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Aging in poverty in Canada

Seniors on the margins

Canada

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SENIORS ON THE MARGINS... is a series of policy papers presenting NACA opinions and recommendations on the needs and concerns of seniors who are marginalized, or at risk of marginalization in Canadian society.

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Photos: *PHAC, with the gracious collaboration of the Good Companions Centre*

Seniors on the margins

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National Advisory Council
on Aging

Acronyms

CCSD	Canadian Council on Social Development
CMHC	Canada Mortgage and Housing Corporation
CPP	Canada Pension Plan
EPP	Employers' Pension Plan
GIS	Guaranteed Income Supplement
GST	Goods and Services Tax
HRDC	Human Resources Development Canada
LICO	Low Income Cut-Off
NACA	National Advisory Council on Aging
NCW	National Council of Welfare
OAS	Old Age Security
OECD	Organisation for Economic Co-operation and Development
QPP	Quebec Pension Plan
RRSP	Registered Retirement Savings Plans
SDC	Social Development Canada
TPSP	Tax Prepaid Savings Plans
UNESCO	United Nations Educational, Scientific, and Cultural Organization

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Preface

Aging in poverty in Canada

By 2021, seniors will form 18% of Canada's population, compared to 12.5% in 2000. This aging of Canada's population supposes a need for responsive policies, programs and services to serve the growing number of Canadian seniors. While general consciousness of this need is rising and some changes are very slowly taking shape, we need to ask if the effort to adapt our society takes into account the seniors of Canada who are not part of the mainstream...those from ethnic minorities, those who have lived with developmental disabilities, those who are economically vulnerable, etc.

According to a UNESCO definition, "marginalization occurs when people are systematically excluded from meaningful participation in economic, social, political, cultural and other forms of human activity in their communities and thus are denied the opportunity to fulfill themselves as human beings." In this land of equal opportunity, how are seniors on the margins faring?

The National Advisory Council on Aging (NACA) publication series, **Seniors on the margins**, looks at the situation of those Canadian seniors who, because they are not part of the majority, may not have access to the resources needed to age in comfort and health. In each paper of this series, NACA examines the causes and key issues of marginalization and proposes strategies and recommendations. The present paper looks at the *economic vulnerability* of Canadian seniors.

The National Advisory Council on Aging (NACA) *is an arm's length body of citizens appointed by Order in Council to advise the Minister of Health on issues pertaining to seniors' health and the aging of Canada's population.*

Introduction

There has been a clear improvement in the economic situation of Canadian seniors[1] since the 1980s, but a substantial number of seniors continue to live under very difficult economic conditions. While many consider Canada's combined public/private retirement income system a 'success story', poverty among seniors is not a rare occurrence. It is most common among seniors living alone, women over the age of 80, visible minorities and immigrants. For a good number of these seniors living in poverty, the prospect of a golden retirement simply does not exist.

In this paper, NACA looks at five issues that impact on the economic vulnerability of seniors and offers recommendations. It proposes changes to the Old Age Security and to the Canada Pension Plan to alleviate seniors' poverty. It deplores the cumulative impact of programs that use income as the base for access (such as the Guaranteed Income Supplement) and that confiscate, through taxes, a large chunk of any additional income earned. It also looks to new retirement savings plans as alternatives to RRSPs for low income earners. Finally, it proposes that the costs of housing and long-term care establishments be capped, and that the income of senior women and immigrants be increased.

Definitions

There are few definitions of economic vulnerability, but its opposite, economic security, has been defined by the Canadian Council on Social Development (CCSD):

> *"Economic security refers to an assured and stable standard of living that provides individuals and families with a level of resources and benefits necessary to participate economically, politically, socially, culturally, and with dignity in their community's activities. Security goes beyond mere physical survival to encompass a level of resources that promotes social inclusion."*

Personal Security Index, 2002

NACA supports this larger definition; economic vulnerability is not only about insufficiency of income, but also about loss of dignity and social inclusion.

Canada has no definition of *low income* or *poverty*. For the purposes of this document, NACA has adopted the *low income cut-off* (LICO) as an indicator of economic vulnerability.[2] The use of the *before-tax* cut-off versus the *after-tax* cut-off has been the subject of much controversy over the years. According to experts, both measures indicate the same trends over time. The after-tax LICO reflects the redistribution of income – which affects the significantly higher income earners.[3] Considering that after-tax income more accurately reflects disposable income, the terms "low income cut-off," "LICO" and "low income" used in this document refer to the after-tax income/LICO. The only exception to this can be found in the table and adjoining text on page 11, which refer to a study based on the before-tax cut-off.

