

# Women and Public Pensions: Working Towards Equitable Policy Change



*An Initiative of the  
Women's Centres in the  
Western area of Nova Scotia:  
Tri-County Women's Centre in Yarmouth,  
Second Story Women's Centre in Bridgewater, and  
The Women's Place Resource Centre in Bridgetown.*

Georgia Barnwell  
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In 2005, the Canadian Government increased the Guaranteed Income Supplement by \$36 a month for single recipients. This amounts to \$1.20 a day.

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# Women and Public Pensions: Working Towards Equitable Policy Change

## **Executive Summary**

This paper was completed during Phase II of the Women and Public Pensions project. In Phase I, “In Her Own Name: Public Pensions, Advancing Equality for Rural Women,” described rural women’s experience with Canada’s retirement income system. The purpose of this paper is to:

- map out the historical context of policy assumptions and the economic, political and social forces that created the pension system;
- examine outdated or faulty assumptions of: the male breadwinner/female homemaker economic model, the market solution, women’s assumed equality, and gender neutrality;
- debunk the myths that the present system has no capacity to meet future demands and that we will not be able to afford the Canada Pension Plan;
- document how diverse senior women<sup>1</sup> are disadvantaged by the present pension and tax system; identify specific policy gaps within the pension system and related policy areas; and,
- highlight recommendations that foster equitable policies for public pensions.

The analysis used both gender and rural lenses, and focused on identifying newly emerging trends that threaten Canada’s social safety net. The paper was used as background information to stimulate discussion at a forum on “Women and Public Pensions: Working Towards Equitable Policy Change”, held in November of 2005.

Despite the best of intentions by policy-makers, there are political, economic and social forces as well as systemic and structural factors that determine policy directions. Ineffective and inequitable outcomes are often the result.

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<sup>1</sup> For the purpose of this paper, we are defining “senior” women as those aged 60 to 64, and 65 and above. This distinction and its implications will be discussed in some detail throughout the paper.

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Systems that purport to provide benefits for the long term require regular review and adjustment. An outdated legislation and regulatory regime with its inevitable 'momentum', combined with the demands of economic globalization, threaten women's economic security in retirement. Both pension and tax policies play significant roles in causing problems in their present form, however, both offer avenues to increase access, adequacy and equity, and to reduce poverty amongst senior women.

The policy environment is becoming more complex, and at the same time, more and more power is being exerted by the private sector than ever before. Despite promises to the contrary, globalization has caused the gap between rich and poor to continue to grow. The National Council on Aging (NCA, 2003) in its 2003 "Interim Report Card" shows this polarization clearly in figures which demonstrates that in 2000 36% of senior Canadians were living in poverty. 21% of unattached senior women were living in poverty (NACA, 2003). In other words, more than half of poor seniors were unattached, single women (NACA, 2005). Current trends suggest that more senior women will be living in poverty in the future. With labour market changes, non-standard work will increasingly be the norm. (Townson, 2003) Non-standard work includes, temporary, part-time, contract, seasonal casual and self-employed work. It is characterized by a lack of benefits such as workplace pension plans, and often by low wages. An increase in this kind of work limits workers' ability to contribute to CPP and private pension savings.

Reflecting the increased influence of the private sector, governments the world over are arguing that the preferred approach is to encourage people to save for their own retirement and not to rely on government programs. Governments claim that they cannot afford to provide income replacement programs for the growing number of baby boomers who will retire over the next 20 years. We disagree.

Current policy directions are creating another underclass, for whom poverty in old age will be the final indignity. There are many well-respected academic researchers and seniors' advocacy groups who feel that a 'solution', based on individual rather than collective responsibility will, in fact, increase the numbers of seniors living in poverty and will therefore increase the need for governments to target special programs to the poorest of the poor. This will have high costs and negative implications for the well-being of all citizens, if equitable policy change is not implemented.

This paper begins by describing the current situation regarding economic security for women pensioners. It traces the historical factors behind the initial policy and looks at the current economic, political and social forces that are shaping current trends in pension policy. It also describes assumptions, myths and entitlements, where policies work adversely against women and areas where experts recommend change. The discussion provides a gendered and rural perspective, and describes inequities, gaps and inconsistencies in the policy framework. Finally, it discusses several key 'solutions' that



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are consistent with the principles of access, adequacy and equity, which are key components of 'women friendly pension policy' as identified during the first phase of this initiative.

This paper investigates the following questions:

### **1. a. Looking at the time the policy was written, who was considered?**

To develop an understanding of how the present situation was created, we explored key assumptions behind the policies and compared these to present-day reality:

#### #1 The Male Breadwinner/Female Homemaker Economic Model

When Canada's pension system was developed, men were considered to be, and most often were, the primary breadwinner, and married women's unpaid domestic labour kept them out of the paid work force. Their unpaid work in the home was recognized through the Spouse Allowance and Widow's Benefit, in what has proved to be an inadequate and inequitable way. The Canada Pension Plan, which is a social insurance program based on the contributions of wage earners, was targeted to the male breadwinner, and to single, wage-earning women. The Old Age Security benefit, which is a social support program funded through general tax revenues, was provided to both women and men. Because of the assumption that women performed unpaid reproductive work in the home, special regulations were developed to benefit married women in particular, but these are neither adequate nor equitable to all women.

The reality is that, today, most women, married or single, now spend some time in the paid work force, however this has done little to alleviate women's poverty in retirement. Today, almost 31% of marriages end in divorce, and this has significant implications for women's future economic well-being.

#### # 2 The 'Market' will provide for all

Because most women are now in the paid work force, it is now assumed that future seniors will be better off. In other words, it is assumed that the market will solve women's poverty.

The reality is the "paradox of women's poverty":

Whereas the poverty and dependency of women has traditionally been blamed on their relative exclusion from the waged labour force, their recent inclusion seems to offer little more. Because of conditions under which inclusion is occurring, women have no greater expectation to retire in comfort because they continue to

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be marginally employed, disproportionately represented in low-wage, intermittent, and part-time work with less access to fringe benefits, and subjected to the least desirable employment practices. Labour market participation is not providing most women with the capacity to earn a decent living and to become financially independent. (Smith, 1984)

### **#3 Women Have Achieved Equality**

Women have made significant gains towards political and legal equality in the latter part of the 20<sup>th</sup> century, but much less in economic equality.

The reality is that policy-makers often use this mistaken perception as an excuse to assume that women now have equality, especially now that most women are in the paid work force for some portion of their lives. As this assumption gains strength, benefits that women receive by virtue of their attachment to a husband could easily be eroded.

### **#4 Gender Neutrality Ensures Equality**

It has long been assumed that equal treatment ensures equality of outcome, and it has long been argued by feminists, minority groups and social justice advocates that this only perpetuates and heightens inequity and inequality.

The reality is that gender neutral language assumes that there is no diversity between women and men, and further, that there is no diversity amongst women. Gender equality has not been achieved, and has been eroded over the past decade. Gender neutral language has the opposite effect of what is intended: it increases inequality by not articulating the differential impacts of pension policy on women, especially women who fall into certain categories of diversity. Gender ideologies continue to shape both public pension policies and women's experience of the policies.

## **1.b. What other forces drive policy development?**

Assumptions may determine the starting place for policies. A range of social, political and economic forces, however, can influence the direction and quality of policy change over time. One additional force, public opinion, can be a strong motivating force. Controlling public opinion is therefore both a goal and a tool of political power brokers, and creating a specific mythology is a key strategy for winning public opinion.

The Business Agenda - Economic globalization and the increasing influence of corporations on public policy has resulted in what Finkel (1997) calls the

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“demise of the welfare state” in which wages, social programs, business taxes and environmental standards have all been adjusted to suit the objectives of business, rather than the social objectives previously valued by Canada’s social safety net.

The business agenda is privatization.

### Manipulating Public Opinion: The ‘Necessity’ for Privatization is Fueled by The Myths of the Demographic Time Bomb and Intergenerational Inequity

The business agenda is supported by two key myths:

- The demographic time bomb refers to the changing age profile of Canadian society as the large number of baby boomers become pensioners. There will be significantly more seniors drawing pensions than ever before, and concurrently, there will be fewer younger people of working age to contribute to the CPP.
- Because there will be fewer younger workers contributing to the CPP, their contributions will have to increase to support the CPP fund. It is predicted that this intergenerational inequity will cause resentment and resistance amongst younger workers, and Canada will be unable to afford the CPP.

While both of these situations have elements of truth, the ‘spin’ placed on them by corporate-driven media, paints a picture that supports the business agenda and puts this agenda forward as the only solution to a crisis. In fact, there are solutions to the growing demands for pensions that could maintain the social safety net and could assure adequacy and equity for Canadian pensioners.

Canadian policy makers have a choice:

- They can choose to create a retirement income system based on individual, private retirement savings accounts and in so doing, can increase profits to the financial industry while increasing poverty amongst vulnerable seniors, most of whom are women, or
- They can choose to strengthen Canada’s public pension system, and reduce poverty while supporting social cohesion and well-being.

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### **2. What parts of the system are beneficial to women?**

Canada's public pension system has many excellent characteristics that cannot be reproduced by the private sector. The social insurance principles upon which it is based are invaluable to maintaining both the social and economic well-being of Canadian society.

Although CPP payments to women are lower than those to men, (Townson,1995) compared to workplace pension plans, the CPP has many advantages for recipients, both women and men. However, the majority of women rely on the public pillars of the pension system for their retirement income.

- The CPP covers all sectors of the economy and most significantly, covers areas not normally covered by workplace pension plans, such as the service sector where most women are employed.
- It covers part-time and self-employed workers, however it does exclude workers earning less than the Year's Basic Exemption. (This is a problematic regulation that will be discussed in more detail in section 6).
- It is portable from one job to another and from one province to another.
- It accommodates family responsibilities by allowing a "drop-out" provision for child rearing, which removes up to seven non-earning years from calculations of pension benefits. This was developed so that women are not penalized for leaving the paid work force to raise children.
- Pensions can be shared on divorce. Credit Splitting regulations were introduced to recognize the contribution of the wife to the well-being of the household.
- Spouses can share pension benefits in order to reduce the amount of tax a couple pays. CPP benefits can be transferred to the lower-income spouse (usually the wife).
- There is inflation protection. The CPP is indexed to the Consumer Price Index (which is problematic and will be discussed in section 6.)
- There is a flexible retirement age. Benefits (although reduced) can be claimed at age 60, or claims can be delayed up to age 70.
- There are benefits for surviving spouses.

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### 3. Who benefits and who is excluded?

Women who have the same labour force experience as men tend to receive benefits similar to those of men. Women who have different relationships to the paid labour force can experience significant disadvantage. The following women are all vulnerable to poverty in retirement: unattached women between the ages of 60 and 64, low-income women, women in non-standard work (part-time, seasonal, casual, contract, temporary), self-employed women, women not in the paid labour force, lesbian women, Aboriginal and racialized women, Atlantic Canadian women, rural women and women with disabilities.

### 4. What happens when a gender lens is applied to these policies, especially in the present day?

*The Federal Plan for Gender Equity* (1995 - 2000) and the *Agenda for Gender Equality* (2000-2005) commits to a gender-based analysis of all federal policies in which the differential impacts of a policy or program must be identified. Although gender-based analysis is mandatory, it is not always carried out, and when it is, it is often seen as an 'add-on' and is not done in a way that reveals the realities of diverse Canadian women.

In 1997, the Canadian Government did undertake a gender-based analysis of pension policy and released the document *Gender Implications of Changes to the Canada Pension Plan* (FPTGC 1997). This document described changes that would take place in January of 1998 and stated that these changes would be fair to women and men. They base this claim on the fact that the lifetime benefit/contribution ratio is higher for women than men. An analysis of the Government document by Sayeed, in 2002, however, revealed that this measure of equity is skewed due to the relatively longer life span of women and therefore the increased length of time over which they collect benefits. **This measure does not indicate women's economic well-being.** The effects of the 1997 changes need to be considered in the broader context of relatively low earnings for women in the paid work force and low incomes for many women after retirement.

It is essential that a gender-based analysis consider the broader context of both unpaid work and women's relationship to the work force. The analysis must also consider how policies in different sectors impact on women's retirement income. The tax system has a significant negative impact on women's retirement income, and combined with provincial policies in the health and social sectors, women can be seriously disadvantaged.

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### **5. What happens when these policies are considered in a rural context?**

Because adequate retirement income in general, and CPP benefits in particular, are dependent on life-long connections to the paid labour force and adequately paid work, it is obvious that rural women are among the most vulnerable for poverty in old age.

The depopulation and aging of rural Canada has significant implications for the remaining residents. A spiral effect occurs in which the shrinking population cannot support existing businesses and services through their patronage and tax dollars, leading to cuts in services and closed businesses. More people move to urban areas to find work and the cycle continues.

Rural women are doubly-disadvantaged by retirement income policies. Women are more likely to be employed in low-paying, seasonal, part-time, casual or self-employed work, and are likely to have extended periods away from the work force due to inadequacies in the rural job market and/or because of family and child rearing responsibilities. They are therefore more likely to have lower CPP pensions, and more likely to rely on OAS/GIS as primary sources of income.

### **6. What are the obvious gaps in these policies?**

Adequacy - This is a central issue and overlaps to a certain extent with other issues. It is estimated that pensioners will need approximately 70% of their pre-retirement income in retirement. The OAS is based on 15% of the average pensionable wage, and the CPP is designed to replace 25%. The combination of the public pillars of the retirement income system are assumed to provide for 40% of retirement income needs. For women who receive significantly lower CPP benefits than men, what they receive will be much lower than even 40% of their needs! Many advocates argue for an increase in the 'replacement rate' of the CPP, especially for low income Canadians. Other issues are related to adequacy and include:

- *Accumulation of Private Retirement Savings* - It is assumed that pensioners will have built up retirement savings through RRSPs and workplace pension plans and will also have enough personal savings to meet their needs. These expectations are simply unrealistic. For over two-thirds of Canadian seniors OAS and CPP/QPP are the main sources of income. (NACA, 2005) The consequences of ignoring this fact will be rising demand on public tax dollars to meet the needs of a growing number of seniors living in poverty.
- *Methods of indexation* are related to adequacy; indexing pensions to changes in the Consumer Price Index (CPI) has the effect of eroding the value of pensions

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over time. If pensions were indexed according to wages instead, the value would be maintained. The Canadian public is not generally aware that indexation to the CPI ultimately saves Government money over the long term at the expense of pensioners.

Recognition of women's unpaid work, including child-rearing and elder-care has been a glaring gap since the beginning of the CPP, and is probably the most urgent and most challenging problem to resolve. Because women interrupt their paid work throughout their adult lives, their ability to accumulate pension benefits and retirement savings through the labour market is severely limited. Assumptions about which work has 'market value' is at the root of the problem, and confounds efforts to develop a solution.

