly be impossible.

Proposals to allow opting out of the CPP raise serious concerns for those concerned about the security of incomes of future seniors. There is clear evidence from the British experience that individuals can be persuaded to opt out of a public pension plan—even though they may be much worse off in retirement—through aggressive marketing by the financial institutions, which stand to gain by selling private pension arrangements, whether they be personal pension plans as in Britain or the "Super-RRSPs" suggested by the Reform Party. This possibility should not be taken lightly by those who advocate permitting opting out of the CPP, especially given the aggressive marketing campaigns conducted by financial institutions during the peak RRSP buying season each year.

Since personal pension plans are defined contribution arrangements, they are really no different from the mandatory savings schemes in which Chilean workers are required to participate. No pension is guaranteed; there is no pooling of risks; women and low-income workers are particularly disadvantaged; and the cost of operating such plans is extremely high, seriously cutting into the funds that can be accumulated for retirement.

Abandoning Social Insurance

Replacing a social insurance program, such as the CPP, with a mandatory private savings scheme would seriously undermine the financial security of those workers who are most in need of protection, especially women. The International Labour Office (ILO), a United Nations agency, points out that under such schemes, the eventual pension the worker expects to receive will be significantly lower if the individual experiences periods of personal misfortune, sickness, disability or unemployment during working years. The worker also runs the risk of mismanagement or bankruptcy of the pension fund managing the savings. There are also risks associated with general economic developments, particularly, slower economic growth or periods of low or negative real interest rates associated with rapid inflation. For low-income workers, there is also the risk that income in retirement may fall below the poverty level (Gillion and Bonilla 1992: 185).

The same considerations would apply to workers who opt out of a public earnings-related pension plan in favour of individual savings schemes such as RRSPs. In addition, opting out of public pay-as-you-go pension plans could seriously undermine the viability of the public plan itself. Public pension plans, such as the CPP, depend on pooling of risks and contributions from all workers at all wage levels. But, it would appear from the British experience, that those most likely to opt out are higher income workers with secure jobs. Those who are left in the state plan are likely to be those with the lowest earnings and the least job security. It might then raise the question as to whether contribution revenue will be adequate to pay the promised benefits.

Where opting out is structured in such a way that only the increase in premiums for the public pay-as-you-go plan would be directed to a private savings arrangement—which seems to be what some advocates of privatization in Canada are proposing—similar considerations apply. The financing base of the public pension plan is also undermined, as the Reform Party's opting out proposal tacitly acknowledged. It admits that a key issue would be what to do with the CPP benefits already accumulated by those who might choose to opt out. People might be asked to give them up, Reform suggested.

Even more important is how to finance the benefits for those who choose to stay in the CPP. On this issue, Reform (1998: 9) said: "Changes to premium levels, benefit levels and/or general tax levels may be necessary to keep it solvent." Several possibilities are suggested.

- The age of eligibility could be increased.
- Disability coverage could be handled separately, possibly by the provinces.
- Future benefits could be income tested.
- People who choose to stay in the plan could be asked to pay more for their benefits.

Clearly, the more people who opt out of the public pension plan, the more collective responsibility and social solidarity are weakened. It then becomes a simple matter to abandon the public earnings-related plan completely, forcing low-income workers to rely on income-tested benefits from the first tier of the pension system—always assuming they can qualify. Privatization of the CPP, whether through opting out or complete abolition, would have major negative consequences for women. Many more people would be forced to rely on the basic first tier of the retirement income system, and claims on GIS would almost certainly increase. It would undoubtedly also mean an increase in poverty rates among older women.

Governments in Canada have not yet been willing to go as far as the advocates of privatization of public pensions would like. For the time being, privatization of the CPP has been rejected. But the issue will almost certainly be raised again as debate about the pension system and Canada's aging population continues.

Workplace Pension Plans and Private Savings

The third tier of the retirement income system, consisting of private workplace pension plans and tax-assisted savings schemes, offers only limited potential for initiatives that might help reduce the possibility of poverty for women when they are old. While further measures might be introduced to help women accumulate private pensions and savings for their older years, most women are not covered by these third-tier programs.