The economic situation of seniors

The relative income of Canadian seniors increased during the 1980s, but has since stabilized. It is becoming clear that inequalities in retirement income will increase in the future.

The end of income catch-up

Until recently, the percentage of seniors with low incomes had been declining. It went from 21% in 1980, to 10% in 1990, to 7% in 2003.[4] The National Council of Welfare points out that this catch-up period is over. Since the middle of the 1990s, seniors' income has reached a ceiling and the gap between seniors' revenues and those of other Canadians is now increasing. Between 1997 and 2003, the mean income of *senior* households increased by $4,100 while the average income of other Canadian households increased by $9,000.[5] The situation is even more pronounced for seniors living alone.

The significant increase in seniors' income over the last 25 years was the result of the maturation of Canada's public pension plans, as more and more people became eligible for the Canada Pension Plan (CPP) and its Quebec equivalent, the QPP. In 1999, 85% of seniors received these benefits, while in 1983, there were fewer than 75%. This increase reflects the greater presence of women in the paid labour force since the 1970s. Another change was the growing number of pensioners receiving the maximum amount of pension benefits. The plans were established in 1966, and the first workers to receive full CPP/QPP benefits turned 65 in 1976. It is only by the 1990s that a majority of retirees were receiving full benefits. This means that the effect of the CPP/QPP on seniors' income has now reached its maximum. An OECD study acknowledged the success of Canada's public pension system in increasing seniors' income, but it also points out that "a large public system matures only once."[6] Between 1980 and 1995, gaps in income decreased among seniors, the poorest seniors seeing the largest increases in income, thanks to their participation in public pension plans and to increases in the OAS benefits.[7]

The extent of economic vulnerability

Close to 7% of seniors live under the LICO. The figure is considerably higher for unattached seniors, and in particular women, as seen in the table. All in all, some 258,000 seniors were living under the after-tax LICO in 2003, of which 154,000 were unattached women.

Older women tend to have lower incomes because their wages were inferior while employed, and because they live longer, which means that they are at greater risk of using up their savings as time goes by. Women who are divorced or separated have much lower retirement incomes than do single women and widows,[8] as most divorced women do not claim a portion of their former spouse's pension despite being entitled to it.[9] Single women have likely invested in their career and therefore have higher retirement incomes. Many widows have inherited assets from their husbands and are entitled to a survivor's pension.

In 1998, 9% of seniors lived under the LICO:[10]

- 18% of women over 80 years of age;
- 38% of women who were separated; 25% of divorced women; 17% of widows; and 16% of single women;[11]
- 22% of tenants;
- approximately 10% of handicapped seniors;
- 13% of immigrants and 22% of seniors from visible minorities.

In 2003, the percentage of seniors living under the LICO ranged from 2% in Saskatchewan, to 10.3% in British Columbia and Quebec.[12]

Occurrence of low income among seniors — Canada, 2003

Percentage of seniors with low after-tax income			
	Both sexes	**Men**	**Women**
All seniors	**6.8%**	**4.4%**	**8.7%**
Families of seniors	**2.2%**	**2.0%**	**2.3%**
Unattached seniors	**17.7%**	**14.7%**	**18.9%**

Source: Statistics Canada, 2005

Statistics Canada publishes information on the persistence and degree of low income.[13] It reports that between 1996 and 2001, 14% of seniors lived under the LICO at one time or another, compared to 25% for the entire Canadian population. On the other hand, 4% of seniors lived under the LICO for the entire period surveyed, which is higher than the 3% for Canadians as a whole. As to the degree of poverty, senior households are less poor than other types of households, such as single-parent families. In fact, the low income gap (the difference between actual income and the low income cut-off) is smaller among senior households. Nonetheless, in 2003, families of seniors living under the LICO had a mean income that was $5,000 below the LICO; for unattached seniors, the comparable figure was $2,600 for men and $2,300 for women.

A good number of seniors are living *near* the poverty line. For example, the income of 19% of seniors was just above the before-tax LICO (see next table). These persons cannot access the benefits of income-tested programs and must therefore try to get by with an extremely small budget.

Distribution of incomes as percentages of the before-tax LICO (2001)

Before-tax income as % of LICO	Unattached Seniors	
	Men	Women
Less than 75%	12%	12%
From 75 to 100%	21%	33%
From 100 to 125%	19%	19%
Over 125%	48%	36%
All unattached seniors	100%	100%

Source: National Council of Welfare, 2004

Income sources

Seniors' revenues come from three different sources: the Old Age Security Program (OAS); the CPP/QPP; and private savings (including private pension plans).