Women's non-standard work, like their unpaid work, limits their ability to have the same work force involvement as men. Although women have entered the paid labour force in increasing numbers over the last two decades, more and more of those in paid employment are working in non-standard jobs. While standard jobs are generally defined as full-time, full-year employment with a single employer on a permanent, long-term basis, "non-standard" jobs include contract work, self-employment, temporary work and part-year work, or multiple jobs with a series of employers. This type of work is often poorly paid and offers little or no job security.

The tax system favours medium and higher income earners by giving significant tax preferences to RRSP and Registered Pension Plan contributions. These tax preferences include: tax breaks for contributions and for income earned in the plan. Tax preferences for RPPs and RRSP combined exceeded \$22 billion in the 2000 taxation year! **This is, in effect, a public expenditure funded by tax payers as it represents \$22 billion in foregone tax revenue for government programs.**

In addition, the Caregiver Tax Credit cannot be claimed by most women caregivers due to their low taxable incomes.

### **7. How can pension and tax policies be revised?**

Possible options for reform have been identified through three venues: interviews with senior women conducted during Phase I of this project, a literature review of policy analyses and options conducted in Phase II, and from suggestions made by participants

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of a forum held in November of 2005: “Women and Public Pensions: Working Towards Equitable Policy Change”. A complete list of possible options for policy reform can be found in Appendix III.

### **8. How do we move forward?**

The information presented in this paper was discussed at a forum, “Women and Public Pensions: Working Toward Equitable Policy Change” in November of 2005. The forum brought together rural senior women; senior’s groups; equality-seeking, women’s community-based organizations; federal and provincial government employees; labour representatives and elected provincial officials to discuss strategies for action in making equitable policy change in the public pension system. There were 69 participants in total.

Discussions resulted in recommendations for policy change and an action plan to move the recommendations forward in Phase III of the project.

In addition to specific suggestions for policy change, forum discussion groups identified the following issues of concern, which also impact on the economic well-being of seniors, especially in rural communities:

- Social cohesion, local economies, social support networks and community-based services are disappearing. This decline is felt most urgently in rural communities, where many seniors, especially unattached women, live in poverty and isolation.
- The nature of work is changing, with more people in unstable, temporary and low-waged “non-standard work”. This increases poverty amongst low-income workers and will contribute to poverty in retirement as these non-standard workers retire.
- Government should assume responsibility for informing people about their pension entitlements and for reducing complications in the application process.
- Government should also inform people (future pensioners) about options for accumulating retirement income that do not expose them to excessive and unfair taxes.
- Definitions were seen to be problematic: definitions of poverty as reflected in the post-tax Low Income Cut-off were seen as not reflecting the reality experienced by many low-income seniors; definitions of disability were identified as being too narrow and should be revised to include mental health disabilities.



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A complete list of “Possible Options for Policy Reform” can be found in Appendix III. These will form the basis of discussions to be held in Phase III.

### **Next Steps**

The forum finished by identifying an action plan for a third phase of this project. The key message is: “Our elder women matter - create fair public pensions!” The working groups identified components of a presentation to be used during an education campaign, strategies for working with government, identified diverse communities for outreach, and potential alliances for Phase III.

In addition to the ideas generated by forum working groups, participants unanimously endorsed the position paper of the British Columbia Women Elders in Action (WE\*ACT), entitled *Pensions in Canada: Policy Reform Because Women Matter*.

Phase III of the Women and Public Pensions Project will include the development and delivery of a comprehensive public education campaign, as well as regional and national consultations to build consensus, identify priorities, develop specific recommendations for policy reform, and open a dialogue with Government.



# Women and Public Pensions: Working Towards Equitable Policy Change

## **Introduction**

This paper is part of Phase II of the Women and Public Pensions project. In Phase I, “In Her Own Name: Public Pensions, Advancing Equality for Rural Women,” described rural women’s experience with Canada’s retirement income system. The purpose of this paper is to:

- map out the historical context of policy assumptions and the economic, political and social forces that created the pension system;
- examine outdated or faulty assumptions of: the male breadwinner/female homemaker economic model, the market solution, women’s assumed equality, and gender neutrality;
- debunk the myths that the present system has no capacity to meet future demands and that we will not be able to afford the Canada Pension Plan;
- document how diverse senior women<sup>2</sup> are disadvantaged by the present pension and tax system; identify specific policy gaps within the pension system and related policy areas; and
- highlight recommendations that foster equitable policies for public pensions.

The analysis used both gender and rural lenses, and focused on identifying newly emerging trends that threaten Canada’s social safety net. The paper will be used as background information to stimulate discussion at a forum on ‘Equitable Public Policy.’

Despite the best of intentions by policy-makers, there are political, economic and social forces as well as systemic and structural factors that determine policy directions. Ineffective and inequitable outcomes are often the result.

Systems that purport to provide benefits for the long term require regular review and adjustment. An outdated legislation and regulatory regime with its inevitable ‘momentum’, combined with the demands of economic globalization, threaten women’s economic security in retirement. Both pension and tax policies play significant roles in causing problems in their present form, however, both offer avenues to increase access, adequacy and equity, and to reduce poverty amongst senior women.

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<sup>2</sup>For the purpose of this paper, we are defining “senior” women as those aged 60 to 64, and 65 and above. This distinction and its implications will be discussed in some detail throughout the paper.

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The policy environment is becoming more complex, and at the same time, more and more power is being exerted by the private sector than ever before. Despite promises to the contrary, globalization has caused the gap between rich and poor to continue to grow. The National Council on Aging (NCA, 2003) in its 2003 "Interim Report Card" shows this polarization clearly in figures demonstrating that in 2000 36% of senior Canadians were living in poverty. 21% of unattached senior women live in poverty (NACA, 2003). In other words, more than half of poor seniors were unattached, single women (NACA, 2005). Current trends suggest that more senior women will be living in poverty in the future. With labour market changes, non-standard work will increasingly be the norm. (Townson, 2003) Non-standard work includes, temporary, part-time, contract, seasonal casual and self-employed work. It is characterized by a lack of benefits such as workplace pension plans, and often by low wages. An increase in this kind of work limits workers' ability to contribute to CPP and private pension savings.

Reflecting the increased influence of the private sector, governments the world over are arguing that the preferred approach is to encourage people to save for their own retirement and not to rely on government programs. Governments claim that they cannot afford to provide income replacement programs for the growing number of baby boomers who will retire over the next 20 years. We disagree.

Current policy directions are creating another underclass, for whom poverty in old age will be the final indignity. There are many well-respected academic researchers and seniors' advocacy groups who feel that a 'solution', based on individual rather than collective responsibility will, in fact, increase the numbers of seniors living in poverty and will therefore increase the need for governments to target special programs to the poorest of the poor. This will have high costs and negative implications for the well-being of all citizens.

This paper begins by describing the current situation regarding economic security for women pensioners. It traces the historical factors behind the initial policy and looks at the current economic, political and social forces that are shaping current trends in pension policy. It also describes assumptions, myths and entitlements, where policies work adversely against women and areas where experts recommend change. The discussion provides a gendered and rural perspective, and describes inequities, gaps and inconsistencies in the policy framework. Finally, it discusses several key 'solutions' that are consistent with the principles of 'women friendly pension policy' developed during the first phase of this initiative.

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### **A Short Description of the Canadian Pension System**

This short description will be useful background for considering the questions that follow. Depending on the author, there are either three or four 'pillars' supporting Canada's retirement income system. For the purposes of this discussion, four will be considered, with most discussion focusing on the policies governing the first three levels: the public and tax-assisted pillars.

1. **Old Age Security** and its related programs, the Guaranteed Income Supplement, and the Spouse's and Survivor Allowances. These began as universal programs, meaning they were provided to all Canadians.<sup>3</sup> The OAS and its related programs are social supports and are funded through general tax revenues. The basic objective is anti-poverty: to ensure a basic adequate minimum income for every elderly Canadian (NACA, 1996). The OAS is calculated to replace approximately 15% of average pensionable earnings.
  
2. **The Canada Pension Plan** is a contributory plan and is based on life-time contributions made by workers. We will see later in the discussion that rules for eligibility and peculiarities of labour force involvement result in significant inadequacies and inequities for women more often than for men. The objective of this program is income replacement: to maintain a reasonable relationship between Canadian's incomes before and after retirement so that they do not experience a drastic drop in their standard of living when they leave the work force (NACA,1996).

The aim of the Canada Pension Plan is to 'replace' 25% of pre-retirement pensionable earnings.<sup>4</sup> CPP is a social insurance program, funded by worker contributions.

The legislation governing the Canada Pension Plan requires that any change to CPP policy must receive approval of 2/3 of provinces with 2/3 of the population. This means that unilateral changes cannot be made, and indeed experiences in

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<sup>3</sup>Benefits are now 'clawed back' from seniors with incomes above a specific amount, the value of which will be discussed later in section 5.

<sup>4</sup>Pensionable earnings are calculated yearly at a level reflecting the average industrial wage. In 2004, the Year's Maximum Pensionable Earnings, for which workers could contribute was \$40,500 (Neal, 2004.)

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past policy change testify to the fact that changes can be lengthy and arduous processes, requiring consensus and solidarity amongst advocates for change.

3. **Tax-assisted private savings** make up the third level of the system, and includes workplace sponsored Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs). While these are considered to be 'private' savings plans, they are heavily subsidized by tax preferences. Townson (2002) reports that 21.7% of women, compared to 34.9% of men receive retirement income from RPPs and RRSPs. These programs are neither social supports nor social insurance, but it can be argued that, because contributors receive significant tax preferences, they are nonetheless tax expenditures which disproportionately benefit higher-income Canadians. (Shillington, 2004)
4. **Individual savings and investments** form the fourth pillar of retirement income system and, of course, are available only to those who have excess income to save during their earning years. Assets could include savings accounts, and investments such as stocks and bonds.

The National Advisory Council on Aging (NACA, 1996) reports that the four components of Canada's Retirement Income System

... should replace between 70 to 80% of pre-retirement income. This level is regarded as adequate because pensioners typically: have lower expenses than when they were working; do not pay payroll taxes; do not have to contribute to employer-sponsored pension plans or RRSPs; and have certain tax breaks that reduce their income taxes.

Using someone who had earned the average industrial wage throughout their working life as an example, the public pension system would replace approximately 40% of pre-retirement income. The remainder is expected to come from RPPs, RRSPs, and private individual savings. However, given that more than two-thirds of Canadians rely on public pensions for the majority of their retirement income, it is obvious that this group of Canadians does not achieve the ideal level of 70 - 80% (NACA, 2005).

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*The picture is bleak for a significant proportion of Canadian seniors – much worse than most forecasts describe. Pension projections do not account for present debt load and the incapacity of most people to save for old age. The Nova Scotia Advisory Council on the Status of Women, in their 2005 submission to the Government of Canada's Federal Labour Standards Review, presents some chilling predictions:*

*The Vanier Institute of the Family, in its annual report on family finances, reported that total household debt in Canada in 2004 was equal to 121% of disposable incomes, up from 86% in 1986. While the "typical" household was able to save about 20% of its disposable after tax income a couple of decades ago, this is no longer the case. The savings rates of families was zero by the end of 2004, with predictions of negative savings for 2005 and 2006. (p. 5.)*

There are obviously a number of problems with this system and the assumptions of policy makers about how this system works. These problems and inequities will be discussed in relation to the following questions:

- 1a. Looking at the time the policy was written, who was considered?
- 1b. What other forces drive policy development?
2. What parts of the system are beneficial to women?
3. Who benefits and who is excluded?
4. What happens when a gender lens is applied to these policies, especially in the present day?
5. What happens when these policies are considered in a rural context?
6. What are the obvious gaps in these policies?
- 7a. How can these pension and tax policies be revised?
- 7b. What else is needed to ensure women friendly pension policy?
8. How do we move forward?

## **Women and Public Pensions: Working Towards Equitable Policy Change**

### **1a. Looking at the time the policy was written, who was considered?**

#### ***Key Assumptions and Realities Behind the Policies***

Policies are always designed with certain objectives and are shaped by a particular set of assumptions. Some past assumptions are now considered to be faulty, but we still live with their effects. Many assumptions are not transparent, and some are conflicting, as we will see in the following discussion.

The following assumptions are based on either outdated or incomplete analyses that do not reflect the reality lived by many women who are excluded and/or disadvantaged by pension policy.

#### **Assumption: #1 The Male Breadwinner/Female Homemaker Economic Model**

Although Donnelly (1993) argues that the pension system was made by men to benefit men, a deeper analysis will show that women were considered.

When Canada's pension system was developed, men were considered to be, and most often were, the primary breadwinner, and married women's unpaid domestic labour kept them out of the paid work force. Their unpaid work in the home was recognized through the Spouse Allowance and Widow's Benefit, in what has proved to be an inadequate and inequitable way.

The OAS was provided universally to both. The CPP was targeted to the male breadwinner and to single, wage-earning women. When a man died, his widow received a portion of his benefits in the form of a widow's pension. (Neal, 2004) Because of the assumption that married women performed unpaid reproductive work within the home, special regulations were developed to benefit married women in particular, but these are neither adequate nor are they equitable for all women.

Kitchen (1986), in "The Marsh Report Revisited", discusses the impact of the *Report on Social Security for Canada*, (also known as the Marsh Report), on social policy development in Canada.

She describes Marsh's assumptions that the "basic social insurance unit", was a two-person unit, a man and his wife.

Marsh's treatment of women for social insurance purposes can only be understood in the context of his structure for an integrated social security system. For women who were wage earners in full-time employment, he did not see any



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special social insurance problems. They would be covered by unemployment and sickness insurance on the same terms as male workers in comparable income groups. He dismissed the argument that wage-related social insurance benefits would affect women more than men by pointing out that women, as newcomers to the labour market, shared the problems of low pay and short-term attachment to the labour market with younger, part-time, or inexperienced male workers....As far as he was concerned, the purpose of social insurance programmes was not to compensate for the structural inequalities of the labour market, but rather to protect people against the insecurities of income loss or reduction.(Kitchen, 1986, p. 43-44)

Although the recommendations of the Marsh report were not implemented in full, the assumptions behind the report provide important context for analyzing today's policies. (Kitchen, 1986, p.45) Marsh's conceptualization of the social insurance unit explains the total lack of recognition that all women might not be part of this two-person unit.

The main assumption of the male breadwinner / female homemaker spousal 'unit' leads logically to the use of income and marital status as key concepts for determining access to some of the public pension programs. This is a problem, because many women are ineligible for benefits because they are not 'attached' to a husband (or partner).

### Reality

This assumption is largely outdated. Two main developments challenge the assumption of the male breadwinner / female homemaker: the increase in both divorce rates and in dual income families.