Low coverage was also a concern during the great pension debate of the early 1980s, and there was some suggestion at that time that pension plans be made mandatory for all employers. However, this option was rejected. Since then, coverage of workplace pension plans has declined even further, and it seems unlikely to improve for all the reasons discussed earlier in this paper. In the current economic and political climate, making workplace pension plans mandatory is not really an option and would probably not be desirable in any case. Nevertheless, for those women who participate in this part of the system, some minor adjustments might be made to improve their future financial security and reduce the chances of poverty when they are old.

Changing the Rules on Workplace Pension Plans

Federal and provincial pension authorities regulate private workplace pension plans. They set broad minimum standards that pension plans within their jurisdictions must meet. However, the terms and conditions of any particular pension plan are determined by the plan document establishing the plan. Workplace pension plans for public sector workers are often governed by separate acts of the relevant legislature, so the standards established in provincial or federal pension benefits legislation do not apply. For instance, the federal public service pension plan is established by a separate act of Parliament and is not governed by the provisions of the federal *Pension Benefits Standards Act*.

Introducing measures specifically directed at improving the situation of women who belong to private workplace pension plans would require some kind of joint action by federal and provincial regulators, if changes were to be made to benefit women across the country. Pension regulators try to co-ordinate their regulatory activities through the Canadian Association of Pension Supervisory Authorities (CAPSA), but any changes in legislation have to be enacted by each province and the federal jurisdiction acting separately. (The federal government regulates workplace pension plans of employers under federal jurisdiction, such as banks, transportation and communications companies.)

At this time, the possibility of concerted action to address the needs of women pension plan members seems remote. In fact, pension regulators are now under pressure from employers and the business community to reduce what is often described as the “burden” of pension regulation. Ontario, for example, is investigating the possibility of self-regulation for plan sponsors, an approach which reflects the political viewpoint of the current Ontario government. Plan sponsors would simply be required to certify that they are complying with the key broad-based rules, but there would be no detailed oversight of their activities.

The Canada Customs and Revenue Agency registers all workplace pension plans for tax purposes, so the federal government taxation authorities could theoretically play a role in introducing initiatives to benefit women, by requiring pension plans to comply with certain provisions in order to be registered. But the authority here is through the *Income Tax Act*, and relates mainly to the way in which pension plans are financed and funds invested, as well as the maximum benefits that will be allowed for tax purposes.

The issue of same-sex benefits is an example of how the Canada Customs and Revenue Agency’s role in the pension system operates. Many workplace pension plans offer surviving spouse benefits to same-sex couples. But until recently, the Agency refused to register these plans for tax purposes, because the definition of “spouse” in the *Income Tax Act* did not include same-sex spouses. Employers sponsoring such plans had to make special arrangements to fund them, and these arrangements did not qualify for tax assistance.

Since a 1998 decision of the Ontario Court of Appeal in the *Rosenberg* case, pension plans providing for same-sex benefits were been accepted for registration by the Canada Customs and Revenue Agency, even though the federal government had not amended the

the definition of “spouse” in the *Income Tax Act* (Townson 1999b). In this case, involving the pension plan of the Canadian Union of Public Employees (CUPE) which provided for same-sex benefits, the court declared the definition of “spouse” in the *Income Tax Act* to be unconstitutional as it applies to the registration of pension plans or amendments to those plans. The federal government subsequently announced it would not appeal the decision, and recently introduced and passed the requisite legislatin to amend the definition of “spouse.”

Regulatory authorities might also change pension plan rules to assist women. For example, following the great pension debate of the early 1980s, federal and provincial pension regulatory authorities implemented a number of changes along these lines, as outlined earlier in this paper. Among these changes was the requirement that part-time workers be allowed to join a workplace pension plan and that surviving spouse benefits be mandatory.