The first source of income is the OAS. Almost all Canadians over the age of 65 receive OAS benefits, which provide an average income of $450 per month.[14] Seniors with low incomes also receive the Guaranteed Income Supplement (GIS) in amounts that vary according to marital status and income. Other financial benefits are provided by the provinces and territories[15] to beneficiaries of the GIS, such as drug insurance, access to subsidized housing, etc.

Inequalities in retirement savings

Private retirement savings are concentrated in a small percentage of families: 25% of families hold 84% of these assets, while three out of ten families have no private pension assets.

Source: Statistics Canada, *The Daily,* December 14, 2001

The CPP/QPP constitutes the second source of income. These benefits accrue from employee/employer contributions to a public fund during working years. Most seniors currently receive this benefit. The plan also provides benefits in case of disability or death. Survivor benefits are more often paid out to women (88% of all beneficiaries).

The third source of income consists mainly of income from employers' pension plans, RRSPs and investments. These private income sources can provide a certain financial security upon retirement.

Seniors' sources of income

- **OAS and CPP/QPP are the main source of income for over two-thirds of seniors;**
- **on average, 29% of the total income of seniors is derived from private employers' pensions and RRSPs, 27% from OAS (including GIS), and 20% from CPP/QPP;**
- **CPP/QPP benefits replace approximately 25% of income earned for which a worker contributed to CPP/QPP;**
- **35% of seniors receive GIS;**
- **approximately 65% of GIS beneficiaries are women; and**
- **two-thirds of men and one half of women rely on income from private pension plans.**

Source: Statistics Canada, *The Daily*, February 14, 2003

Expected increase in income inequality

It is expected that inequalities between seniors' incomes will increase in the future as the next decade will see the maturation of private retirement plans and RRSPs. These forms of savings are more prevalent among workers with higher earnings.

For a number of years, the proportion of employees contributing to an employer pension plan (EPP) has been gradually declining. In 2002, the figure was 40%, compared to 45% in 1992.[16] There are proportionately fewer immigrants, and particularly visible minority immigrants, contributing to a private pension plan.[17] Moreover, 4% of permanent employees in the private sector wrongly assume they can count on a private retirement plan![18] Among recent immigrants, that assumption is more than double (9%).

The percentage of women contributing to a private plan is now catching up to the percentage of men: the difference was just 0.7% in 2002, whereas it was over 8% in 1991. Still, women receive smaller pension incomes because of the wage difference between men and women and because these plans do not compensate for absences to raise children or look after sick relatives – absences which are generally taken by women.

Job insecurity has a considerable impact on retirement income. Self-employed workers, part-time workers and workers who experience extended periods of unemployment have a harder time saving for their retirement. Part-time workers contribute to the CPP/QPP but these benefits replace a relatively low percentage (25%) of contributors' income when they retire. Also, most part-time workers do not contribute to employer pension plans.

"For some Canadians, having a job is the best protection against poverty. For others, having a job or two jobs or even three jobs is not enough to keep the wolf away from the door."

Source: National Council of Welfare, 2004

Issues and solutions

In this section, the Council explores five areas that contribute to seniors' poverty and makes recommendations to reduce the economic vulnerability of seniors.

Shortcomings of the OAS and CPP

While the design of Canada's retirement income system has been widely praised, it is not without its faults. In a recent report, Social Development Canada pointed out that "there is still much to do to reduce poverty among Canadian seniors."[19]

For one thing, the GIS is sometimes insufficient to allow seniors, especially those unattached, to live above the LICO. In 2003, an unattached person who only received OAS and the GIS had an annual income of $12,031 – an amount inferior to the LICO in urban areas, where the cost of living is higher.[20] In its 2005 Budget, the federal government announced an increase in the GIS, but this modest increase is not enough.[21] In order to account for the varying costs of living in Canada, NACA reiterates the recommendation it made in 1993:

Recommendation

1. That the federal government increase the Guaranteed Income Supplement to at least the low income cut-offs recognized by Statistics Canada.

Under-subscription

It is necessary to apply for OAS and public pension plan benefits; they are not paid out automatically. Unfortunately, some seniors who are not able or well informed, do not apply for the benefits and lose this important source of income.