- Today, almost one-third (31%) of marriages end in divorce, leaving a significant proportion of women ineligible for benefits based on their conjugal status. (Vanier Institute of the Family, 1998) Although this number is lower than the current mythology based on overestimated US figures, 31% is a significant number of divorces and has implications for women's future economic well-being.
- Most women now spend some time in the paid workforce, however this has done little to alleviate women's poverty in retirement. Since the inception of the Canada Pension Plan in 1966, more women are engaged in paid work. This has not had the benefits anticipated by policy-makers and by women themselves. Women are still much more likely than men to have interruption in their paid work and to earn lower wages. Depending on the type of work women do, they earn between 64 and 71 cents for every dollar earned by men in full time employment. (Statistics Canada / Status of Women Canada, 2003, p. 23)

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Although an assumption of total dependency may be invalid for most women, including those who are divorced, separated, never married or are in lesbian relationships, removing spousal and survivor benefits would have the effect of sending more women into poverty with their unattached or 'husbandless' sisters.(Donnelly, 1993, p. 423)

The implication of this shifting reality is that an increasing number of women are not in a situation where they can benefit from their attachment to this unit (however inadequate it might be).

### **Assumption: # 2 The 'Market' will Provide for All**

Townson describes a new assumption that is emerging. At the same time as women continue to be treated as dependents through eligibility measures based on marital status, a new assumption is emerging, which could have serious implications for policy changes. The assumption is that because most women are now in the paid labour market, future seniors will be better off. In other words, the market will solve the problem of older women's poverty.

The 1996 government information paper on changes to the Canada Pension Plan suggested that:

CPP survivor benefits were designed in an era when most women did not work outside the home... Today, when 68 percent of working age women are in the work force, consideration should be given to redesigning CPP survivor benefits so they reflect the changing realities of today's families."(Statistics Canada/Status of Women Canada, 2003, p. 23)

The assumption is that women will now be eligible for pensions in their own right and therefore do not need survivor benefits. Despite women's involvement with the labour market, CPP benefits for women are much lower than those of men. Removing eligibility for additional 'spousal' benefits in the name of equal treatment, would be far from equitable for some women. Although this change was not made in 1996, it does not mean that the issue will not reappear.

### **Reality**

The market economy will not solve problems of poverty.

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Smith (1984) describes the “paradox of women’s poverty”:

Whereas the poverty and dependency of women has traditionally been blamed on their relative exclusion from the waged labour force, their recent inclusion seems to offer little more. Because of conditions under which inclusion is occurring, women have no greater expectation to retire in comfort because they continue to be marginally employed, disproportionately represented in low-wage, intermittent, and part-time work with less access to fringe benefits, and subjected to the least desirable employment practices. Labour market participation is not providing most women with the capacity to earn a decent living and to become financially independent.

### **Assumption: #3 Women Have Achieved Equality**

Women made significant gains towards political and legal equality in the latter part of the 20<sup>th</sup> century, but much less in economic equality.

#### **Reality**

Policy makers often use this mistaken perception as an excuse to assume that women now have equality, especially now that most women are in the paid labour force for some portion of their lives. As this assumption gains strength, benefits that women receive by virtue of their attachment to a husband could easily be eroded. A related assumption is that of the gender neutrality of policies, which we will discuss next.

### **Assumption: #4 Gender Neutrality Ensures Equality**

It has long been assumed that equal treatment ensures equality of outcome, and it has long been argued by feminists, minority groups and social justice advocates that this only perpetuates and heightens inequity and inequality.

#### **Reality**

Neal (2004) states that the legal and technical language of pension policy is gender neutral and suggests that the assumption of gender neutrality is a continuing problem for women. This assumption... masks the problem of gender inequity that is built into the public pensions that we have inherited from the past. Many of the inequities are based on assumptions that have never been acknowledged, and despite gender neutral language, Condon (2001) argues that the Canadian pension framework has been and

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continues to be gendered, both in its impact on individual women and in the categories of analysis that underly the system.

Baker (1990), after studying family law reform and social policies resulting from changes in family and household structure between the 1970s and 1990 concludes that some policy reforms reflect an egalitarian model, assuming the economic independence of husbands and wives. This model inaccurately implies that women have similar opportunities to be self-supporting and that both equally support and care for their children. By the same logic, widowed and divorced women do not need prolonged financial assistance from governments or ex-husbands because they are self-supporting. Baker argues that these “misconstrued notions of family life originate from the sociological characteristics of policy-makers and their advisors, vested interests of the complex procedures of legislative change, and attempts to minimize the state intervention in the family, and reduce government expenditures.” (p.179)

However, in the intervening years, new tools have been introduced which invite a more rigorous analysis of policy options. For example, the framework described in Appendix I provides a useful perspective for decision making. At the outset, a clear definition of the problem is an essential foundation for the development of policy options. Options can be evaluated according to specific criteria, such as effectiveness, political feasibility, administrative feasibility, efficiency and equity. Alternative options can then compared with respect to legitimacy, political and administrative feasibility, affordability, communicability and support.

Gender ideologies continue to shape both public pension policies and women's experience of the policies. Gender equality has not been achieved and has been eroded over the past decade. Gender neutral language has the opposite effect of what is intended: it increases inequality by not articulating the differential effects of pension policy on women, especially women who fall into certain categories. This will be discussed in section 2.

### **1b. What other forces drive policy development?**

Outdated, mistaken and unrealistic policy assumptions, combined with changing economic, political and social forces favoring marketization and individual responsibility, plus the reduction of government expenditures and involvement in social policies have created a complex policy environment that has not met the needs of women. This could have even worse implications for the future well-being of senior women and our larger society.

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Assumptions behind the policies may determine the starting place for policies. A range of social, political and economic forces, however, can influence the direction and quality of policy change over time. One additional force, public opinion, can be a strong motivating force. Controlling public opinion is therefore both a goal and a tool of political power brokers, and creating a specific mythology is a key strategy for winning public opinion.

Battle and Torjman (1995) describes the shift in political influence over social policy. Traditionally, power over social policy had been shared by the Ministers of Health and Welfare and Finance. They indicate that under both the Tories and more recently, the Chretien and Martin Liberals, Finance came to rule decisively over social policy-making and outflanked Health and Welfare concerns.

### **The Business Agenda - Then and Now**

Business bought into the Keynesian compromise of the 1940s and 1950s. Mulvale (2001) describes the Keynesian welfare state (KWS) that prevailed between the 1940s and 1970 as:

...a set of economic and political arrangements that served the interests of capital [business] in a particular set of economic and political circumstances. The KWS secured peace with labour and ensured the conditions for rapid capital accumulation during the thirty year economic boom that followed World War II. As a compromise between labour and capital, the KWS was both a result of class struggle and a means of containing class conflict. (Mulvale, 2001, p. 4)

King and Stearns (1981) describe how the present US pension system came into being and how it clearly met both business and labour needs.

...[T]he development of significant pension schemes was dictated first by the labor needs of particular industries, then by labor problems in the economy as a whole.(p.589)

Company pension plans were key strategies to attract and recruit young workers, to “tie volatile labor to the firm” and to encourage retirement for older workers, who were thought to be less capable of performing efficiently. The motivation to include younger workers and exclude older ones from the labour market was supported by the development of both workplace and public pensions, which the authors argue, took pressure off charitable organizations. (King and Stearns, 1981, p. 591) Trade unions also

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began to support the concept of pensions for their members and became a driving force for workplace pensions.

Now, however, altered demographics and the economic and political pressures of globalization have caused what King and Stearns (1981) call “a reversal of business objectives.” Increased life expectancy means that pensioners live longer and pensions cost more. A declining birth rate means that there are fewer young workers available to the labour force. The objectives of both business and government are now focused on cutting pension costs and keeping older workers at work longer.

Mulvale (2001) argues that since 1980, social democratic approaches to welfare have become ineffective, given the power of transnational corporations.

The growing reach of global capital over and against public policy formulation and Keynesian economic measures at a national level has brought to an end the social democratic welfare state project.

Finkel (1997) traces the demise of the welfare state from the inception of the Free Trade Agreement (FTA) in the late 1980s. Previously, Canada had a National Economic Policy (NEP) that was “nationalistic” in focus and was designed to protect Canadians from excessively high energy prices. The national debate over Free Trade in the 1980s resulted in the passage of the Free Trade Agreement in 1989, which had a “continentalist” focus. The outcome was that

Canada had to adjust wages, social programs, business taxes and environmental standards to match the lowest common denominator...in certain regions of the United States....[and] the Canadian economy seemed to become more than ever a regional variant within the American economy.(Finkel, 1997, p. 319)

Finkel (1997) also describes the resistance to the FTA and the corporate agenda by the Council of Canadians and the Action Canada Network, however,

the funds available to them, as well as access to media, paled against the resources accumulated by the supporters of the corporate agenda....who inundated Canadian homes with propaganda in favour of the initiative.(Finkel, 1997, p. 315)

Propaganda as a strategy to further the corporate agenda is still with us. Townson (1994) outlines the misinformation being disseminated by government regarding the “demographic time bomb” and inter-generational equity. The basic premise of the mythology is that:

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- As baby boomers age, there will be increasing numbers of pensioners, and the CPP fund will not be enough to cover costs. They borrow a concept from private insurance called 'unfunded liabilities' to support the notion that the CPP cannot possibly meet the pension needs of future seniors.
  
- Because CPP is funded on a 'pay-as-you-go' basis, contributions from present workers fund pension payments to present pensioners. Essentially this means that the demographic burdens of many more seniors will fall onto the shoulders of younger workers in the form of higher contributions than pensioners had to pay when they were in the work force. The 'spin' on this is that this is an injustice to younger workers and the prediction is that they will be unwilling to support the masses of older pensioners.

These are dangerous and pervasive myths that support the business agenda, but the scenario they describe is not necessarily certain, as many authors point out. Townson, Shillington, Jensen and Battle are among many who present sound research and rational proposals that would improve social welfare and foster equity. Their proposals will be discussed in more detail in section 6 as possible solutions to policy gaps.

In response to the 'threat' of 'unaffordability', governments are looking for ways to reduce their pension expenditures, and are supported by policy advice from international economic organizations. One OECD document discusses the possibility of reducing the replacement rate, and consequently pension expenditures. Presently, in most OECD countries, pensioners can expect to receive roughly 70% of their previous incomes as pensions. The OECD is advocating lowering the replacement rate. They say that a level of 50% is "likely, this level of payment represents the lower limit of politically acceptable replacement rates through mandatory systems."(OECD, 2005)

Monica Townson, in a presentation to the 1996 "Round Table on Canada Pension Plan Reform: Gender Implications," sponsored by the Caledon Institute of Social Policy, reported that for pensioners who had worked for the average wage would receive 39% of their pre-retirement income from OAS and CPP.

In March of 2000, the Canadian Labour Congress (CLC) released a report that studied data from Statistics Canada Survey of Consumer Finances. The report showed that "a whopping 70% of Canada's elderly depend on public pensions for a majority of their income. When we looked at women, an even greater percentage relied on public pensions."(Laliberte, 2000, p.1) Reducing the replacement rate for CPP would be catastrophic.

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### **Manipulating Public Opinion: The 'Necessity' for Privatization is Fueled by The Myths of the Demographic Time Bomb and Intergenerational Inequity**

The answer to the affordability puzzle, according to globalization pundits, is a push towards individual, private retirement savings. The benefits of this shift, according to Jim Stanford (2005) “will be a huge gift to a financial industry drooling at the prospect of managing all those individual accounts.” Governments are encouraging people to save for their retirement through tax preferences for RRSPs and other financial vehicles. Stanford argues that actuaries and pension planners have “lots of reasons to lose sleep these days: the volatility of millions of RRSP accounts...or the sustainability of private pension plans.”(Stanford, 2005)

More will be said about the relative benefits of private savings in subsequent sections.

Significant changes were proposed to the Canadian pension system in the mid-1990s, which would have significantly undermined the system. Many of these changes did not occur, but it is possible that the issues and motivations will resurface. What did happen in the 1990s was a reduction in benefits paid through the OAS and CPP, especially survivor benefits.

One of the myths government is perpetuating is that CPP benefits are a burden on tax payers and CPP contributions are being referred to as payroll taxes. In fact, the CPP is a social insurance program, funded by contributions of workers, and based on the concept of pooled risk. Townson (1995) argues that

The widespread public misunderstanding about how the CPP is financed is a serious problem because the CPP, like the Employment Insurance Program, is a social insurance program....Some options now being suggested for changing the CPP would involve considerable watering down of the social insurance concept, and some would mean abandoning it altogether....Social insurance...protects the most vulnerable by underpinning an insurance element with a foundation of social support. The sense of social solidarity or collective responsibility is a key element of a social insurance program. Eligibility for benefits is spread across the population, creating meaningful guarantees of financial security in retirement backed by government's broad-based taxing powers. (p. 14)

For a clear vision of what the political 'right' is saying, the Canadian Taxpayer's Federation has produced a powerful argument supporting the myths about the demographic time bomb and intergenerational equity. Their slogan is “Fair pensions for future generations.” They repeatedly refer to CPP contributions as taxes, rather than contributions to social insurance, implying that tax rates are unjustifiably high. They



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also argue in favour of the CPP Investment Board, which invests funds in the financial market because it gets a greater return than the former practice of using funds as low-interest loans to provinces. This, however, undermines an important source of money to provinces, that had previously been used to fund programs and services. They argue in favour of mandatory individual retirement accounts.

There has always been tension between the objectives of the social safety net and those of business, however the balance of power is shifting and the interests of business are increasingly powerful. (King and Stearns, 1981). Globalization has changed the direction and values behind policy making, but the reality of how it increases poverty and inequity are being reflected in the reality of many lives.

Globalization has changed the direction and values behind policy making by giving much greater power to private corporations in the name of global competitiveness. If policy decisions were made using the grid described in Appendix I, the influence of the private sector would be balanced with other concerns, would have less influence, and would be considered in terms of feasibility.

However, in discussing the supremacy of the market as the answer to all problems, Myles (2005) makes convincing arguments about the fallacy of the present global trend and concludes that adopting the “commodity fiction” would result in the self-annihilation of society.(p. 8)

“When the policy was developed, who was considered?” could be rephrased as “who was not considered?” This leads to the discussion of the next section.

### **2. What parts of the system are beneficial to women?**

Women, and men, both benefit from the OAS. Although it was originally a universal pension, it is now clawed-back from those with incomes above a certain amount. The implications of this will be discussed later. Women account for two out of every three GIS recipients and more women than men receive the OAS Spouse's Allowance and the Allowance for Survivors. (Neal, 2004)

It used to be that more men than women contributed to, and received, CPP benefits. Now roughly the same number of women receive CPP as men, however, they receive significantly lower benefits due to their typical relationship with the labour force. (Neal, 2004)

Although CPP payments to women are lower than those to men, (Townson,1995) compared to workplace pension plans, the CPP has many advantages for recipients, both women and men. However, the majority of women rely on public pensions for their

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retirement income. Townson outlines these features and explains why they are so important to women, most of whom do not benefit from private or workplace pension plans.