But pension plan membership is often voluntary for those working part time for an employer who has a pension plan. Part-time workers may also be given cash in lieu of benefits. Given that part-time workers generally have very low salaries, it would not seem appropriate to require that they join the pension plan—if there is one—on a mandatory basis, nor that employers be prohibited from offering cash in lieu of benefits.

While surviving spouse benefits are now mandatory for workplace pension plans in all jurisdictions, spouses can forego that right if both agree in writing to do so. Many people would argue that this flexibility should remain, and it would be inappropriate to require couples to accept a lower retirement pension in order to provide a surviving spouse benefit, especially when, in most couples today, both spouses are employed in the paid work force, and both may have their own workplace pensions.

One area that might be explored is what could be done to help private workplace pension plans offer better accommodation of family responsibilities. More flexible options for buying back pensions or making up contributions when an individual returns from parental leave would certainly help women who belong to a workplace pension plan. But such provisions are generally specified in the pension plan document and have not generally been subject to regulation.

Changes to RRSPs

Most women do not contribute to RRSPs, although more might do so if earnings continue to improve. Although some people argue that encouraging people to save through RRSPs will help prevent poverty among seniors in the future, it should be emphasized that there is absolutely no requirement that funds in RRSPs be used for retirement. Funds in these plans may be withdrawn at any time and used for any purpose, as long as the amounts withdrawn are declared as income for tax purposes.

Those who have managed to save amounts in their RRSPs may cash them in to provide themselves with financial support in situations where they have exhausted EI benefits, for example, or where they have been laid off prior to retirement age and before qualifying for public pensions. Women may use RRSP funds to support themselves during maternity or parental leaves, although the extent of this practice is not known. If economic conditions deteriorate and unemployment rises, those who are lucky enough to have RRSP savings will be more likely than ever to cash them in to survive. And the trend may accelerate as non-standard, unstable and temporary employment spreads.

Recommending policy initiatives to address the poverty of older women by strengthening the RRSP system is problematic. Tax assistance to private retirement savings is structured to allow individuals to accumulate a pension equivalent to 70% of pre-retirement earnings up to a salary of about $86,000 (currently 2.5 times the average wage). This threshold is roughly three times the average earnings of women who work full time for a full year.[5]

Tax assistance to private retirement savings contrasts sharply with tax support given to the CPP (through payroll taxes) which provides a benefit of only 25% of pre-retirement earnings up to the average wage. In the1997-98 round of CPP reforms and proposed cutbacks to public pension programs in the first two tiers of the retirement income system, there was no discussion of the need to balance the amount of public funding going to the private system (which benefits so few people) with financial support for the public system (which goes to virtually all Canadians and is a much better vehicle for preventing poverty among older women).

That being said, there are three possible changes that might be made to the RRSP system that might assist women. One would be to convert the deduction for RRSP contributions to a credit to make the tax assistance fairer and perhaps encourage lower income earners to contribute. Some tax specialists claim it would be impossible to give a credit for contributions to RRSPs and RPPs: individuals would receive a credit at the lowest marginal tax rate when they contributed funds, but they would be taxed at their highest marginal tax rate when funds were withdrawn. This would penalize those who are in higher tax brackets, according to this argument.

Potential problems like this should not be regarded as insurmountable. The tax system already provides for a tax credit rather than a deduction for CPP contributions. It is also interesting to note that even some experts, who favour abolition of the CPP, support the idea of a tax credit for RRSP contributions. For example, social policy critic and economist Thomas Courchene (1994: 74) says: “It becomes much harder to defend the existence of a full deduction for RPPs and RRSPs, especially since the amounts that one can contribute, at least for RRSPs, also increase with the level of income.”

Another possible change might be to improve the assistance for spousal RRSPs. Under the existing system, a spouse may use part of her/his RRSP contribution limit to contribute to an RRSP in the name of the other spouse. This is a way that spouses in the paid work force can contribute to a savings fund on behalf of a spouse who does not work outside the home, although spousal RRSPs are not limited to such situations. As a way of assisting spouses without paid employment to accumulate RRSP savings, consideration might be given to allowing additional contribution room for those who contribute to a spousal RRSP.

