

# POVERTY IN OLD AGE:

## CAN PENSION REFORM MEET THE NEEDS OF WOMEN?

Sheila M. Neysmith

In actuality, the increasing number of poor in our country are women. For unmarried women — divorced, separated, lesbian, never married, widowed — economic class and sexual class seem to merge under advanced capitalism. One might argue that these women are increasingly visible as an economic class through the "feminization of poverty." Three out of every five persons with incomes below the poverty level are women. Two out of every three older persons living in poverty are women. Female-headed families with no husband present comprise only 15 per cent of all families, but 48 per cent of all poverty-level families. The median income of all women aged fourteen and above is well below half that of their male counterparts. This reality is accentuated when a woman's economic inequality and dependence are not mediated through a husband, and her family needs increasingly have to be met by the state.

(B.R. Eisenstein, "The Sexual Politics of the New Right," *Signs*, 7 (1982) 581.)

*Une des causes principales de la pauvreté des femmes âgées, c'est le niveau anormalement bas de leurs revenus au début de leur vie, soit qu'elles ne soient pas rémunérées pour leur travail à la maison, soit qu'elles le soient mal sur le marché du travail. Bien que l'auteure soit entièrement d'accord avec les recommandations récentes du Comité de travail parlementaire sur le régime des pensions (décembre 1983), elle ne les croit pas capables de contrecarrer les effets discriminatoires d'un système de revenu basé sur le sexe. A moins de changements radicaux dans les types de travail tenus par les femmes et dans la structure des régimes de pensions, les femmes qui sont maintenant entre deux âges ne seront pas mieux loties en 2025 que les femmes âgées d'aujourd'hui. Il faut s'assurer que les femmes reçoivent un revenu adéquat tout au long de leur vie, et pour ce, lutter pour le principe de salaire égal pour travail de valeur égale, et, en fin de compte, pour un revenu annuel garanti.*

Although the figures vary slightly, this quotation from an American author applies equally well in Canada. Non-husband/wife families comprise 12.9 per cent of all families but 37.6 per cent of low-income families. (*Fact Book on Poverty*, 1983:19).

The lack of an adequate income pervades the entire question of autonomy for women. This paper will argue that old women are poor not because of age-based discrimination but because of sex discrimination. Poor old women are not exotic plants that only live in the special conditions of retirement — rather, poor old women are perennials, their roots are laid down in youth, their poverty merely comes into full flower in later life. That is, many women live on the margins of poverty throughout their lives. However, since most women marry, personal poverty is masked behind measures of household income. This poverty becomes apparent as wom-

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en age and, due to marriage breakup or widowhood, must rely on personal sources of income.

The increased probability of poverty in later life amongst women stems from the fact that throughout their adult years most women carry two full-time occupations — one within the household, for which they are not paid, the other in the labour force, where a segregated occupational structure and wage discrimination result in decreased lifetime earnings. Thus all women are victimized to varying degrees because of the way in which work is organized. Most analysts agree that household duties affect women's earning ability in the labour market. It is the explanations behind male/female income discrepancies that differ.

It is income earlier in the life cycle which determines the level of financial security women can expect to enjoy when they pass that magic age of sixty-five. Earlier income patterns are recognized as crucial in determining pension entitlements for men, but this relationship tends to be ignored when the welfare of old women is being debated.

I would like to discuss several recommendations put forward in the recent *Report of the Parliamentary Task Force on Pension Reform, December 1983* to substantiate the above assertion. Three recommendations that are touted as designed specifically to meet the needs of women are: (1) an immediate increase in the Guaranteed Income Supplement (GIS); (2) including homemakers in the Canada Pension Plan/Quebec Pension Plan (CPP/QPP); and (3) automatic splitting of CPP pension credits at retirement and/or upon the dissolution of a marriage.

Let me make clear at the beginning that I support these recommendations whole-heartedly — but let's recognize them for what they are. The GIS is an income-tested subsidy. At its current level it is not sufficient to pull a person out of poverty. The proposed increase would bring single individuals roughly up to the

Statistics Canada poverty line. (For a detailed breakdown on the financial position of old women, see the February, 1984, publication by the National Council of Welfare entitled *Sixty-Five and Older*.) However, most analysts would agree that the poverty line reflects minimum-income needs, not an adequate income. As a stop-gap emergency measure it is a welcomed relief. The fact that more than 50 per cent of single old women qualify for GIS payments, however, leaves at least some of us wondering why women are in these straits more than men.