- The CPP covers all sectors of the economy and most significantly, covers areas not normally covered by workplace pension plans, such as the service sector where most women are employed.
- It covers part-time and self-employed workers, however it does exclude workers earning less than the Year's Basic Exemption. (This is a problematic regulation that will be discussed in more detail in section 6).
- It is portable from one job to another and from one province to another.
- It accommodates family responsibilities by allowing a "drop-out" provision for child rearing, which removes up to seven non-earning years from calculations of pension benefits. This was developed so that women are not penalized for leaving the paid work force to raise children.
- Pensions can be shared on divorce. Credit Splitting regulations were introduced to recognize the contribution of the wife to the well-being of the household.
- Spouses can share pension benefits in order to reduce the amount of tax a couple pays. CPP benefits can be transferred to the lower-income spouse (usually the wife).
- There is inflation protection. The CPP is indexed to the Consumer Price Index (which is problematic and will be discussed in section 6.)
- There is a flexible retirement age. Benefits (although reduced) can be claimed at age 60, or claims can be delayed up to age 70.
- There are benefits for surviving spouses.(Townson, 1995, pp. 4-6)

RRSPs, and Workplace Pension Plans are more likely to be significant sources of income for men than women, as are private savings. (Townson, 1995) The majority of women rely on the public pillars of the pension system. The CPP "provides a crucial element of retirement income for women, most of whom do not benefit from private employer-sponsored pension plans." (Townson, 1995) However, not all women benefit equally from the public pension system, which brings us to a related question.

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### 3. Who benefits and who is excluded?

The women for whom the policy 'works' are those who have the same labour force involvement and wages as men.

The income of the never married looked strikingly similar to those for men, likely because these women represented the male labour force experience. The never married, for example, earned 96 cents for every dollar by their male counterparts, while married women earned 77 cents on the dollar in 1997.(Greenaway, 2005)

Women whose labour force experience is not the same as men's or never married women do not benefit fully from the policies. Women who experience particular disadvantage include: unattached women between the ages of 60 and 64; low-income women; women in non-standard work (part-time, seasonal, contract, casual, temporary); self-employed women; women not in the paid labour force; lesbian women; Aboriginal and racialized women; Atlantic Canadian women; rural women; and women with disabilities.

Phase I of this project, "In Her Own Name: Public Pensions" identified the components of "Women Friendly Pension Policy". These are useful concepts to help us understand who is excluded and why.

#### Access

- *Women in their early sixties* are at particular disadvantage. Many women, if they had been involved in the paid labour force, have retired, many due to increasing responsibilities for elder-care. The median age of retirement for women, in 2003, was 60.4, compared to 63.3 for men. (Statistics Canada, 2004) If these women are married, and if their spouse receives the OAS, AND the GIS, they are eligible for the Old Age Security Allowance, or if they are widowed, they are eligible for the OAS Allowance for the Survivor. Eligibility is based on marital status and family income. Benefits are not paid to single, divorced or separated women in this age group. (Neal, 2004, p. 37)

Women in this age group can find it difficult to find paid work. Some collect CPP, but at a reduced rate than if they had waited until they could claim their full retirement benefits at age 65. Many are involved in unpaid caregiving work, that could be very costly to society if it were to be provided by the market or the state. There is no recognition for this work by the pension system. The tax system does provide tax credits for caregiving, but:

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The Caregiver Credit does not recognize that caregivers are disproportionately women, housewives or retirees, lower- and middle-income and older. These characteristics limit access to the benefit of income tax provisions which depend on taxable income and professional tax advice to take full advantage. Most importantly, the non-refundable character of the Caregiver Tax Credit, combined with the low incomes of female caregivers, has the anomalous result that only 1% of tax filers can use the credit, and 75% of these are male.(Shillington, 2004, p. xii)

The National Advisory Council on Aging (2005) identified three issues related to access: Under-subscription, late applications and late renewals, which affect a significant number of seniors:

- *Under-subscription* - Public Pension benefits are not paid automatically; seniors must make separate applications for the OAS, GIS and CPP/QPP. Because many seniors are not well informed or are unable to do so, many do not apply for benefits and therefore lose an important source of income.

Under-subscription to the GIS was discovered by Shillington, (2001). He found that “approximately 300,000 seniors”, who are eligible for the GIS, have not applied for it.

Revenue Canada knows who they are and their addresses but has not alerted these low-income people of this potential income assistance. If there was a full ‘take-up’ of this program, it would cost another \$500 million - averaging approximately \$1,800 per low-income senior.(Shillington, 2001, p. 9)

To rectify this situation, HRSDC initiated outreach activities to find eligible seniors and assist them to apply for their entitled benefits.

The campaign was launched from Ottawa in February 2002 when HRSDC obtained income information from the Canada Revenue Agency (CRA). A simple GIS Take-Up form pre-filled with the income for the past 2 years was sent to all pensioners whose income CRA provided indicated there could be entitlement to GIS, Allowance, and Allowance for Survivor. Many did not reply.

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Some seniors were contacted by phone in some provinces such as NS by the Outreach Team, and CPP Retirement entitlement was also verified as many had never applied for this benefit either.

The Outreach Team also gave some training to the CRA Tax Volunteers who were completing tax forms for low income pensioners in order to identify if there could be entitlement to our non-taxable benefits. They also distributed posters and calendars to all housing complexes, nursing homes, and major seniors organizations to promote the campaign. Mailings and visits were done to all seniors clubs, Legions, homeless organizations, homecare facilities, literacy groups, churches, food banks, etc. HRSDC also contacted accountants and gave information sessions to financial advisors and stressed the fact that many especially women miss out on these benefits. This is often seen when women become widows.<sup>5</sup>

Those who do not apply lose more than the GIS benefit. They also lose additional services to which they would be entitled, as GIS recipients. Subsidized housing, meals on wheels, and other benefits provided through provincial and territorial government programs use GIS as an eligibility criterion.

NACA (2005) reported that in addition to the 300,000 seniors who had not applied for GIS benefits, there were about 50,000 who had not applied for OAS and 55,000 who had not applied for CPP retirement benefits.

In the October 21, 2005 publication of "The Daily", Statistics Canada (SC) released the results of a "Study: Who's missing out on the Guaranteed Income Supplement?" It is reported that although the majority of Canada's Senior citizens who qualify for GIS benefits receive them, they indicate that there is a "significant portion of low-income seniors are missing out on benefits to which they are entitled, simply because they have not applied for them." (SC, 2005) They report that there are about 206,000 eligible individuals who are missing out. This is an improvement from the 2001 figure identified by Shillington, but still represents a significant number of seniors who are not receiving their entitlements. The Statistics Canada Report indicated that "age and payment amount were two key factors associated with whether an individual applied for GIS benefits or not. The older seniors were, or the less they received in benefits, the less likely they were to apply." (SC, 2005. p1)

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<sup>5</sup>Personal Communication, Solange Mombourquette, HRSDC, August 10, 2005.

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The most troubling finding of the study involved the age factor. The probability of a relatively young senior, aged 66 to 69, eligible to receive a benefit of \$2,000 or more actually applying was only about one-half. However, among those in the oldest age group, the probability fell to only 24%. (SC, 2005. p.2)

The study reported that eligible seniors do not apply for GIS benefits due to language barriers or diminished cognitive abilities, because they do not understand the eligibility requirements, or they may simply not know they are eligible. (SC, 2005. p.1)

*A recent investigation into the under-subscription to GIS benefits led to the discovery that the application form was written at a Level 3 literacy level. The form was redesigned to a Level 1 and attracted 700,000 new applications.*

6

- *Late Applications* - NACA (2005) estimated that in 2004, there were significant numbers of late applications for benefits (7,000 for OAS, 100,000 for GIS, 1,000 for CPP, and approximately 750 for Survivor benefits). Women are three times more likely to be late applying for CPP. This can cause what NACA refers to as “serious prejudice” because CPP limits retroactive benefits to 11 months only. This is unjust treatment of people who are entitled to benefits based on their contributions to the plan.
- *Late Renewals* - NACA (2005) estimates that 100,000 yearly seniors fail to fill out an income tax declaration or renewal form on time, thus losing their GIS benefit until such time as they have completed the renewal. The process can be especially difficult for seniors with little command of the official languages, or with poor cognitive skills.
- *Credit Splits* - Greenaway (2005) notes that “women are neglecting to go after their share of pension benefits as part of divorce settlements.....there should be a major public education effort to advise women of the pension splitting provisions of the CPP/QPP.”

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<sup>6</sup>Dr. Satya Brink, Working Together, Learning Together, Literacy Summit, January 19, 2006.

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### Adequacy

In its *Interim Report Card: Seniors in Canada 2003*, the National Advisory Council on Aging provided some recent information on how well women's poverty has been addressed by the latest changes in pension policy:

- The percentage of unattached senior women with low income (after-tax) has declined from 22% in 1998 to 21% in 2000, while rates for unattached senior men remained stable at about 17%.
- The average after-tax income of unattached senior women rose to \$19,299 in 2000, from \$18,960 in 1999. (A difference of \$339)
- At the same time, unattached senior men were reporting an after-tax income of \$22,025 in 2000, down from \$22,725 in 1999.
- The slight increase of \$339 in average after-tax income for unattached senior women is welcome news, but it illustrates how precariously close to poverty as defined by after-tax low-income cutoffs (LICOs)<sup>7</sup> many of these women are.

In addition to the 36% of all seniors and 21% of senior women with incomes below the LICO, 19% of seniors (both women and men) have incomes just above the LICO (NACA 2005). The situation for those with incomes even slightly above the LICO is precarious, as they are not eligible for many of the income tested programs available for GIS.

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<sup>7</sup>Poverty definitions and measures are variable. We have chosen to use the LICO as our benchmark. LICOs are based on the cost of food, clothing and shelter for a given region and family size. People who spend 20% more of their income on these basics are considered to be living under the LICO. NACA (2005) characterizes the LICO as an indicator of economic vulnerability. They clarify the difference between before- and after-tax LICOs, indicating that the after-tax LICO is a more accurate measure of disposable income, and reflects the redistribution of income through the tax system.

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*The National Advisory Council on Aging (2003) acknowledges that:*

*...many seniors continue to have very modest means. While the percentage of seniors who have incomes low enough to be beneficiaries of the Guaranteed Income Supplement (GIS) has declined over the past decade, still 36% of seniors who get the OAS also depend on the GIS. Huge variations exist in the percentage of seniors receiving the GIS, from 66% in Newfoundland to 28% in Ontario. Women persistently constitute almost two out of every three GIS recipients... These trends show that many seniors have little, if any, capacity to absorb higher living expenses. The cost of many essential products has increased, such as energy costs, property taxes, insurance rates, retail drug prices and the cost of drug benefit plans in some provinces. Moreover, since 2001, the downturns in financial markets have adversely affected many seniors income and investments. (Emphasis added)*

Shillington (2001) describes an anomaly in the tax system that can result in the loss of GIS benefits to taxes for the one-third of GIS recipients who also pay income tax. This “stacking effect” has been described in detail by Shillington (2001) and will be highlighted in our discussion in section 5 as one of the most significant and damaging gaps in policy.

Ensuring that women have enough retirement income is complicated by a variety of legislative and regulatory issues. Methods of indexation, which are supposed to be protection against inflation, in fact are threats to adequacy. What might be an adequate pension this year will decline in value over time due to indexation linked to the consumer price index, and also by the partial de-indexation of the OAS claw-back. This will be discussed in more detail in sections 5 and 6.

### **Equity**

Equity means fairness and justice and is not always achieved through equal treatment. Equal treatment under the law can result in significant inequity. Many women experience inequity with regard to policies and programs related to Canada’s pension and taxation system. Many of the various inequities are related to women’s family responsibilities and their relation to the labour force. Condon (2001) describes inequities and refers to women in unpaid caregiving work as “the women who are most disadvantaged by the enduring link between labour markets and pension entitlements.” She also suggests that in policy analysis and development, “less consideration was



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extended to those women who remain in the paid labour force in marginal and insecure positions.” A partial list of women whose experiences reflect significant inequities includes:

- Women with disabilities, if they are unemployed or are not employed full time are unable to save for retirement or to contribute towards CPP retirement benefits. Some receive a CPP disability pension, which is governed by medical criteria. Disability of other family members also affects a women’s ability to contribute to CPP or other retirement savings vehicles. (Neal, 2004)
- Women who care for family members are vulnerable to future poverty. Women have typically taken time away from the paid work force to care for their children. Many others find that they need to limit or terminate paid work in order to care for elderly relatives. This, of course, limits their ability to contribute to CPP and optimize their future pension benefits. The average retirement age for women in 2003 was 60.4.(Statistics Canada, 2003)
- Women who work at home in a “family” business can experience several barriers to building up adequate pension credits:
  - Family businesses are often registered in the husband’s name. He makes CPP contributions on the earnings he declares, and can make CPP contributions on a woman’s declared earnings, but often, a woman is not officially employed by a family business, and contributions are not always made.
  - Accumulating optimum CPP credits depends on maximizing earnings. Many small family businesses are not highly profitable, especially at the outset, and owners may not draw salaries until the business is solvent. However, if there is no salary, there can be no CPP contributions.
  - Even if a business is viable, business expenses are used to decrease the amount of declared earnings to minimize taxes. This also minimizes CPP contributions.
  - In some cases, self-employed business owners may become disabled, but may not be eligible for CPP disability benefits because they have not contributed to the plan.
- Low-income women are especially vulnerable to poverty in old age because they are limited in their ability to accumulate private savings by virtue of their low incomes. Many are also excluded from contributing to CPP because their incomes are below the Year’s Basic Exemption, presently frozen at \$3,500. This regulation has serious implications for low-income women, and the impact will increase over time due to inflation. This will be described in more detail in section 5.

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- Lesbian women are in a vulnerable position. Condon (2001) suggests that “the traditional discourse of family... has meant that women in lesbian relationships are unable to qualify for benefits of pension sharing or survivorship.” At present, survivor benefits are available to same-sex partners whose spouse died after 1998. There is a national class action suit seeking to have survivor benefits extended to 1985, the year the Canadian Charter of Right and Freedom came into effect.(Neal, 2003) It is possible that the recognition of same sex marriage could have an impact on equity for married lesbians.
- Self-employed women, like low-income women, are vulnerable to poverty in retirement. They have to pay both the employee and employer portions of CPP contributions, which is an additional burden. Also, the nature of self-employed women’s work is such that their incomes are lower than self-employed men, and often lower than those in “standard” jobs. This, of course limits their ability to contribute to CPP and to other savings. Townson (2003) reports that in 2000, close to one million women were self-employed.
- Women in non-standard work, such as part-time, seasonal, casual, or contract work face similar limitations as self-employed and low-income women, and there is some overlap across categories. Non-standard work is unlikely to have pension benefits. Townson (2003) estimates that in 1999, 41% of women’s jobs fell into the category of “non-standard”.(p. 1)
- Single, common-law, divorced and/or separated women are all more likely to have low incomes. Some women, by virtue of their marital/conjugal status (married, common-law), are somewhat better off than the unattached women because they can access special supports for dependent spouses. These supports, however, are inadequate and are based on an assumption that is no longer the norm, and which serves to exclude large numbers of women. Greenaway (2005) quotes a study by the University of Toronto Institute for Human Development, Aging and the Life Course, which suggests that “elderly separated and divorced women are at highest risk of ‘bag lady’ fate.” Women who never married and who were aged 65 received \$5,586 more in annual income in 1998 than separated women. Widowed women collected \$3,487 more than their separated counterparts. Divorced women had about \$1,541 more in annual income than widows. While never-married women enjoyed after-tax income of \$19,647 in 1999, the income for separated women was only \$14,850.