In December 2001, under-subscription to the OAS and GIS made the headlines and Canadians learned that approximately 300,000 seniors eligible for the Guaranteed Income Supplement, the Allowance, or the Survivor Allowance did not receive these benefits.[22] A Toronto food bank had raised the alarm when people 60 and over accounted for 10% of its users and only a minority of these individuals knew about and were receiving GIS and Allowance benefits.[23] They were living under very difficult conditions:

- Once the rent was paid, the median amount remaining per week for all other expenses was a mere $34.65! Yet the estimated average cost of food for one week in Toronto is $40.
- 40% of these individuals were having difficulty paying for their medication every month, and 27% were not taking their medication for lack of money.
- One-third of households with more than three people were living in a single room.

A House of Commons Committee investigated the issue of under-subscription to these programs and identified certain groups of low income seniors that did not apply for benefits. Among these are seniors who speak neither official language, who live in remote regions, who have physical or mental impairments, who have low literacy skills, or who are homeless. In addition, some seniors do not wish to subscribe to the GIS for religious or moral reasons while others believe that they are not eligible for these benefits.

In response to the House of Commons report on GIS under-subscription, Human Resources Development Canada simplified the process (through automatic renewal notices) and launched a publicity campaign. Until recently, the application forms and information sheets for CPP and OAS were 28 pages long, complex, and ill-adapted to seniors. The document has been reduced to 11 pages, uses simpler terms, is printed in a larger font size, and requires fewer attachments. Social Development Canada[24] reports on its efforts and progress in reducing under-subscription but does not publish the number of eligible seniors who have not applied.

As no reliable statistics existed on under-subscription or late renewals, NACA had research carried out in the summer of 2004 to assess the situation.[25] This research yielded a clearer picture of under-subscription to the OAS program and Canada Pension Plan, revealing that large numbers of eligible seniors have not applied for these programs.

Old Age Security program	**Have not applied**
• Old Age Security pension (OAS)	About 50,000
• Guaranteed Income Supplement (GIS) and Allowance	About 300,000
Canada Pension Plan	**Have not applied**
• Retirement pension	About 55,000
• Disability benefit/ Survivor benefit	No estimate available

The sums in question are considerable. For example, the 50,000 seniors who are eligible for OAS but do not apply sustain a total income loss of $250 million a year. It is more often women, particularly elderly women, who fail to apply for the GIS – a group that is most at risk of living in poverty. It is worth noting that seniors who are entitled to the GIS **but who do not apply are deprived not only of their GIS income, but also of all the other benefits provided through provincial and territorial programs that use the GIS as an eligibility criterion.**

NACA recognizes the efforts made by the federal government to increase the participation rate regarding income security programs for seniors, and recommends:

Recommendations

2. That the federal government continue and increase its efforts to reduce the number of people eligible for Old Age Security and Canada Pension Plan benefits who fail to apply for them.
3. That it make public the number of eligible seniors who have not applied for the various program benefits.

Late applications

The research conducted for NACA in the summer of 2004[25] showed an impressive number of seniors who applied late for their Old Age Security and the Canada Pension Plan:

Old Age Security program	Late applicants
• OAS	Almost 7,000
• GIS	About 100,000
• Allowance and Survivor Allowance	About 9,000
Canada Pension Plan	**Late applicants**
• Retirement pension	About 1,000
• Disability benefit	No estimate available
• Survivor benefit	About 750

Women are three times more likely to be late applying for CPP. Late applicants are also noticeably more numerous in Quebec, Yukon and the Northwest Territories – regions where there are more seniors living under the LICO.

Lateness in applying for CPP benefits causes serious prejudice. Currently, a person who is late applying for his or her pension under the CPP is only entitled to 11 months of retroactive benefits (whereas the QPP provides up to 5 years of back benefits). The retroactive period for the CPP is clearly insufficient and unfair, as this program is based on employee/ employer contributions. NACA therefore recommends:

Use it or lose it

In 2001, Isabel, age 90, discovers that she has been entitled to the CPP Survivor benefit for the past 15 years but did not know it. Her husband, Jim, died at the age of 83 without ever drawing a pension. Her late application means she is entitled to retroactive benefits for a mere 11 months, even though her husband contributed to the Plan while he was working and the money was his due, and hers!