Before addressing this question let me turn to the pension-for-homemakers recommendation. I am supporting this recommendation for its symbolic importance — not for its ability to put dollars into the pockets of women as they age. That is, by attaching pension credits to homemaking, the latter's value as work is recognized. In the realm of symbolic politics this is a major achievement. However, to develop a pension mechanism around homemaking means ascribing a particular dollar value to this type of work. The recommendation by the task force is that the worth of this job be pegged at half the average industrial wage (AIW). At the time of writing this would make homemaking worth approximately  $\$20,000 \div 2 = \$10,000$  per annum. Just as the poverty line is frequently used as a concrete measure of minimum, so the AIW is often seen as a concrete measure of an adequate income. From this perspective homemaking is clearly classified as a poor job. Nevertheless, the amount is not out of line from the average income earned by most women — on these grounds one could argue that the amount is fair. However, to assess the recommendation's potential for guaranteeing some financial security for women as they age, one must look at the structure of the CPP, the vehicle chosen for delivering income later in life.

The CPP/QPP is designed to replace 25 per cent of one's earlier in-

come. Where, one might ask, is the other 75 per cent to come from? The answer is: from occupational pensions, from investments, from savings, from RRSPs, etc., and from Old Age Security (OAS). The next question is, do these assumptions hold for women? In my opinion, the answer can only be a resounding no! As the above figures on GIS indicate, few of today's old women have access to these types of resources. Perhaps even more importantly, unless there are drastic changes in both the types of jobs women hold in the future *and* in the structure of pensions, in the year 2025 those of us currently in our middle years will still be asking WHY as we gather in seniors' clubs and compare our meagre pension cheques.

In this regard I think it is important to realize that most of the pension debate has focussed on improving occupationally based benefits. Most of the recommendations from the many pension studies that have been conducted over the last five years focus on cleaning up the worst abuses in private-occupational pensions. Being able to transport one's pension credit from job to job, being able to vest it before one is forty-five or with the firm for ten years, having it indexed to the cost of living will undoubtedly benefit those of us in good-salaried jobs that are covered by occupational pensions. Unfortunately, most women are not in these types of jobs.

The whole income-security debate has been defined in terms of pensions that are related to one's track record in the paid-labour force. Private pensions have been severely criticized because of their lack of portability, late vesting, lack of indexing, non-coverage of part-time workers, and minimum spousal allowances. In the case of the CPP/QPP, childrearing responsibilities have been recognized only in terms of including a drop-out clause in calculating pension benefits. However, even if all these problems were corrected, occupationally based pensions by definition cannot meet the

**TABLE 1**  
**DISTRIBUTION BY EMPLOYMENT INCOME OF CPP/QPP, RPP, AND RRSP**  
**CONTRIBUTORS**

Males in the Private Sector, 1979

Employment Income Range	No. of CPP/QPP Contributors	Registered Pension Plan contributors as % of CPP/QPP Contributors			Estimated Members of Non-Contrib. Plans as % of CPP/QPP Contributors	Total Pension Plan Members as % of CPP/QPP Contributors
		without RRSPs	with RRSPs	Total		
		%	%	%	%	%
\$1 - \$7 499	816 948	5.3	0.3	5.6	5.2	10.8
\$7 500 - 14 999	1 361 808	16.9	2.2	19.1	17.8	36.9
\$15 000 - 22 499	1 344 501	26.7	6.8	33.5	31.2	64.7
\$22 500 - 29 999	530 439	25.7	14.6	40.3	37.5	77.8
\$30 000+	276 710	20.7	24.2	44.9	41.7	86.6
Total	4 330 415	19.1	6.2	25.3	23.5	48.8

Females in the Private Sector, 1979

Employment Income Range	No. of CPP/QPP Contributors	Registered Pension Plan contributors as % of CPP/QPP Contributors			Estimated Members of Non-Contrib. Plans as % of CPP/QPP Contributors	Total Pension Plan Members as % of CPP/QPP Contributors
		without RRSPs	with RRSPs	Total		
		%	%	%	%	%
\$1 - \$7 499	1 471 273	5.1	0.3	5.4	2.0	7.4
\$7 500 - 14 999	1 280 218	27.5	4.6	32.1	12.1	44.2
\$15 000 - 22 499	265 999	45.0	11.4	56.4	21.3	77.7
\$22 500 - 29 999	28 206	23.4	25.1	48.6	18.4	66.9
\$30 000+	8 760	8.7	19.3	28.0	10.6	38.6
Total	3 054 440	18.1	3.3	21.5	8.1	29.6

needs of most women. These pensions, whether public or private, are based on earnings, and the types of jobs women are in mean that most women, even when totally covered, will accumulate fewer pension credits than their male co-workers. See Table 1 for data on pension coverage for both sexes in private and public sectors, broken down by income level.