Women who were divorced or separated have much lower retirement incomes than single women or widows, as most divorced women do not claim a portion of their former spouse’s pension despite being entitled to it. (NACA 2005)

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- Aboriginal women “are not automatically guaranteed the right to contribute to the Canada Pension Plan.” (Neal, 2004, p.48) Before 1988, people employed on reserves were not allowed to contribute to CPP, and now Aboriginal Canadians can “opt in” to the CPP, but their employers have to sign a form to do so.
- Atlantic Canadian women - Average wages in Atlantic Canada are lower than the national average. The average wage for Nova Scotia women is \$28,822, compared to a national average of \$35,258 (Statistics Canada / Status of Women Canada, 2003, p. 23)
- Rural women - Women living in rural communities are more likely to live in poverty due to the combined effects of several factors: lower employment rates, lower wages, more non-standard work, and consequently lower contributions to CPP and reduced ability to build up other retirement savings. They also have to bear higher costs of transportation and fewer services that could improve their ability to access higher paid work. (Beckstead and Brown, 2004)
- “Younger” widows are not eligible to receive the full survivor benefit. There is a sliding scale applied to survivor benefits:
  - women aged 65 plus, receive 60% of their spouse’s CPP benefit
  - women aged 45 - 64 (not disabled or raising a dependent child) receive a flat-rate portion plus 37.%%
  - women under 45(not disabled or raising a dependent child) receive as above minus 1/120 for each month the spouse is under 45 at the time of the contributor’s death,
  - women under 35 do not receive a survivor benefit until they reach 65 (Social Development Canada, 2004)
- Immigrant women find it difficult to find work, and most often work for low wages. Shorter contribution periods and lower overall contributions restrict their ability to build up adequate CPP credits. Their economic well-being is further threatened by regulations that restrict their eligibility and provide only partial OAS or CPP pensions if they have not lived in Canada for more than 10 years.

### Appeals

Neal (2003) describes how “open the HRDC (now HRSDC) community outreach workers were to the needs of their clients.” (Neal, 2004, p. 51) There are limits to what can be accomplished, and program administrators have to abide by policy regulations.

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Much of the headway in pension reform has started with appeals and then gone to court challenges, which have ultimately resulted in policy change. The appeal process, however, can be lengthy, and is intimidating to many seniors.

Appeals are not the answer to women friendly pension policy.

### **Perceptions of Fairness**

Neal (2003) reports that there is a sense that not everyone is treated equally well under the current system. Complicated regulations and inequitable treatment of women in diverse circumstances make it difficult for the public to understand how the system works. We need to be increasingly vigilant about how the public perceives the public pension system. As governments, business and the media create myths and misinformation designed to influence public opinion and move the pension system in a new direction, a significant threat to a social justice agenda is created. This will be discussed in detail in section 7.

### ***Why do so many women not benefit from pension policy?***

Historically, policy development has been based on outdated and faulty assumptions. More recently, policies respond to economic and political forces that are motivated by the market and profitability. Additionally, because there has been no significant analysis of how policies impact on women in general and rural women in particular, the pension system leaves many women disadvantaged.

Particular areas where the policies are not 'women friendly' are labour force involvement and women's unpaid caregiving work. In particular, women's unpaid work is a significant factor that limits their participation in paid work and therefore reduces their capacity to make contributions equal to men. In addition, the paid work that many women do is of a type that also limits their ability to build up CPP credits and other retirement savings. These issues will be discussed in more detail in section 5, where we discuss gaps in the policy.

The understanding we have gained in this discussion will be further enriched by looking at the situation through both gender and rural lenses (sections 3 and 4).

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### **4. What happens when a gender lens is applied to these policies, especially in the present day?**

The preceding discussions have provided a gender-based perspective by describing in detail the diversity of women's experience and how it relates to the components of women friendly pension policy.

The discussion in this section deals with gender-based analysis as a responsibility of government, and will also provide additional depth to our analysis of women and policies that affect women's retirement income and economic well-being. This well-being depends on more than policies governing pensions. Pensioners are eligible for a range of additional supports, such as subsidized housing, meals on wheels, pharmacare, and in some provinces, a "top-up" of the GIS. Eligibility criteria vary, depending on the benefit, and is a problem in itself that will be discussed later. These benefits have considerable impact on financial well-being, however after pension policy, the tax system probably has the most significant impact on the financial well-being of senior women. This will be discussed in detail in section 5.

### ***Government Commitment to Gender-Based Analysis***

*The Federal Plan for Gender Equity* (1995 - 2000) and the *Agenda for Gender Equality* (2000-2005) commits to a gender-based analysis of all federal policies in which the differential impacts of a policy or program must be identified. Although gender-based analysis is mandatory, it is not always carried out, and when it is, it is often seen as an 'add-on' and is not done in a way that reveals the realities of diverse Canadian women.

Cognizant of the only partial implementation of Gender Based Analysis (GBA) throughout the Federal Government, The House Standing Committee on the Status of Women (SCSW) undertook a study of GBA in several government departments (Citizenship and Immigration, Human Resources Skills Development Canada, Social Development Canada, Health Canada, Canadian International Development Agency, Justice Canada, Finance Canada). Their report outlined the GBA structure and mandate GBA within each department, the mechanisms for GBA accountability and the ongoing challenges. The report, presented to the House of Commons on April 19, 2005, recommended:

- Equality legislation for systematic GBA;
- Evaluating existing GBA accountability;
- Engaging equality seeking organizations; and
- Proposed a role for central agencies to support the implementation of the recommendations.(SCSW, 2005)

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On September 26, 2005, the Government presented its “Government Response to the Second Report of the Standing Committee on the Status of Women” to the House of Commons. The report committed to developing a new “Gender Equality Strategy”. Although the response does not commit fully to the recommendations of the SCSW report, there seems to be an indication that Government intends to move forward within the parameters of the upcoming Gender Equality Strategy. Continued vigilance and monitoring by the community and equality-seeking women’s groups can assist in reminding Government of its commitment.

### *Applications of Gender-Based Analysis*

Consistent with the requirement for a gender-based analysis, the Federal Government conducted an analysis of proposed changes to the Canada Pension Plan in 1997. Sayeed, (2002) describes and evaluates the analysis done by the federal government *Gender Implications of Changes to the Canada Pension Plan* (FPTGC 1997). The main changes which were introduced in January of 1998 were an increased contribution rate, to be phased in over 1997 to 2003 and a permanent reduction in benefits to be phased in gradually. The Government report stated that changes would be fair to women and men. They base this claim on the fact that the lifetime benefit/contribution ratio is higher for women than men. The benefit/contribution ratio measures the number of dollars in benefits a pension recipient receives for every dollar of contribution. The report noted that women pensioners receive \$2.56 for every dollar of contribution, whereas men receive only \$1.36.(Sayeed, 2002)

Sayeed (2002) argues that this measure of equity is skewed due to the relatively longer life span of women and therefore the increased length of time over which they collect benefits. **This measure does not indicate women’s economic well-being.** She emphasizes that the effects of the 1997 changes need to be considered in the “broader context of relatively low earnings for women in the paid work force and low incomes for many women after retirement.”(p. 20) Sayeed argues that the government has failed to make changes fair to women and men. These are notable examples of how reforms have failed:

- Over the long term, contributions will fall, but women will save less than men. This is due to the de-indexing of the Year’s Basic Exemption (YBE) at the 1997 level of \$3,500. Low-income women therefore will face the largest increases in contributions.
- Surviving spouses’ benefits will be reduced more in the long run than will disability or retirement benefits. Because they live longer and receive lower

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retirement benefits in their own names, survivor benefits are an important income supplement for elderly widows.

- Because women's retirement income is tied to their labour force involvement, closing the gender gap in wages is one way to address equity. However, according to actuarial assumptions in the long-term forecast, a gender gap in annual earnings will remain throughout this century.
- Gender-based analysis has not been prominent in past CPP reviews, and seems to have been an "afterthought. "[R]elease of gender implications before CPP options are debated would improve the institutional structure governing CPP policy." (Sayeed, 2002, p. 21)

### ***Income-tested Benefits and Access to Additional Supports***

There are a variety of programs and benefits for seniors, such as home care, pharmacare, meals on wheels, and subsidized housing. Shillington (1999) describes problems associated with access to these additional supports for GIS recipients, the definition of income and the tax laws that impact on low-income seniors, particularly senior women. Access to provincial health care and social supports is complicated. Eligibility is income-tested, and for some programs, it is asset-tested. Shillington indicates that there is an effective tax rate of 50 to 100% for the low-income seniors who also pay income tax. Any additional income above their OAS/GIS (such as interest from a modest investment) can be lost to taxes and in addition, can cancel their eligibility for additional supports.

The bizarre effects of the GIS taxback and the phase-out rules for other income-tested benefits interact with the income tax brackets to produce a complex marginal rate structure for the one-third of GIS recipients who must pay tax. The combined effect is that the highest effective rates fall on Canadians who have the lowest incomes - often women and older seniors. (Shillington, 1999, p. 2)

Shillington (2001) estimates that a very significant proportion of low-income seniors, most of whom are women, are affected by this situation and describes "the stacking effect" in detail:

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### **The “Stacking Effect”**

Low income seniors are eligible to receive the federal Guaranteed Income Supplement (GIS), Canada Pension Plan and Old Age Security income. For every dollar of other income that these seniors receive, there are a series of reductions to their income as follows:

- their GIS payment is reduced (clawed-back) by 50 cents (i.e. by 50%)
- their income tax will be about 25 cents on that dollar (approximately 30% of GIS recipients also pay tax)
- their GST rebate will be reduced by 5 cents
- their social housing (rent-geared-to-income) subsidy will be reduced by 30 cents
- their Meals on Wheels and Home Help fees could each increase by 30 cents.

In total, the cumulative effective “Marginal Tax Rate” in these situations would exceed 100%. (Shillington and Fair, 2001, p. 8)

This is an excellent example of how policies in various sectors combine to disproportionately disadvantage low-income seniors, most of whom are women.

### ***Gender Analysis of the Tax System and its Discrimination Against Women***

The Canadian pension system, in theory, is comprised of four tiers; as you move upward through the tiers of the system, the proportion of benefits enjoyed by women grows smaller. (Donnelly, 1993, p. 420)

“[T]he current system of tax-assisted savings for retirement results in systemic discrimination against women, as benefits are disproportionately enjoyed by men.” (Ontario Fair Tax Commission, 1992, p. 22) Young (2000) argues that the result of this discrimination is, for many women, poverty in retirement. Elderly women are twice as likely as elderly men to live in poverty. (National Council of Welfare, 1996)

There are several areas of tax policy that disadvantage women. Young (2000) describes how the tax system has been used to erode the universality of the OAS, through the clawback. (More details on this in section 5) **She also exposes how the largest single tax expenditure made by government benefits the rich.**



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Registered Retirement Savings Plans and Registered Pension Plans, considered to be 'private', are in fact subsidized by the tax system through tax breaks for contributions and for income earned in the plan.

*Tax preferences for RPPs and RRSP combined exceeded \$22 billion in the 2000 taxation year!*

*This amounted to 57% of the total of all public expenditures on the OAS, GIS and CPP/QPP combined.*

*This is, in effect, this is a tax expenditure funded by lower income Canadians!*  
(Young, 2000)

Young (2000) suggests that many women are excluded from the benefits of RPPs and links the reason for this to the kind of work women do. Those who work part-time, in non-unionized jobs or for small employers, or those who are self-employed or unemployed do not benefit. With regard to RRSPs, Young indicates that women are often unable to take make contributions and take advantage of the tax preferences because they earn less than men and have less discretionary income to contribute.

Young (2000) shows how using non-refundable tax credits rather than tax deductions disadvantages women. RPP and RRSP contributions are given a tax deduction, not a credit. Those who benefit, therefore, are those with incomes at the top rate of tax. Because men earn more than women, they receive greater subsidies. She talks about a tax hierarchy where:

*...at the bottom are those to whom the deduction is worthless, either because they do not have access to an RPP, they do not have funds to contribute to an RRSP, they do not have access through a spouse to a pension plan or simply because they have insufficient taxable income to benefit from the deduction. The tax system is merely reflecting and reinforcing the current economic inequity between rich and poor, and between men and women. (Young 2000, p. 47)*

The tax system could play a significantly positive role in alleviating the poverty of seniors, however, at the present time, it does just the opposite.

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### 5. What happens when these policies are considered in a rural context?

The majority of our rural communities have been built on natural resource and primary sector activities (eg. agriculture, forestry, fishing, mining and energy).

However, while productivity from most resource-based industries has increased, **employment has generally decreased**, mainly due to automation and technological changes. In addition, the seasonal nature of many of these traditional industries is characterized by **reliance on government assistance** to bridge the gaps between periods of employment. (Canadian Rural Partnership, 2005)

Because adequate retirement income in general, and CPP benefits in particular, are dependent on life-long connections to the paid labour force and adequately paid work, it is obvious that rural women are among the most vulnerable for poverty in old age.

Keefe and Side (2003) outline the decline in population of rural communities in Atlantic Canada. Not only is population declining, the demographics of rural communities is changing. As young people move to urban areas to find employment, rural communities are 'aging'.

The depopulation and aging of rural Canada has significant implications for the remaining residents. A spiral effect occurs in which the shrinking population cannot support existing businesses and services through their patronage and tax dollars, leading to cuts in services and closed businesses. More people move to urban areas to find work and the cycle continues.

For pensioners living in rural communities, it becomes more difficult and expensive to access needed services and supports. Additionally, if rural pensioners have been rural workers, working in the lower-paying, seasonal, or part-time jobs that are common in rural areas, it is likely that their CPP benefits will be less than those of urban dwelling pensioners.