Objections could be raised that this would favour married couples, giving them greater tax assistance to accumulate retirement savings than allowed for individuals without a spouse. However, it might be possible to minimize this aspect by confining the additional contribution room to those whose spouse's income was below a certain threshold. Since RRSP contribution room is based on the previous year's income and recorded on the annual Notice of Assessment sent to taxpayers by the Canada Customs and Revenue Agency, it should be possible to access the necessary tax records and inform spouses of the amount of additional contribution room available to them for spousal contributions.

Finally, consideration might be given to discouraging people from cashing in RRSP savings before retirement. In the United States, holders of individual retirement accounts (IRAs), the U.S. equivalent of Canada's RRSPs, must pay a penalty tax of 10% if they cash in their plan before age 60. This is in addition to having to include the funds in income and being subject to income tax on the amounts withdrawn.

6. DEVELOPING AN OVERALL STRATEGY

Regardless of the current controversy about how to measure poverty, progress has been made over the last two decades in reducing the poverty of older Canadians. However, many older women continue to have low incomes, particularly when they are left alone at the end of their lives, as most women will be eventually. Existing income support programs could be improved to help those older women who find themselves in poverty now. But to prevent future poverty, policy development must focus on the origins of older women's poverty.

It has been suggested that it may be possible to identify particular groups of women who are most at risk of poverty in old age and develop specific measures to address their needs. For example, women without a post-secondary education may have lower earnings and, therefore, be at greater risk of falling into poverty when they are old. It may be true that the higher a woman's education, the higher her earnings are likely to be and the easier it might be for her to save for retirement. However, even a well-educated woman with the potential for high earnings may withdraw from the paid work force, for a time, to fulfil family responsibilities. Her intermittent attachment to paid employment may, therefore, offset the beneficial effect of higher earnings when she is employed.

If pension policies are to be used to address the poverty of older women, they must focus on measures that will help women who may experience a variety of factors, or combination of factors, that could undermine their financial security in old age.

This paper has proposed changes in a variety of retirement income policies and programs that could be used to reduce poverty among both the current and future elderly, and to ensure the financial security of women in old age. New policy initiatives might be developed at all levels of the retirement income system to address the poverty of women as they grow old, but the first two tiers of the system—the public pension programs—clearly hold the greatest potential for preventing poverty of older women in the future.

In the last 10 years, federal and provincial governments have made a number of changes to the retirement income system. But there has been no overall or comprehensive policy strategy. Policy development has focussed on cost containment and not on how to ensure the well-being of future seniors or how to prevent an increased incidence of poverty in an aging population. The policy emphasis has been on reducing the role of collective responsibility through social insurance programs, and a growing expectation that individuals will take on the risk and the responsibility of providing themselves with adequate incomes for their old age, with minimal backup from the state for those who fail to do so. Where such expectations prevail, women are at a serious disadvantage for all the reasons discussed in this paper.

It would appear that the federal government now has no intention of developing an overall strategy for a retirement income system that could provide adequately for the aging population. Provincial governments, which participate in the management of the CPP and regulate most private workplace pension plans in Canada, have focussed on reducing the cost of public pensions, as well as reducing the “burden” of regulation on private pension plans. There has been strong pressure to privatize the CPP and to increase tax assistance to private retirement savings, notably RRSPs, which give the greatest benefits to those with the highest incomes. Those pressures are likely to continue and even to intensify.

It would, therefore, probably be unrealistic to expect the development of an overall plan to address the poverty of older women through retirement income policies, especially since federal and provincial governments are now developing new measures of “poverty” intended to reduce the number of people counted as “poor.”

However, initiatives could still be taken to reduce the likelihood of women having to face poverty as they grow old. Changes in various parts of the retirement income system continue to be made. In the spirit of its commitment to gender-based analysis of all its polices, there is no reason why the federal government could not insist that the special concerns of women be considered when these changes are made. As various elements of the retirement income system are changed, proactive measures could be implemented to help older women avoid poverty in the future.