It should be noted that these rather depressing figures make up a "best

possible case" profile. They talk about who is covered and at what level of contribution. They do not tell us how much women will collect at the other end. Since the federal government's task force has recommended that the CPP/QPP not be expanded, reforming occupational pensions simply means that the private-pension industry will be forced to ensure that middle- and upper-middle-income employees receive their pension promises. Also,

the high-income self-employed, through recently announced increased RRSP contributions, will be able to reduce their current taxable incomes while saving for their old age if they so wish. Women are a minority in this privileged sector.

Where does the above analysis leave us in terms of developing a policy that will ensure that women will have adequate incomes throughout their lives — even unto their old age? One item already in the fore-

TABLE 1 (cont'd)

**Distribution by Employment Income of CPP/QPP, RPP, and RRSP Contributors**  
Males in the Public Sector, 1979

Employment Income Range	No. of CPP/QPP Contributors	Registered Pension Plan contributors as % of CPP/QPP Contributors			Estimated Members of Non-Contrib. Plans as % of CPP/QPP Contributors	Total Pension Plan Members as % of CPP/QPP Contributors
		without RRSPs	with RRSPs	Total		
		%	%	%	%	%
\$1 - \$7 499	103 026	15.9	1.3	17.2	—	17.2
\$7 500 - 14 999	204 421	66.2	10.9	77.1	—	77.1
\$15 000 - 22 499	363 646	78.4	15.8	94.2	0.1	94.3
\$22 500 - 29 999	227 961	67.3	30.1	97.4	0.1	97.5
\$30 000+	103 525	54.2	43.5	97.7	0.1	97.8
Total	1 002 565	64.5	19.4	83.9	—	84.0

Females in the Public Sector, 1979

Employment Income Range	No. of CPP/QPP Contributors	Registered Pension Plan contributors as % of CPP/QPP Contributors			Estimated Members of Non-Contrib. Plans as % of CPP/QPP Contributors	Total Pension Plan Members as % of CPP/QPP Contributors
		without RRSPs	with RRSPs	Total		
		%	%	%	%	%
\$1 - \$7 499	195 779	28.3	0.8	29.1	—	29.1
\$7 500 - 14 999	290 699	74.4	11.8	86.2	—	86.2
\$15 000 - 22 499	171 634	72.8	22.8	95.6	—	95.7
\$22 500 - 29 999	56 024	60.5	38.3	98.8	—	98.8
\$30 000+	10 055	38.3	59.2	97.5	—	97.5
Total	724 195	60.0	14.1	74.1	—	74.1

Source: Health and Welfare Canada. *Pension Plan, Coverage by Level of Earnings and Age, 1978 and 1979*. June, 1982.

front of the feminist agenda is ensuring the principal of equal pay for work of equal value. In that way women should do no worse than men in terms of levels of earnings and their associated pension credits.

Secondly, proposals around portability and immediate vesting of occupational pensions, despite their

limitations, deserve support. Current practices work against low-income men, but they systematically discriminate against women. The childrearing and homemaking responsibilities of women result in part-time work, job changes, and/or dropping out of the labour market for a few years — all of which lead to

pension losses.

Thirdly, challenge the very existence of a private-pension industry. These plans cover only 50 per cent of workers, while the CPP/QPP covers the whole labour force and hasn't the above-mentioned restrictions. Space does not allow me to expand on why we continue to support

a private-pension industry, but it relates to the availability of investment capital — not meeting the income needs of old people. A recent article in the business section of the *Globe and Mail* catches the spirit of my concern:

There is a growing realization that asset-rich pension plans can be a lifesaver for cash-squeezed companies. The corporate sponsor, which guarantees pensioners benefits, can choose to deal with a funding surplus in a number of ways, including a withdrawal. . . . Certainly, the removal of surplus money from pension plans reduces the potential for improving benefits for retired workers!

(*Globe and Mail*, Monday, April 2, 1984)

All of the more progressive elements of the pension proposals, e.g., credit splitting, are attached to the CPP/QPP. Unfortunately, the latter's expansion is legislatively limited so that it won't "interfere" with private pensions. However, the latter are structured in such a way that most women are excluded.

The final and most exciting possibility is untying pensions from one's earning power in the labour market. Ultimately this goal will be most effectively and efficiently achieved through a guaranteed annual income. It would put a secure income floor under women throughout their lives, be equitable across groups, and eliminate the socially created dependency imposed on women of all ages.

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## My Roses Have Grown Old

I remember my childhood  
childhood when dreams hung from the moon,  
silvery and thin, and were accessible  
as plucked apples in an orchard.  
They are out of reach now.

Suddenly tears come at night when the spindly bat  
stalks its prey by moonlight in the wet mouth of summer.

Now winter has settled in my heart,  
my roses have grown old.  
The north wind shovels in his cruel entourage of memories  
my nights are like scattered ash from the grave  
and my mourning has just begun.

*Helena Hamilton*

Richmond Hill, Ontario