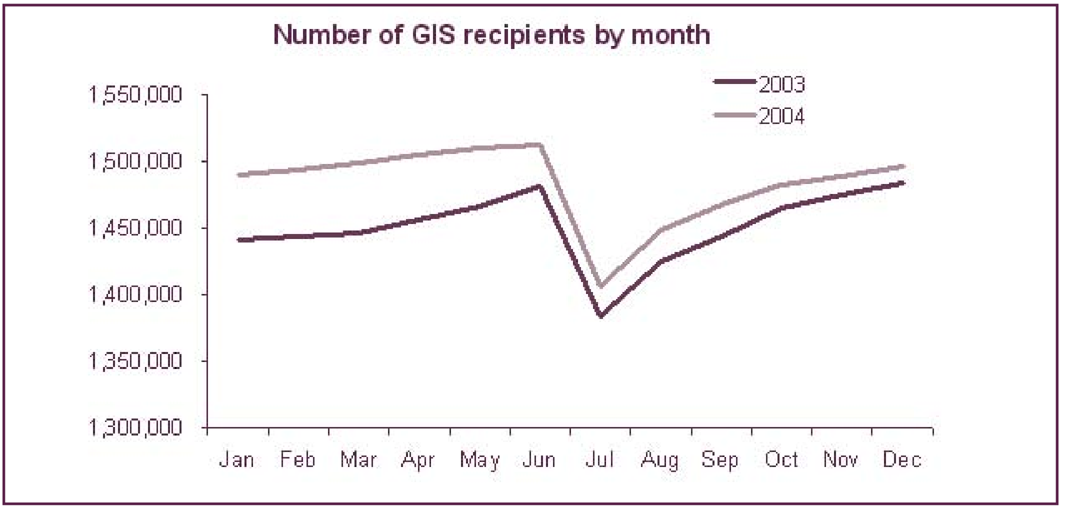
Recommendation

4. That the federal government allow full retroactive benefits, plus interest, when someone applies late under the Canada Pension Plan, since it is a contribution-based program.

Late renewals

In July, year after year, GIS and Allowance recipients must renew their application for benefits through filling out an income tax declaration or a renewal form. Every year, close to 100,000 seniors fail to renew their application on time. At present, they are sent a reminder with an enclosed renewal application form. If they fail to respond, they are temporarily excluded from the program and do not receive their benefits for July or the following months, until the application for renewal is completed. The figure below shows the drop in the number of GIS recipients in July because of this renewal procedure.

GIS renewal: 100,000 people lose their benefits every July



Source: *Monthly Statistical Bulletins, Canadian Pension Plan and Old Age Security.* Online: www.hrsdc.gc.ca/asp/gateway.asp?hr=en/isp/statistics/monthly.shtml&hs=ozs (Accessed February 28, 2005)

In July 2004, more than 105,000 seniors did not receive their GIS cheque and more than 9,000 did not receive their Allowance because they had not completed their renewal on time. For seniors with low literary skills, little or no knowledge of the official languages or with cognitive problems, this administrative process is difficult. At the actual rates, a person receiving GIS benefits can lose up to $561 each month – a significant amount considering that seniors receiving GIS operate on a very limited budget. NACA deplores the "all or nothing" approach and recommends:

Recommendations

5. That the federal government cease suspending Guaranteed Income Supplement, Allowance and Survivor Allowance benefits when tax returns are filed late or when renewal forms are not submitted.
6. That the federal government instead increase its efforts to encourage renewal by sending reminders over a 6-month period before reducing monthly benefits by 10%.

Cumulative effects — income-tested benefits

Seniors are faced with a multitude of uncoordinated federal and provincial/territorial income-based programs. Any amount of income, however modest, has a number of effects: it reduces other benefits and it increases costs and taxes. For example, the Guaranteed Income Supplement has a clawback component. For every dollar of additional income earned:

- the GIS is reduced by 50 cents;
- taxes go up 25 cents; and
- the GST credit goes down 5 cents.

Since the GIS serves as a basis for a number of programs, it is not unusual to find further effects. For each additional dollar earned:

- the social housing subsidy goes down 30 cents; and
- the cost of home care and "meals-on-wheels" goes up 30 cents.

As can be seen, the cumulative effects may well be a net loss of income![26]

In its report, the House of Commons Committee that addressed the GIS under-subscription problem stated: "The Committee strongly believes that no GIS recipient should face financial hardship because he or she receives some occasional income." It recommended that the government allow GIS and Allowance beneficiaries to earn an occasional income without punitive reductions.

NACA deplores the fact that the Guaranteed Income Supplement program automatically reduces benefits when seniors earn modest additional income to try and make ends meet. It recommends:

Recommendation

7. That the federal government allow seniors to earn an income of 10% of the benefits received by the Old Age Security program before reducing the Guaranteed Income Supplement and the Allowance.