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*Rural women are doubly-disadvantaged by retirement income policies. Women are more likely to be employed in low paying, seasonal, part-time, casual or self-employed work, and are likely to have extended periods away from the work force due to inadequacies in the rural job market and/or because of family and child rearing responsibilities. There are therefore more likely to have lower CPP pensions, and more likely to rely on OAS/GIS as primary sources of income.*

For future pensioners, the prospects are also bleak, as the rural job market continues to decline. Women will have fewer employment prospects, and many will need to move to urban areas to seek work, continuing the destabilization of the rural community. Beckstead and Brown (2005) provide data about income disparities between rural and urban areas across Canada. They show how “remote rural” and “urban shadow” areas account for almost 40% of Nova Scotia’s population. For Canada as a whole, rural communities account for only 21% of population. Their analysis indicates that per capita income increases with urban size. This can be explained by a number of factors, including the existence of ‘higher paying’ jobs in urban areas and higher unemployment in rural areas. They note a \$10,000 gap in per capita income between large urban and remote rural areas. Atlantic Canada has the lowest per capita rural income in Canada, and Nova Scotia has a per capita income of \$6,543, compared with \$14,262 for medium urban areas. The authors conclude that workers in rural areas earn less than those in urban areas, and there are fewer workers employed in rural areas. They also indicate that there are fewer people of working age in rural communities. They finish by saying that economies that are inherent to larger cities may be very difficult to reproduce in smaller cities and rural areas.

The lower incomes common in rural areas result smaller pensions. Although the cost of housing in rural communities is lower than in urban areas, the cost of transportation and many consumer goods is much higher, the overall costs of living in a rural community are considered to be lower than that of living in an urban centre.

The significantly lower CPP benefits paid to women in rural communities means that an even greater proportion of women pensioners rely on OAS and GIS as their main source of income.

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### ***How Policies Affect the Health of Communities and Individuals***

In 2002, women living in coastal communities made the following observations about the impact of government policies:

- Their families were less well off financially and there were growing gaps between people in their communities who had jobs and money and those who didn't.
- They were seeing more family breakups and were feeling alone.
- Retraining programs were not helpful
- There were no jobs or opportunities for themselves, their husbands or their children.
- Their communities were breaking down. Young people saw no future for themselves in their communities.
- They were trapped by lack of transportation.
- The services their communities once had were being cut back or lost.
- As women, they were feeling the stress of trying to hold everything together. (Nova Scotia Women's Fishnet, 2002)

These issues have a cumulative effect on the capacity of future pensioners to plan and save for their retirement, and on the capacity of communities to provide the network of services and supports needed by present pensioners.

The consequences of living, and working, in rural communities, are reduced capacity to build up adequate CPP credits or to accumulate private retirement savings.

It seems that government policies are either destroying the community ... or policies and services that exist to support communities are inaccessible to those who could use them. (Nova Scotia Women's Fishnet, 2002)

Women who work in family fishing businesses are vulnerable to attitudes about the 'value' of their work, which has often been taken for granted. Old-fashioned ideas can remain in families and communities and can be held by regional government workers.

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A bureaucrat's attitude may directly affect whether a woman is able to count what she does as work and receive benefits for it. (Nova Scotia Women's Fishnet, 2002, Factsheet 1d)

It is typical that women who work in family businesses are in a situation where they are not recognized as employees, and often work for no pay. Access to EI and contributions to CPP are not always possible and the value of their work is often not recognized even though it contributes significantly to the survival of many family businesses.

From this discussion, it is obvious that the economic well-being of senior women is closely tied to more than pension and tax policies. A range of government policies linked to health, economic development and natural resources affect rural and fishing communities. The network of policies and jurisdictions and the potential for impact of all components of the policy environment need to be clearly analyzed and understood before effective and sustainable strategies can be developed and implemented.

### **6. What gaps are obvious in these pension and tax policies?**

In the preceding discussion, we have seen how many women are excluded by pension and tax policies. The lack of a gender or rural analysis, coupled with invalid policy assumptions and economic and political forces has created a retirement income system that is full of gaps and inconsistencies. The pattern that emerges points to obvious gaps in the following areas:

**Adequacy** is a central issue and overlaps to a certain extent with other issues. It is estimated that pensioners will need approximately 70% of their pre-retirement income in retirement. The OAS is based on 15% of the average pensionable wage, and the CPP is designed to replace 25%. The combination of the public pillars of the retirement income system are assumed to provide for 40% of retirement income needs. For women who receive significantly lower CPP benefits than men, what they receive will be much lower than even 40% of their needs! Many advocates argue for an increase in the 'replacement rate' of the CPP, especially for low income Canadians. This is discussed in section 6.

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*It is assumed by policy-makers that pensioners will have built up retirement savings through RRSPs and workplace pension plans and will also have enough personal savings to meet their needs. These expectations are simply unrealistic. For over two-thirds of Canadian seniors OAS and CPP/QPP are the main sources of income. (NACA, 2005) The consequences of ignoring this fact will be rising demand on public tax dollars to meet the needs of a growing number of seniors living in poverty.*

**Recognition of women's unpaid work**, including child-rearing and elder-care has been a glaring gap since the beginning of the CPP, and is probably the most urgent and most challenging problem to resolve. Because women interrupt their paid work throughout their adult lives, their ability to accumulate pension benefits and retirement savings through the labour market is severely limited. Assumptions about which work has 'market value' is at the root of the problem, and confounds efforts to develop a solution.

**Women's non-standard work**, like their unpaid work, limits their ability to have the same work force involvement as men.

Although women have entered the paid labour force in increasing numbers over the last two decades, more and more of those in paid employment are working in non-standard jobs. While standard jobs are generally defined as full-time, full-year employment with a single employer on a permanent, long-term basis, "non-standard" jobs include contract work, self-employment, temporary work and part-year work, or multiple jobs with a series of employers. This type of work is often poorly paid and offers little or no job security. (Townson, 2003, p. 1)

Townson (2003) describes the policy gaps for women in non-standard jobs. For example:

- Workplace pension coverage is not likely to be available. According to Statistics Canada, only 24% of those in non-standard jobs in 1994 had a pension plan, compared with 27% in 1989. Comparable figures for employees in standard jobs were 56 percent in 1994 and 60 percent in 1989 (Townson 2000: 32-33).
- RRSPs were designed to allow those without occupational pensions to set aside their own funds for retirement, however, the possibility of doing so may be remote for many of those in non-standard work arrangements. Only a tiny percentage of workers with earnings of less than \$20,000 a year contribute to

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RRSPs. For example, in the six years from 1993 to 1999, almost 69 percent of women aged 25 to 64, who filed a tax return each year and who had annual incomes of less than \$20,000 (in constant 1999 dollars), did not contribute to an RRSP in any of the six years (Statistics Canada 2000b: Table S1 and author's calculations).

- Because workers do not make contributions on the first \$3,500 of yearly wages, known as the Year's Basic Exemption (YBE), many low wage workers are not eligible to make contributions at all. Some women may have multiple, low-wage jobs, all of which earn less than the YBE, but for which the total earnings are greater than the YBE. These women can make contributions at tax time, but are also responsible to make the employer portion of contributions as well, which is double the 4.95% of earnings. While employers benefit from using workers earning less than the YBE, the workers themselves have a double burden.
- Self-employed persons must contribute both the employer and employee portions of the contributions, again a double burden. This is offset somewhat by being able to claim the employer portion as a tax credit.
- CPP benefits are calculated as 25% of average lifetime earnings. Contributors can 'drop out' 15% of their lowest wage earning years from the calculation, which effectively increases the amount of the monthly pension benefit.
- But all contributors to CPP may exclude up to 15 percent of that time when they may have had little or no earnings. In addition, parents may exclude years when they had a child under the age of seven. These features are known as "drop-out" provisions and they result in higher benefits than would be determined if the low earning years had been included in the calculations. These drop out provisions benefit not only women in non-standard work, and a drop out provision for other caregiving activities is the goal of many advocates.
- CPP is an income replacement program and is designed to replace 25 percent of a worker's average annual lifetime earnings (after adjustment for inflation). However, 25% of total low-wage lifetime earnings is not adequate. In 2002, women who retired were receiving on average, less than half of the maximum CPP benefit. This reflects women's lower wages as well as interruptions in paid work.

**Methods of indexation** are related to adequacy, and have an effect over time that is not acknowledged by government. For example, Battle and Torjman (1995) indicate that when it was implemented, the claw-back of OAS benefits began at the 1989 level of \$50,000, and for seniors with incomes of \$85,000, the

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OAS was clawed-back completely. In 1989 this affected only 4% of seniors. However, OAS benefits are only partially indexed, so the threshold each year becomes lower each year (in real dollars) and more seniors at lower income levels are affected each year. The authors estimate that by 2000, the clawback will affect seniors with an income over \$41,400 and the full clawback would apply to those bringing in only \$65,532 (in 1989 dollars). If the current system is kept in place, by 2020, the clawback would affect seniors with incomes below only \$27,861 and would remove all OAS for those with \$44,100. There are also inequities in how OAS is calculated for different seniors: for a single pensioner with an income above \$85,000, the clawback applies in full. For a couple, one with an income of \$50,000 and the other with \$35,000 experience no clawback because the clawback is calculated on individual rather than family income. Other income security programs, such as the Child Tax Benefit, the GST Credit and GIS is calculated on family income. The authors charge that the OAS is gradually disappearing in a government sponsored deception. (Battle and Torjman, 1995)

...[T]he threshold is declining steadily in real terms each year and thus hitting more and more seniors at lower and lower income levels. In effect, the Finance Department capitalized on the fact that few seniors would comprehend the need to convert the \$50,000 threshold to inflation-adjusted dollars, or have at hand the formula required to make the conversion. (Battle and Torjman, 1995, p. 4)

**Eligibility for benefits based on marital status**, while it benefits some women, it excludes a growing number of unattached, separated and divorced women. Women in the 60 to 64 age group are particularly at risk because women tend to retire earlier than men, often due to family care requirements.

The situation of lesbian women living in couples has taken an interesting turn. Demczuk *et al* (2002) describe how extending the definition of conjugal couples to include same-sex couples has both advantages and disadvantages. Prior to Bill C-23, lesbian couples were treated as individuals for OAS/GIS calculations. This meant that lesbian couples receiving OAS/GIS received on average \$2000 more per person, when benefits were calculated for them as individuals. Benefits for married couples, by comparison, were approximately \$4000 less per couple. However, after legislation recognized conjugal status, lesbian couples lost the advantage. Being recognized as a couple, however, does provide access to the OAS Allowance, which was previously unavailable. CPP survivor benefits are also available to same sex couples. The use of conjugal status is connected to the assumption of dependence, which excludes unattached women from benefits. Finding an acceptable method of determining eligibility will be challenging if



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providing benefits for one group automatically disadvantages another.(Demczuk *et al*, 2002)

**The tax system** favours medium and higher income earners by giving significant tax preferences to RRSP and Registered Pension Plan contributions. These tax preferences include: tax breaks for contributions and for income earned in the plan. Tax preferences for RPPs and RRSP combined exceeded \$22 billion in the 2000 taxation year! This is, in effect, a public expenditure funded by taxpayers to the extent that this represents \$22 billion in foregone tax revenue for government programs. We will discuss other aberrations in the tax system in the next section.

**Retirement savings initiatives** such as RRSPs do not benefit low-income Canadians, and in many cases pose extreme disadvantages. Shillington (1999) outlines the futility of RRSPs, which are the currently supported methods for accumulating retirement savings:

- Under the current rules, any money they may have saved for retirement simply reduces their eligibility for income, health care, and social support.
- The bizarre effects of the GIS taxback and the phase-out rules for other income-tested benefits interact with income tax brackets to produce a complex marginal rate structure for the one-third of GIS recipients who must pay tax. The combined effect is that the highest effective rates fall on Canadians who have the lowest incomes - often women and older seniors.
- Some low-income Canadians make great efforts to save for retirement via the usual vehicles: registered retirement savings plans (RRSPs), unregistered investment accounts, pension plans, and home ownership. ...[T]hey are unlikely to benefit from the tax advantages of RRSPs and pensions. Indeed, if they encounter a 75 percent effective tax rate in retirement, participation in such plans can leave them significantly worse off.

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*The National Advisory Council on Aging argues that low income Canadians who have managed to accumulate modest savings will have a significant portion of their assets 'confiscated'.*

*The main beneficiaries of those 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. (NACA, 2005. p. 21)*

- Home ownership does not generally affect eligibility for social assistance, but increasing property taxes and purchase prices make it impractical in most urban areas.
- Despite the potential traps of the current system, low-income Canadians can obtain little information on how best to prepare for retirement.
- The array of provincial health care and social supports also complicates matters. Eligibility for most is income tested, and for some it is asset-tested. Given effective tax rates of 50 to 100% for low income seniors, such testing of programs usually means that the consequence of a life time of prudent saving is a minimal increase (or no increase) in disposable income and perhaps ineligibility for needed help. (Shillington, 2003)
- [F]or many low-income Canadians RRSPs are a terrible investment. They are victims of a fraud, however unintentional. Tax rates on RRSP income can be as high as 75% for low-income seniors. (Shillington, 1999)

*CPP contributions are 'regressive', meaning that the burden falls disproportionately on lower-income workers. Sayeed (2002) attributes the regressive nature of CPP contributions to the freezing of the YBE at \$3,500 (in 1997 dollars). Under previous rules, the YBE was 10% of the Year's Maximum Pensionable Earnings (YMPE), which is based on the average industrial wage. The YMPE rises each year with wages. As earnings grow over time, the YBE, frozen at \$3,500, will fall as a percentage of the YMPE. Sayeed estimates that by 2030, the YBE will have fallen to 4% of the average wage. This deindexing of the YBE will expand the tax base over time **at the bottom end of the earnings distribution**. As a result, low income earners will contribute a greater*

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proportion of their wages to CPP than higher income earners. The impact will therefore fall most heavily on women. (Sayeed, 2002. p.7)

### **7a. How can these policies be revised?**

There is considerable overlap between the gaps discussed in section 5. Adequacy of retirement income is tied to periods of unpaid and non-standard work, to lower wages, to policies that limit the replacement rate of CPP, to indexation rates and to inequities in the tax system. A wholistic approach will be necessary to fill the gaps and create equity. The following discussion will provide a description of what selected progressive social policy advocates are suggesting as solutions to the main gaps we have identified.

#### ***i. Recognizing Women's Unpaid, Low Wage and non-Standard Work in Public Pensions***

##### **Recognizing women's unpaid work**

Since the 1980s there has been debate over how to provide retirement income that recognizes women's unpaid work, especially for unpaid child-rearing. In 1985, the National Action Committee on the Status of Women (NAC, 1985) proposed a Homemaker Pension that would recognize women's unpaid work. Since then, there have been several proposals with the same essential goal. Some have advocated for the use of CPP to provide homemaker pensions, others have argued for the OAS as a preferable vehicle. The following table briefly outlines some basic features of each proposed vehicle. Although the literature has many sources of proposals and options to address the issue of women's unpaid work, three main sources, which reflect a fairly balanced representation of the current literature on this issue, have been used to prepare the following table.