Guiding Principles and Key Considerations

Recent changes in the retirement income system appear to have made no acknowledgment of the importance of establishing and maintaining the economic autonomy of women as a way of preventing poverty in old age. Pension policies that assume women can avoid poverty in old age by attachment to a man do not respect women’s economic autonomy. As a guiding principle, in the development of pension policies to address the poverty of older women, women’s economic autonomy must be respected. It is the basis of equality for women.

To achieve gender equity and social justice, there are four key considerations that policy makers must bear in mind when changes to the retirement income system are under consideration.

- **Women in the paid work force continue to have low earnings.** For various reasons already discussed, this situation will probably continue into the foreseeable future. Women are, therefore, less able to participate in private savings schemes and less able to accumulate their own savings for retirement. They will also benefit proportionately more from measures that assist low-income workers.

- **Women in the paid work force are more likely to be employed in part-time and non-standard jobs.** They are less likely to be covered by workplace pension plans, their paid employment may be less secure and intermittent. Retirement income policies that focus on workplace pension plans or private savings are likely to do little to help women in these jobs. Pension policies should specifically address the needs of non-standard workers.

- **Women have different lifetime patterns of paid and unpaid work.** Their paid employment may be interrupted by family responsibilities, including both child care and elder care. Government policies that deliberately transfer social services from the public sector to the "voluntary" sector will increase women's unpaid caregiving activities and have a detrimental impact on their incomes in old age. These issues must be addressed as specific pension policies are developed.

- **Women live longer.** On average, women retire earlier and live longer than men. Not only do they need adequate incomes in old age to prevent poverty, but they need those incomes for more years. Measures to limit inflation indexing of pensions, for example, have a major adverse impact on women. Expectations that women can save adequate amounts to fund their own retirement, when wages are lower and retirement lasts longer, are clearly unrealistic.

The Limitations of Retirement Income Policies

Retirement income policies cannot be expected to carry the full load of preventing women's poverty in old age. Social support systems, including publicly funded affordable child care, adequate paid maternity and parental leave, community support for the care of the elderly and so on, can ensure that women's unpaid family responsibilities do not undermine their future financial security. Such systems are essential in preventing women's poverty as they grow old. Pay equity and employment equity policies can help improve women's wages and employment opportunities in the paid work force, so they are better able to accumulate funds for their old age. Without all these complementary policies, retirement income policies may well prove inadequate.

The continued imbalance between women and men in the unpaid caregiving work they do imposes heavy costs on women. A recent British study (Joshi et al. 1996: 7) points out that while few women have the earning power of men at any one point in time, even fewer will have comparable lifetime earnings. This imbalance in earnings continues, or even worsens for some women, on retirement, says this study, when they come to rely on their own reduced pensions and/or a share of their husband's pensions.

However, the importance of good pensions in preventing poverty among older women is highlighted in the observation by the British Equal Opportunity Commission: "Pensions provide the main source of income for significant periods of most people's lives; for women this often amounts to a quarter of their lifetime" (Equal Opportunities Commission 1992: 1). Developing effective pension policies that specifically take into account the needs of women are, therefore, essential to addressing the poverty of older women.

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ENDNOTES

[1] Unpublished data supplied by Sheryl Smolkin, Canadian Research & Information Centre, Watson Wyatt Worldwide, February 27, 1996.

[2] Custom tabulations could provide longitudinal data up to 1995.

[3] The case of *Mary Collins vs. The Queen*, was tried in federal court in February 1999. Mrs. Collins was represented by lawyers from Nova Scotia Legal Aid and the case received financial support from the Court Challenges Program.

[4] These authors are with the Social Security Department of the International Labour Office.

[5] Calculation based on average earnings of women in 1992, and YMPE for same year.

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* Some of these papers are in progress, and not all titles are finalized.