Retirement savings for low income earners

People with low incomes actually derive no advantage from investing in RRSPs, an investment program that allows contributors to delay paying income tax until the invested amounts are cashed in. But people with low income pay little or no income tax during their working life anyways. If they are entitled to the GIS upon retirement, they will actually be penalized when they cash in their RRSPs, as these amounts will inevitably lead to a reduction in GIS benefits. For example, a person receiving the GIS who cashes a $1,000 RRSP could see his/her GIS benefits reduced by $500.[27] Furthermore, those GIS recipients who are among the 50% who pay income tax, will see a further reduction of $250. Finally, as pointed out earlier, other benefits such as provincial/territorial income supplements or subsidized housing may be lost or reduced as well.

All that for $25!

Frank lives in Ontario and receives the Guaranteed Income Supplement. To improve his lot, he worked for the Census in 2001, earning $1,384. As a result he had to pay $542 in income tax; his OAS and GIS benefits went down $601, and his social housing costs went up $216. Tallying this up, Frank finds that his income of $1,384 has cost him $1,359, for a net benefit of $25!

These clawback practices discourage low income earners from making the already difficult effort to save. Among people aged 55 to 64, 21% have no retirement assets and 32% have assets of less than $100,000. Seniors with no retirement income will receive maximum benefits from the government. However, those who have saved a little (an average of $23,000 in RRSPs) will have a significant portion of their assets 'confiscated'. The main beneficiaries of these difficult savings will be the provincial and federal governments, who will recover the money through income tax and through reduced benefits being paid out of their income-tested programs.

To encourage savings, many groups, including the renowned C. D. Howe Institute, recommend creating Tax Prepaid Savings Plans (TPSPs). Unlike RRSPs, TPSP contributions would be taxable, but not the withdrawals. St. Christopher House in Toronto, an advocate for the less advantaged, has proposed a specific type of TPSP: a Registered Development Savings Plan. These after-tax personal retirement accounts would have maximum annual contributions and would be protected from the clawbacks described above.

NACA is in favour of introducing new savings methods for low-wage workers as an alternative to RRSPs. These alternatives would be particularly useful to employees without employer pension plans, allowing them to save for retirement. NACA recommends:

Recommendations

8. That the federal government introduce new methods of saving for low-wage workers, such as Tax Prepaid Savings Plans, and that agreements be struck with the provinces and territories that amounts saved in this way be ignored by income-tested and asset-tested programs.
9. That the promotion of this new program highlight the fact that it is well suited to wage earners with limited income.

Housing costs

Paying for shelter is a major expense for seniors. According to the Canada Mortgage and Housing Corporation (CMHC), in 2001, more than half of seniors living on their own in rental accommodations were in 'core housing need' (that is, 30% of their income was not sufficient to pay the median rent for housing of an acceptable size and quality in their locality). The proportion was even higher among unattached women (56%), which makes this group the one most affected of all household types.

After the federal government froze investment in social housing in 1993, the availability of rental units dropped sharply in large cities. As a result, rental costs soared and the quality of lodgings decreased. The government has started to invest again, but the 2005 Budget made no mention of the issue. NACA reiterates the recommendation it made three years ago:[28]

Recommendation

10. That the federal government and the other levels of government increase their financial investment in social housing for seniors.

Staying in a long-term care residence is costly. Rates are often very high and include the cost of health care. Charges in public long-term care institutions range from $540 to $4,170 per month.[29] In the past, NACA has stated that services such as nursing, drugs and personal care provided by these facilities should be free because they are medically necessary and would be otherwise fully covered in a hospital.[30] Room and board are legitimate costs of living, but these should not be excessive. NACA reiterates the following recommendation made in 2000:

Recommendation

11. That accommodation rates for residents of long-term care establishments not exceed current market prices for similar room and board services in the local community.

In some of the Atlantic Provinces, costs for long-term care institutions depend not only on income but also on assets.[31] Before being admitted, an individual must 'liquidate' half of the family's assets, not counting the principal residence. This policy impoverishes families with modest incomes because a couple must sell off assets accumulated over the course of a lifetime, often leaving the other member of the couple with very few resources. NACA disagrees with these administrative procedures as they penalize seniors. It recommends:

Recommendation

12. That the governments of the concerned Atlantic Provinces amend policies that set rates for long-term care establishments so that costs are based solely on income, and not on assets.

Income of women and immigrants

One third of Canadians between the ages of 45 and 59 believe they are not financially prepared for retirement (33% of women and 29% of men).[32] Such concerns are most prevalent among women; those widowed, separated or divorced; immigrants who arrived in Canada after 1980; tenants; those without private pension coverage; and those with low wages.