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### Options for Recognizing Women's Unpaid Work

	Canada Pension Plan	Old Age Security
References	<p>NAC: <i>Pension Reform: What Women Want</i>. Ottawa: National Action Committee on the Status of Women. 1983.</p> <p>Ruth Rose, Presentation to the Round Table on Canada Pension Plan Reforms: Gender Implications." Ottawa: Caledon Institute, 1996.</p>	<p>Monica Townson, <i>Reducing Poverty among Older Women: The Potential of Retirement Incomes Policies</i>. Ottawa: Status of Women Canada. 2000.</p>
Option Funded by:	<ul style="list-style-type: none"> <li>- Contributions on behalf of unpaid women 'workers'.</li> <li>- Benefits, like other CPP benefits, would be taxable.</li> </ul>	<ul style="list-style-type: none"> <li>- General tax revenues</li> <li>- Benefits would be taxable, and subject to claw-back as 'regular' OAS benefits are.</li> <li>- Would reduce the number of women claiming GIS.</li> </ul>
Mechanisms	<ul style="list-style-type: none"> <li>- Based on the concept of a 'drop-out' from paid work force and previous and/or subsequent return to the work force</li> </ul>	<ul style="list-style-type: none"> <li>- Not based on attachment to the work force. Her proposal is focused solely on women's <u>unpaid work</u>.</li> <li>- Townson advocates for additional measures to recognize women's <u>paid, non-standard or low waged</u> work through CPP. See Table 2.</li> <li>- Suggests an increase in OAS benefits for women who have had children, so their unpaid work in this area is recognized.</li> </ul>
Determining the hypothetical 'salary' to be replaced by pension	<ul style="list-style-type: none"> <li>- Could be based on the Year's Maximum Pensionable Earnings (YMPE), or on half that, depending on the proposal</li> </ul>	<ul style="list-style-type: none"> <li>- Does not depend on the income of the spouse, and no assumptions are made regarding the hypothetical earnings level.</li> <li>- Would not require the other spouse to make contributions.</li> <li>- Economic autonomy of women would be preserved.</li> <li>- Benefits might be linked to the number of children a woman had, the number of dependents cared for, or the length of time spent in caregiving.</li> </ul>

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	Canada Pension Plan	Old Age Security
Type of unpaid work to be recognized	<ul style="list-style-type: none"> <li>- child care for children 0 to 7 years of age</li> <li>- could add a dependent care drop out provision</li> </ul>	<p>Same</p> <ul style="list-style-type: none"> <li>- Could also consider volunteer or caregiving work within the community.</li> <li>- Would recognize women's unpaid work whether or not they were involved in the paid workforce as well.</li> </ul>
Contributions made by	<ul style="list-style-type: none"> <li>- Contributions by spouse, and/or subsidized by government in woman's name, for low income families</li> <li>- Could be voluntary or mandatory</li> </ul>	<ul style="list-style-type: none"> <li>- Paid through general tax revenues, as are other OAS benefits.</li> </ul>
Equity Issues	<ul style="list-style-type: none"> <li>- Participation by non-workers could be unjust for those still in the paid workforce who are prohibited from making additional higher contributions even if they could afford to.</li> <li>- Unfair to low wage women in the work force who also do unpaid work at home. This group would receive lower benefits than full-time homemakers who might be able to accumulate higher CPP/QPP pensions because someone else contributes to the plan for them.</li> <li>- Does not help those who do not return to work force after 7 years, or who return to working in low wage or part time jobs.</li> </ul>	<ul style="list-style-type: none"> <li>- no such issues<sup>8</sup></li> </ul>
Political Limitations	<ul style="list-style-type: none"> <li>- Changes to CPP legislation require the approval of 2/3 of provinces representing 2/3 of the country's population.               <ul style="list-style-type: none"> <li>- Failure to reach consensus on the proposed "Senior's Benefit" in the late 1990s could mean government is reticent to 'take on' another contentious issue.</li> </ul> </li> </ul>	<p>Not limited by this requirement, so change could possibly be implemented through a more streamlined and efficient process.</p> <p>Same</p>

**More research to identify the best vehicle to recognize women's unpaid work and action to implement this policy is urgently needed.**

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<sup>8</sup>It might be argued that single, divorced or separated women aged 60 to 64 could be helped through this vehicle.

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### **Recognizing women's non-standard work**

In addition to the unpaid, caregiving work that reduces their ability to engage in paid work, women's relationship to the workforce places them at additional risk of being poor in old age. As with the issue of recognizing women's unpaid work, there has been extensive research and analysis of how non-standard work (part-time, contract, seasonal, temporary, low wage, and multiple jobs) disadvantages women's accumulation of adequate retirement pensions.

With regard to women's non-standard, or what Townson (2003) calls "contingent" work, she says:

Most workplace and labour market policies and programs were designed to meet the needs of people employed in full-time permanent jobs for most of their adult life....But more and more workers no longer fit this pattern. That is particularly the case for women workers, 41 percent of whom are now in non-standard work arrangements....Policy makers concerned with women's equality must therefore take into account the changing pattern of women's paid work if they wish to eliminate barriers to program access for increasing numbers of women who are contingent workers.  
(Townson, 2003, p. 56)

Townson (2003, p. 58) advises that not enough is known about the trends in contingent work, so for the long term, suggests research and data analysis to answer the following questions:

- Is contingent work likely to be a permanent feature of the Canadian labour market?
- Are individual workers, particularly women workers, likely to spend a significant part of their lifetime in paid employment in non-standard work arrangements?
- To what extent are non-standard work arrangements associated with particular situations in which women find themselves at various points in their life, for example, continuing education and training for younger women, childbearing and family responsibilities for women in prime age groups or with phasing into retirement for older women?
- To what extent do contingent workers voluntarily choose non-standard work arrangements? Do they have real freedom of choice in the matter?

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Townson (2003) recommends the following changes to address the dire situation of non-standard women workers:

- adapt gender and pay equity provisions to meet needs of non-standard workers
- increase minimum wage
- introduce a tax credit, based on individual income to help economic security
- implement a 360 hour qualifying requirement, review EI program and adapt it to meet the needs of non-standard workers
- encourage provision of workplace pensions for women in non-standard jobs
- for public pensions: eliminate the Year's Basic Exemption so low wage women contribute from the first dollar (and women with multiple jobs can contribute on all earnings, no matter how small)
- provide a tax credit to compensate for increased contributions to CPP
- review the adequacy of drop out provisions and include a dependent care drop out provision
- increase the replacement rate of CPP for those with low average lifetime earnings (see Table 3 for a possible mechanism)
- increase the level of OAS/GIS to assist those whose CPP pensions are low due to long periods spent in non-standard work
- provide income supplements to the working poor
- ensure coverage for pharmaceutical and dental needs, at least for catastrophic events
- increase access to affordable housing and child care
- remove asset-based claw backs of government programs

In addition, Saunders (2005) suggests:

- provide income supplements for working poor (\$200 to 250/month)

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- provide coverage for pharmaceuticals and dental work - provide on a universal or progressive universal basis
- improve access to affordable housing and child care
- remove asset-based claw-backs on government programs

It is important to realize that not one single change will solve the problems of low-income workers in general, and women in particular. Saunders (2005) emphasizes the need for a “mix” of instruments. Townson (2003) refers to a “comprehensive” policy response.

### ***ii. Adequacy***

There are many recommendations and policy options identified throughout the literature that could combine to improve the situation for senior women. There are unique features for some sources, but there is also a large amount of overlap in recommendations. The sources for these options are: Monica Townson; Richard Shillington; the National Council of Welfare (NCW); Women Elders in Action (WE\*ACT); Caledon Institute of Social Policy; and the National Advisory Council on Aging (NACA). The following list, shows what ‘think tanks’, experts or advocacy groups are currently suggesting about how to address adequacy in pensions.

- **Increase Replacement Rates**

This would mean that the CPP benefit would be designed to replace a higher percentage of lifetime average earnings. The Replacement Rate is now 25%. (Townson, NCW, WE\*ACT) Most advocates want an increase to 50%. This could be done by several methods:

- through a formula called COFIRENTES+, which was developed in Quebec, and which applies a formula that provides a higher (50%) replacement for those earning below the average wage, and maintains the 25% for those earning above the average wage. (Townson, NCW).

- some are suggesting an increase in the Year's Maximum Pensionable Earnings (YMPE). This would increase the size of the CPP fund, and would subsidize higher payments to lower income pensioners, and would also fund the Caregiver Drop-out provision. (WE\*ACT)



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- others are suggesting an increase to a 50% replacement rate for low-income earners, and are not specifying a particular formula or method to achieve this.

- Increase Accessibility

- Because Government knows who is eligible for OAS, Government should be made accountable to send OAS benefits automatically to seniors as they become eligible.

- Benefits should also be fully retroactive for late applications (especially for the CPP which is funded by recipient contributions).

- Suspension of GIS and Allowances for late appliers and tax filers should be stopped. (NACA, 2005)

- Increase the OAS, GIS and Allowances

- Increase for seniors over 80. For families, target benefits to the lower income spouse. This maintains the eligibility criteria based on family income, but increases the financial autonomy of women, who are most often the lower income spouse. (Shillington)

- Increase to at least the level of the LICO (WE\*ACT, NACA)

- Additional Measures to Support Adequacy

- GIS Clawback: The NACA recommends that recipients should be allowed to earn 10% of benefits before GIS, OAS and Allowances are clawed-back.

- Increase benefits for Survivors: (Townson)

- Allow partial or phased-in pensions: Townson (2000) suggests that this would assist women who must stay in the labour force in part-time positions.

- Mandatory Credit Splitting: Townson (2000) argues that although this would not increase income in family situations, it would provide pensions in a woman's own name. For divorcing couples, WE\*ACT argues that this requirement should be back dated to 1978, and the NACA echoes that credit splitting should be mandatory, and that women should not have to apply for this, because many do not claim what they are entitled to.

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- Care-giving Drop-out provision: Most sources advocate for the inclusion of a drop-out provision specifically for care-giving. Townson (2000) argues that this should be separate from and in addition to a pension that recognizes women's unpaid work (and which is not based on earnings related contributions).
- Oppose Privatization and Strengthen Public Pensions: Most authors agree that because so many Canadians rely on public pensions, this pillar of the retirement income system must be strengthened, and not abandoned.
- Definitions of Income: Income-tested benefits are based on a range of different criteria. Some are asset tested, some are based on income only, but the definitions of income vary. In particular, the definition applied to GIS recipients results in what Shillington (1999) calls a "perverse" effect; dividend income is calculated on the "grossed-up" value, resulting in a tax rate of 62.%%!
- For Lesbian, Gay, Trans-gendered, Bi-sexual Survivor claims: WE\*ACT advocates that the cap on benefits prior to 1998 must be eliminated.
- Indexation: All pensions, the CPP, OAS, GIS, Allowances and Survivor Benefits must be fully indexed to wages and not prices (which means that the real value of the pension declines over time). (Townson, WE\*ACT) OAS claw-back should also be fully indexed to wages. (Townson)
- Workplace Pensions: All workers logging more than 10 hours a week should have access to workplace pension plans. (WE\*ACT) Other advocates propose making workplace pension plans portable for those moving from one job to the another.
- Housing: The NACA recommends that government should increase its investment in social housing for seniors. They also advocate for long term care rates to be no higher than market prices for room and board, and that costs should be based on income and not assets.
- Savings for retirement: Shillington, Kessleman, and NACA all advocate for the implementation of Tax Prepaid Savings Plans (TPSPs) which would benefit low-income savers in a way that RRSP do not.
- Compulsory Retirement: NACA recommends that this should be abolished and flexible conditions for older workers should be ensured.

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- Older Immigrants: The National Advisory Council on Aging indicates that older immigrants require language training, education and skills upgrading. Other groups advocate for full pension eligibility, regardless of the length of time spent in Canada.

Methods of indexation are also problematic in that the current method of indexation erodes adequacy over time. As protection against inflation, linking increases in pension payments to the Consumer Price Index is not fully effective. Townson (2000) explains the problem:

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 behind and further behind the rest of the population....the value of these [OAS, CPP/QPP] 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 public pension programs were linked to wages rather than prices. (p. 52)

Another issue related to indexation is that the claw-back for the OAS is only partially indexed. As we saw in section 5, Battle and Torjman (1995) describe how the partial indexation causes the 'real' level at which benefits are clawed-back to be reduced over time so that it applies to more and more seniors at lower levels each year. Indexing the claw back to the average wage would help to alleviate this problem.

### *iii. Tax Reform*

The discussion that follows contains highlights from a selected literature review. More research is needed to develop a comprehensive gender analysis, a clear understanding of complicated regulations and recommendations of how the tax system needs to change to be equitable.

The tax system has significant impact on the economic well-being of seniors. Although there is a re-distributive component, Shillington observes that there are "perverse" and "bizarre" pitfalls for low-income seniors who receive the GIS.(Shillington, 1999, pp. 7-8) This "stacking effect was described in section 3. In 2001, he estimated that:

[A]bout one-third of Guaranteed Income Supplement (GIS) recipients ...also pay income tax. This ensures that their effective marginal tax rate is at least

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75% (for every dollar of income they lose 50 cents to a reduced GIS and 25 cents in income tax).(Shillington, 2001, p. 23)

He suggests that the federal government should:

Increase the personal credit and age credit on the income tax so that they don't start paying taxes until after they stop receiving GIS support.(Shillington, 2001, p. 23)

Shillington (1999) also suggests that the reason for the high effective tax rates (which exceed 100%) experienced by GIS recipients who receive income from dividends is due to the definition of income used by various programs. He recommends that "changing the income definitions of the GIS to remove its perverse treatment of dividends. (p. 7)

Shillington (2004) also has some suggestions for supporting women care-givers.

- Making the Caregiver Credit refundable would be of significant benefit to women caregivers, many of whom do not have sufficient taxable income to benefit from a non-refundable tax credit.
- making the Medical Expense Credit refundable would also benefit lower-income seniors. (p. xii)

Claire Young (2000) has developed a series of questions to evaluate the effect of a tax measure on women. These can be found in Appendix II.

### **Alternatives to Registered Retirement Savings Plans**

Because low-income Canadians do not benefit from RRSPs, and are "futile savers", as described by Shillington (2003) in section three, Kesselman and Poschmann (2001) advocate for Tax Prepaid Savings Plans (TPSPs). The authors state that, for low and moderate income Canadians, RRSPs make little sense as the tax rates and benefits claw-backs will be higher in retirement than those they face while working. Workers would contribute to TPSPs out of after tax income with no tax deductions. Growing savings in

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TPSPs would accumulate no further tax liability and retirees future withdrawals would not be taxable or subject to benefit clawbacks. The authors argue that “tax pre-paid plans impose the least taxes on low-income earners”.<sup>9</sup>

### *iv. An Unanswered Question: How Can the Situation of Unattached Senior Women Aged 60 to 64 be Improved?*

It is well acknowledged that this group of women is most vulnerable to poverty, partly due to a history of unpaid and non-standard work, and also due to ineligibility for the supports available for attached women. The solution to this is not obvious. Townson has suggested allowing a partial pension could be made available to those who wish or need to remain in the workforce as part-time workers. This would be of some assistance, although partial pension benefits would be lower than full benefits.