People who were widowed, separated or divorced were far more likely than others to feel that their financial preparations for retirement were inadequate. Among older women living alone, those who were never married and those who are widowed have an annual income that is respectively $5,600 and $3,500 higher than the income of separated or divorced seniors.[33] The latter, as mentioned previously, are also much more likely to live below the LICO. More systematic sharing of the pension of their former spouse would improve their economic security. NACA considers it important to increase the income of divorced and separated women and reiterates the recommendation it made in 1993:

Recommendation

13. That governments ensure automatic and compulsory sharing of pension rights under the Canada Pension Plan, employer pension funds, and retirement savings plans following divorce or legal separation.

Close to one half of 45-59 year old immigrants who arrived in Canada after 1980 report that they feel ill-prepared for retirement and 47% of those have no idea when they will be able to retire, or do not intend to retire at all.[34] In general, recently arrived older immigrants find it more difficult to secure a place in the labour market than previous immigrants and when they do, their wages are lower. Those who immigrated later in life are in an even worse situation as there is a 10-year residency requirement to quality for partial OAS or CPP benefits.

One third of recent retirees have said that they would have continued to work, at least part-time, and 12% said that they would not have left their job had it not been for compulsory retirement policies.[35] Given that the labour market is often hostile to seniors, and more specifically to immigrants, NACA reiterates two previous recommendations:

Recommendations

14. That provincial and territorial governments abolish compulsory retirement policies and ensure flexible working conditions for older employees who wish to remain in the labour market.
15. That provincial and territorial governments, in collaboration with the federal government, offer education, skills upgrading, retraining, vocational rehabilitation and job placements for older immigrant adults, and ensure that English or French language classes are specifically designed for older immigrants and are made readily available at no cost.

Conclusion

This report has examined the shortcomings that need redress if we are to eradicate seniors' poverty in Canada. Despite the many successes of Canada's retirement income system, NACA considers it unacceptable that close to 300,000 people entitled to the GIS and the Allowance do not receive benefits, and that more than 100,000 GIS beneficiaries are drastically cut-off each year for not having completed renewal procedures within the prescribed time. Moreover, current policies toward late applicants for the CPP are unjust, considering that this program is a form of insurance to which workers contribute throughout their working lives. NACA recommends a series of measures to correct these situations.

NACA also recommends that poorer Canadians be encouraged in their efforts to improve their situation by allowing occasional earnings to be protected from recovery, and by developing more suitable savings plans, given that RRSPs are not adapted to their situation. NACA also reiterates several recommendations concerning government investments in social housing, fairer rates for long-term care establishments, the sharing of pensions between separated or divorced couples, the abolition of compulsory retirement policies and better integration of immigrants.

NACA hopes that its recommendations will be heard and that they will contribute to the betterment of our systems so that all seniors can enjoy economic security, dignity and full participation in Canadian society.

NACA Recommendations

The National Advisory Council on Aging recommends:

1. That the federal government increase the Guaranteed Income Supplement to at least the low income cut-offs recognized by Statistics Canada.

2. That the federal government continue and increase its efforts to reduce the number of people eligible for Old Age Security and Canada Pension Plan benefits who fail to apply for them.

3. That it make public the number of eligible seniors who have not applied for the various program benefits.

4. That the federal government allow full retroactive benefits, plus interest, when someone applies late under the Canada Pension Plan, since it is a contribution-based program.

5. That the federal government cease suspending Guaranteed Income Supplement, Allowance and Survivor Allowance benefits when tax returns are filed late or when renewal forms are not submitted.

6. That the federal government instead increase its efforts to encourage renewal by sending reminders over a 6-month period before reducing monthly benefits by 10%.

7. That the federal government allow seniors to earn an income of 10% of the benefits received by the Old Age Security program before reducing the Guaranteed Income Supplement and the Allowance.

8. That the federal government introduce new methods of saving for low-wage workers, such as Tax Prepaid Savings Plans, and that agreements be struck with the provinces and territories that amounts saved in this way be ignored by income-dependent and asset-dependent programs.

9. That the promotion of this new program highlight the fact that it is well suited to wage earners with limited income.

10. That the federal government and the other levels of government increase their financial investment in social housing for seniors.

11. That accommodation rates for residents of long-term care establishments not exceed current market prices for similar room and board services in the local community.

12. That the governments of the concerned Atlantic Provinces amend policies that set rates for long-term care establishments so that costs are based solely on income, and not on assets.

13. That governments ensure automatic and compulsory sharing of pension rights under the Canada Pension Plan, employer pension funds, and retirement savings plans following divorce or legal separation.

14. That provincial and territorial governments abolish compulsory retirement policies and ensure flexible working conditions for older employees who wish to remain in the labour market.