While attached women in this age group are eligible for the OAS Allowances for Spouses or Survivors, and also for the CPP Survivor Benefit, removing benefits targeted to spouses and survivors would have the effect of taking benefits away from attached women, and therefore reducing more women to poverty.

Demographics, and the aging of the population means that there will be more women in this situation in the next decades. There will therefore be more women needing to work to live, placing pressure on the employment market, and more women living in poverty, placing additional pressure on government social assistance budgets. These women will need to be able to contribute to pension plans and accumulate savings if they are to escape long term poverty in retirement.

Strategies to provide equity for this group need to be more fully explored.

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<sup>9</sup>More research and analysis is needed to understand the potential benefit for low income earners, and to ensure that the benefits go to the appropriate group. Without appropriate limits on the amounts that can be placed in TPSPs, higher income earners could possibly use these as another way to avoid taxes that they can well afford.

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### **7b. What else is needed to improve women's interaction with Canada's retirement pension system?**

#### ***Better Information***

The lack of information for Canadians, particularly low-income Canadians about accessing pension benefits and accumulating retirement savings that will serve their interests has been noted by a number of sources.

An extensive public information campaign aimed at low-income women is essential, and should be developed with their participation to identify both the issues for which they need information, and also the best ways of reaching seniors.

### **8. How do we move forward?**

The information presented in this paper was discussed at a forum, "Women and Public Pensions: Working Toward Equitable Policy Change" in November of 2005. The forum brought together rural senior women; senior's groups; equality-seeking, women's community-based organizations; federal and provincial government employees; labour representatives and elected provincial officials to discuss strategies for action in making equitable policy change in the public pension system. There were 69 participants in total. Discussions resulted in recommendations for policy change and an action plan to move the recommendations forward in Phase III of the project

In addition to specific suggestions for policy reform, forum discussion groups identified the following issues of concern, which also impact on the economic well-being of seniors, especially in rural communities:

- Social cohesion, local economies, social support networks and community-based services are disappearing. This decline is felt most urgently in rural communities, where many seniors, especially unattached women, live in poverty and isolation.
- The nature of work is changing, with more people in unstable, temporary and low-waged "non-standard work". This increases poverty amongst low-income workers and will contribute to poverty in retirement as these non-standard workers retire.
- Government should assume responsibility for informing people about their pension entitlements and for reducing complications in the application process.
- Government should also inform people (future pensioners) about options for

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accumulating retirement income that do not expose them to excessive and unfair taxes.

- Definitions were seen to be problematic: definitions of poverty as reflected in the post-tax Low Income Cut-off were seen as not reflecting the reality experienced by many low-income seniors; definitions of disability were identified as being too narrow and should be revised to include mental health disabilities.

A list of specific recommendations for policy reform can be found in Appendix III.

### **Next Steps**

The forum finished by identifying an action plan for a third phase of this project. The key message is: “Our elder women matter - create fair public pensions!” The working groups identified components of a presentation to be used during an education campaign, strategies for working with government, identified diverse communities for outreach, and potential alliances for Phase III.

In addition to the ideas generated by forum working groups, participants unanimously endorsed the position paper of the British Columbia Women Elders in Action (WE\*ACT), entitled *Pensions in Canada: Policy Reform Because Women Matter*.

Phase III of the Women and Public Pensions Project will include the development and delivery of a comprehensive public education campaign, as well as regional and national consultations to build consensus, identify priorities and open a dialogue with Government.

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### **Appendix I: A Proposed Framework for Evaluating Policy Options**

Feminists for Just and Equitable Public Policy (FemJEPP) has developed a Framework for Integrated Public Policy Development, and a Participatory Policy Impact Assessment Tool.

These resources are based on a woman centred perspective, in which women, their families and communities are at the centre of the analysis. We argue that this is an essential starting place to ensure just and equitable public policy that benefits everyone. We also emphasize the need for integration of policies across sectors. No policy exists in isolation. There is considerable interaction between policy areas. Inconsistencies, gaps and conflicts between different policies can have disastrous effects. As we have seen above, there is significant interaction between pension and tax policy at the both the federal and provincial levels. There is overlap with policies governing the labour market, pay equity, housing, health care, pharmacare, long term care, and additional social supports. Consistent definitions across these sectors are needed but are not the final answer. A comprehensive gender-based analysis of policies is critical to developing women friendly pension policy in particular, and women friendly policy in general.

#### **FemJEPP Guiding Principles:**

*“These values describe what we value and how we work, whether we are working with those most impacted by policies, our membership, or with policy makers. These same values guide us in our evaluation of policies and programs. The content of a policy has a significant impact on women’s well-being. But the way in which policies and programs are developed and delivered is equally important.” (FemJEPP, 2002)*

***Inclusiveness and Diversity:*** Equitable policy depends on meaningful input from those who have historically been excluded from having a voice in the policies, programs and services that directly impact on their daily lives, and on their long-term social and economic well-being.

***Equity and Justice:*** Policies must benefit everyone, including government, with the primary focus of addressing the needs of the poorest of the poor. All women’s voices are represented fairly in policy and program development through a woman-centred, family oriented, community development approach.

***Accountability and Transparency:*** The process of policy development supports clear communication, meaningful collaboration, and strategic action across sectors, between policy makers and those affected by public policy.

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***Decision Making Based on Mutual Respect and Consensus:*** There is respect for the unique experience, perspective, knowledge and expertise that first voice women and community-based equality-seeking women's groups bring to the table.

***The Primacy of a Social Agenda:*** Good policy is based on an agenda that recognizes the primary importance of social factors in meeting both social and economic sustainability.

Using these principles and values as a foundation, we would add the criteria for women friendly pension policy: access, adequacy, equity and perceptions of fairness as key evaluation criteria for policy options.

We recognize that policy-makers begin from a variety of different perspectives and use many different tools. We would like to encourage the development of a collaborative model of policy development and analysis that builds on our woman-centred focus.

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### **Appendix II: A Framework for Evaluating the Effect of Tax Measures on Women (Young 2000)**

1. Does the proposed tax measure favour high-income taxpayers more than low-income taxpayers because the latter receive less of a subsidy than the former?
2. Is the tax subsidy available to individuals who pay no tax?
3. Is a tax subsidy more accessible to those who are employed in the paid labour force on a full-time basis than to those who work part-time or only in the home?
4. Will interruptions in the paid labour force adversely affect entitlement to the tax subsidy?
5. Will the proposed tax measure act as a disincentive to women's participation in the paid labour force?
6. Does access to the tax subsidy depend on the private market or the private family playing a role in its delivery?
7. Does the tax measure contribute to the undervaluation of women's labour in the home?
8. Is the subsidy only available to those in heterosexual relationships?
9. Where the tax subsidy is in respect to an individual who is economically dependent on another, is it delivered to the economically dominant person in the relationship?
10. Does the tax measure undermine the autonomy of women?
11. If the answer to any of the above questions is yes, could the subsidy be reconfigured to avoid the negative impact on women or should it be delivered in another manner, such as by way of a direct grant? (Young , 2000, p.59)

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### **Appendix III: Possible Options for Policy Reform**

These options are not a final or exhaustive list of official recommendations. This a summary of options identified during a literature review, which has been augmented by suggestions from the November 2005 forum “Women and Public Pensions: Working Towards Equitable Policy Change”. Phase III of the project will finalize and prioritize the official recommendations. References are included, where relevant.

#### ***Recommendations from Phase I:***

- Provide a mass media public education and information campaign in a readily accessible manner about credit splits and child drop-out provisions.
- Change the public pension application process so that the Guaranteed Income Supplement becomes automatic upon receipt of the Old Age Security. The information to make this change possible already exists in the Income Tax system’s interface with Public Pensions.
- Repeal the need to have a husband’s (or marital partner’s) consent for CPP credit splits upon divorce in the public pension’s credit splitting rules. Repeal the time period exclusion for credit splits and allow all divorced people to apply should they choose to apply.
- Grant all CPP contributors the right to name one person as a spousal equivalent.

#### ***Policy Options for Discussion: Phase II***

- Ensure that Gender-Based Analysis of all policies and programs is carried out in an manner consistent with the principles of: inclusiveness and diversity; equity and justice; accountability and transparency; consensus, and ensure that a social agenda is a primary objective.

#### **Additional questions to be addressed:**

##### ***How can we value women’s unpaid work?***

- Consult and conduct research to develop a vision of the most appropriate and equitable vehicle to recognize women’s unpaid work.

##### ***How can we improve the situation of women in non-standard work?***

- Adapt gender and pay equity provisions to meet needs of non-standard workers.
- Increase minimum wage.
- Introduce a tax credit, based on individual income to help economic security.
- Implement a 360 hour qualifying requirement, review ei program and adapt to meet the needs of non-standard workers.
- Encourage provision of workplace pensions for women in non-standard jobs.

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- Eliminate the year's basic exemption so low wage women contribute from the first dollar (and women with multiple jobs can contribute on all earnings, no matter how small).
- Provide a tax credit to compensate for increased contributions to CPP.
- Review the adequacy of drop out provisions and include a dependent care drop out.
- Increase the replacement rate of CPP for those with low average lifetime earnings.
- Increase the level of OAS/GIS to assist those whose cpp pensions are low due to long periods spent in non-standard work.
- Provide income supplements to the working poor.
- Ensure coverage for pharmaceutical and dental needs, at least for catastrophic events.
- Increase access to affordable housing and child care.
- Remove asset-based claw backs of government programs.

### ***What can be done to ensure that public pensions are adequate?***

- Increase Replacement Rates: This would mean that the CPP benefit would be designed to replace a higher percentage of lifetime average earnings. The Replacement Rate is now 25%.
- Increase Accessibility:
  - a. Government should increase efforts to reach out to seniors who do not apply for benefits.
  - b. Benefits should also be fully retroactive for late applications (especially for the CPP which is funded by recipient contributions).
  - c. Suspension of GIS and Allowances for late appliers and tax filers should be stopped.
- Increase the OAS/GIS and Allowances to ensure incomes are at least the level of the pre-tax LICO. Identify through research and consultation, the most appropriate 'measure' of poverty; at present, most poverty advocates favour the pre-tax LICO as the measure that most closely defines the threshold of adequacy.
- GIS recipients should be allowed to earn 10% of benefits before GIS, OAS and allowances are clawed-back.
- Increase benefits for Survivors.
- Allow partial or phased-in pensions; this would assist women who must stay in the labour force in part-time positions.
- Mandatory Credit Splitting: this would provide pensions in a woman's own name.
- Care-giving Drop-out provision: Most sources advocate for the inclusion of a drop-out provision specifically for care-giving. Townson (2000) argues that this should be separate from and in addition to a pension that recognizes women's unpaid work (and which is not based on earnings related contributions).
- Oppose Privatization and Strengthen Public Pensions: Most authors agree that because so many Canadians rely on public pensions, this pillar of the retirement income system must be strengthened, and not abandoned.
- Definitions of Income: Income-tested benefits are based on a range of different criteria. Some are asset tested, some are based on income only, but the definitions of income vary. In particular, the definition applied to GIS recipients results in what Shillington (1999) calls a "perverse" effect; dividend income is calculated on the "grossed-up" value, resulting in a tax rate of 62.%%!



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- For Lesbian, Gay, Trans-gendered, Bi-sexual Survivor claims: WE\*ACT advocates that the cap on benefits prior to 1998 must be eliminated.
- Indexation: All pensions, the CPP, OAS, GIS, Allowances and Survivor Benefits must be fully indexed to wages and not prices (which means that the real value of the pension declines over time). (Townson, WE\*ACT) OAS claw-back should also be fully indexed to wages. (Townson)
- Workplace Pensions: All workers logging more than 10 hours a week should have access to work place pension plans. (WE\*ACT) Other advocates propose making workplace pension plans portable for those moving from one job to the another.
- Housing: The NACA recommends that government should increase its investment in social housing for seniors. They also advocate for long term care rates to be no higher than market prices for room and board, and that costs should be based on income and not assets.
- Savings for retirement: Shillington, Kessleman, and NACA all advocate for the implementation of Tax Prepaid Savings Plans (TPSPs) which would benefit low-income savers in a way that RRSP do not.
- Compulsory Retirement: NACA recommends that this should be abolished and flexible conditions for older workers should be ensured.
- Older Immigrants: Require language training, education and skills upgrading. (NACA) Other groups advocate for full pension eligibility, regardless of the length of time spent in Canada.

### ***What can be done to ensure that your pensions keep up with the cost of living?***

- Ensure that all pensions, including the OAS claw-back and Registered Pension Plans (workplace) are fully indexed to wages and NOT prices.

### ***What can be done to remove tax system disadvantages for low-income women?***

- A comprehensive Gender-based analysis is needed to understand how the tax system impacts on the retirement income of senior women.
- For the short-term:
  - a. Increase the personal credit and age credit on the income tax so that they don't start paying taxes until after they stop receiving GIS support.
  - b. Change the income definitions of the GIS to remove its perverse treatment of dividends
- Provide information regarding methods of accumulating savings for retirement.
- Analyze the benefits of alternative methods of accumulating retirement savings such as Tax Pre-paid savings plans and encourage the use of the most efficient and equitable methods.

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### *What can be done to ensure equity in Canada's Public Pension System?*

- Implement a caregiver drop-out provision in calculations of CPP benefits, similar to the already established Child-rearing drop-out.
- Implement a phased-in or partial pension, making CPP benefits available to women aged 60 to 64 who must remain in the part-time work force.
- Provide a separate pension in recognition of women's unpaid work - research into the appropriate vehicle would be needed, as would national consensus!

### *What can be done to increase access to benefits?*

- The Federal Government should increase outreach to eligible seniors who are not applying for benefits.
- Allow fully retroactive CPP benefits for late applications. Benefits are based on contributions, so people have a right to collect on their own contributions.
- Improve outreach to encourage timely renewal of GIS benefits.
- Stop suspending GIS and Allowance benefits when people are late filing tax returns.

### *What can be done to address the situation of Rural Women?*

- Develop a rural labour market strategy to increase access to adequately paying, stable jobs.

### *What can be done to improve the situation for women with disabilities?*

- Increase CPP disability pensions to at least the level of the pre-tax LICO.
- Develop a labour market strategy to increase employment, where appropriate.
- Expand tax credits and make tax credits refundable, whether the person has enough income to pay income tax or not.
- Increase the amount of allowable earnings before CPP pension benefits are reduced.
- Ensure that employment income under a reasonable amount does not jeopardize additional, income-tested supports.