15. That provincial and territorial governments, in collaboration with the federal government, offer education, skills upgrading, retraining, vocational rehabilitation and job placements for older immigrant adults, and ensure that English or French language classes are specifically designed for older immigrants and are made readily available at no cost.

References

1. In this document, the term “senior” refers to people 65 years of age and over.
2. The LICO is a commonly used measure. LICOs are based on the cost of food, clothing and shelter for a given region and family size; these are updated annually. People who spend 20% more of their income on these basics than the average family are considered as living under the LICO. Statistics Canada does not recognize it as an official indicator of poverty.
3. These cut-offs don’t take into account work-related expenses (public pension plan and unemployment insurance contributions) or sales tax. Only 10% of seniors work, however. They contribute to unemployment insurance, but not to the CPP if they receive their pension (in Quebec, pensioners who are employed continue to contribute to the QPP).
4. Statistics Canada, 2005.
5. In 2003, the average income for senior families was $43,800, compared to $62,600 for the average Canadian family. Among those seniors living alone, men had an average income of $25,000 and women had an average of $22,000 (compared to an average of $28,800 and $24,600 respectively for other men and women living alone).
6. OECD, 2001.
7. J. Myles, 2000.
8. L. McDonald and A. L. Robb, 2003.
9. M. Townson, 2000. Saskatchewan, Quebec and British Columbia have laws allowing couples not to split CPP pension credits (ref.: www.dsc.gc.ca/asp/gateway.asp?hr=en/isp/pub/factsheets/credit.shtml&hs=cpr).
10. C. Larmer, 2001 (unpublished).
11. It should be noted that there is a significantly larger number of senior widows than divorced or separated senior women. This is why they represent two-thirds of senior women living under the LICO.
12 Statistics Canada, 2005. No data are available for the Territories.
13. Statistics Canada, 2005.
14. Those who do not receive this benefit have either an annual income that is very high (over $98,547 in 2005), or have not resided in Canada for a minimum of 10 years.
15. Visit the *Seniors Policies and Programs Database*, online at www.sppd.gc.ca for a list of available income support programs in the provinces/territories.
16. Statistics Canada, online: www.statcan.ca/english/Pgdb/labor26a.htm
17. R. Morissette, 2002.
18. Statistics Canada, *The Daily*, January 23, 2004.
19. *Departmental Performance Report 2003-2004*, Social Development Canada, online: www.tbs-sct.gc.ca/rma/dpr/03-04/SDC-DSC/SDC-DSCd34_e.asp (Accessed February 17, 2005).

20. In 2003, the LICOs for a person living in an urban area varied from $12,389 to $16,348 depending on the size of the community. Sources: Social Development Canada, *Income Security Program Information Card*, online: www.sdc.gc.ca/en/isp/statistics/infocard.shtml (Accessed January 21, 2005) and Statistics Canada, *Low income cut-offs from 1994-2003 and low income measures from 1992-2001*, 2004, online: www.statcan.ca/english/research/75F0002MIE/75F0002MIE2004002.pdf (Accessed January 21, 2005).
21. By January 2007, the monthly benefits would be increased by $36 for singles and $58 for couples.
22. The Allowance and the Survivor Allowance are income security programs for people between the ages of 60 and 64. To simplify the text, the term "Allowance" refers to both of these programs.
23. Daily Bread Food Bank, *Seniors Relying on Food Banks in the GTA*, 2002.
24. The former department of Human Resources Development Canada was split into two separate departments. Social Development Canada is now responsible for income security programs.
25. This research (*Issues related to Income Supports for Vulnerable Seniors*, unpublished) was carried out by Richard Shillington, an expert in the field.
26. R. Shillington, 2003.
27. The amount recovered will be between $0 and $1,000 depending on the circumstances.
28. NACA, 2002.
29. Canadian Health Care Association's presentation to Health Canada, February 4, 2005.
30. NACA, 2000.
31. Review done by the Government of Alberta in 2003 (ref.: www.gov.ab.ca/acn/200306/14612.html#charts). As of January 1, 2005 those entering nursing homes in Nova Scotia are assessed for their ability to pay based on their income only and not on their assets (ref.: www.gov.ns.ca/finance/budget04/BudgetBulletin2004.pdf).
32. Statistics Canada, *The Daily*, September 2, 2003.
33. L. McDonald and A. L. Robb, 2003. Data takes into account age, region and education.
34. Statistics Canada, *The Daily*, September 2, 2003.
35. Statistics Canada, *The Daily*, October 26, 2004.

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