



*Photo: Trish Johnson*

# Who Needs Pensions?

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*Le texte original de cet article, écrit en français, se trouve à la page 10.*

**C**ONTRARY to popular belief, the main questions in the present Canadian pension-reform debate are quite simple.

- Is it tolerable that a sizeable proportion of our elderly (widows for the most part) is condemned to subsist on government pensions, lower than the poverty line?
- Should the government intervene to give all Canadians an opportunity to earn pension credits to maintain their standard of living, when they become senior citizens — 57 per cent of whom are female now and 60 per cent of whom will be female by the year 2000?
- Should middle-aged Canadians, many of whom will live beyond the age 80 (including more than half of the women and about a third of the men), be assured their retirement incomes will not diminish in value as the cost of living rises?
- Now that one marriage in three is expected to end in divorce, can we continue to base women's pension protection on their status as 'dependent spouses,' or should we instead modify our pension system to give female earners and homemakers better pension entitlements in their own right?

As all these questions affect

women more than men, one may well ask why pensions are generally perceived as an essentially male concern. Part of the answer is that the most knowledgeable people in the field are actuaries and economists (almost all male), who speak a jargon intelligible only to very faithful readers of financial pages.

Another reason is that women do not have the knowledge which comes from having participated in the political process which produced the pension system we now have in Canada. This history gap is easily remedied, though, because pensions are much younger than most people realize.

**T**O START WITH, no national pensions system existed in Canada before 1937. Until then, the only people who got retirement benefits were the lucky few who had worked for large organizations (such as governments, railroads and banks), which had set up pension funds for their employees. Things got so bad during the Depression that scores of indigent elderly were routinely thrown in jail for vagrancy. As a result, one by one, the provinces started to provide minuscule benefits to destitute people aged 70 and over. Women benefited most from these payments because they had less chance to earn money and save it for their old age and they lived longer.

This system of welfare for seniors continued until 1951, at which time

the federal government introduced a universal old-age pension (then set at \$40 a month) for all over the age of 70, whatever their income. It also started contributing towards benefits for the elderly poor aged 65 to 70. Men benefitted most from the universal pension (because many women were already receiving its equivalent), and women were the prime beneficiaries of the new income-tested payments for the younger group.

Then came 1966, which was the biggest year for pension changes in Canada. The eligibility age for the universal pension was lowered to 65 (which benefitted mainly men); a \$30-a-month Guaranteed Income Supplement for the elderly poor was introduced (benefitting mostly women); and, most important, the Canada/Quebec Pension Plan came into being following strong pressure from labour unions.

**I**N EXCHANGE for contributions amounting to a percentage of earned income, the C/QPP gave retirement pension to paid workers, who were and are mainly men. It also gave disability benefits based on earnings, again mostly to men. The only benefit designed especially for women was the widow's pension, which amounted to 60 per cent of the husband's pension and was given only if the widow fulfilled certain conditions of dependency; for example, she lost, and still loses, the pension on

# Women Do!

remarriage.

Looking at the C/QPP from its relative effect on the incomes of men and women, we find that its design was a disaster for women. By excluding the work done in the home for the family, by penalizing mothers for the years they stay out of the labour market to take care of young children, and by adopting a benefit formula that perfectly mirrors the discriminatory low wages women get in the workforce, the C/QPP vastly increased the gap between the future incomes of elderly women and men.

This is, in fact, what happened in the following years. If we look at the changes in the incomes of the elderly in the last fifteen years, we see that the incomes of male pensioners increased by \$3 for every additional \$2 that went to elderly women. And the situation would have been much worse without increases in the Guaranteed Income Supplement, which went from \$30 a month in 1966 to \$235 a month today.

What transpires from all this is that since 1966 Canada has in fact developed two parallel and unequal pension systems: one based on *charity*, which pays below-poverty-level benefits to most elderly women, and one based on *earned rights*, which gives much higher benefits to most retired men. The great irony, of course, is that Canadian women work just as hard as, if not harder than, Canadian men. It is not unusual today for women to hold two full-time jobs, an underpaid one in the labour market and an unpaid one at home. Their reward for all this work is pensions that are about half as high as those of men.

**S**EVERAL MEASURES could be taken immediately to improve the pensions of women. They are:

1. Increasing the Guaranteed Income Supplement for the spouseless aged (who are mainly widows) to give them a minimum income at least equal to Statistic Canada's poverty line for large cities (meaning \$6,500 a year in 1981).

2. Including the work of homemakers (of both sexes) in the Canada/Quebec Pension Plan. There is no logic to the present system, which obliges a live-in housekeeper to contribute to the C/QPP, but kicks her out of the plan if she marries her employer and continues to do the same work.

### **. . . Two parallel unequal pension systems: charity for elderly women, earned rights for retired men. . .**

Contrary to what some have proposed, however, voluntary contributions by housewives to the C/QPP would *not* be a good method of achieving integration. Many European countries have tried that system; they unanimously report that only minuscule numbers of rich housewives are able, or willing, to participate on that basis. A much better way of including homemakers, in my view, would involve three concurrent provisions:

- For women who spend most of their lives in the labour market, stopping only for a few years because of family responsibilities, a 'drop-out period' to exclude from the pension calculation the years spent at home with children aged under seven or very disabled relatives. The childcare 'drop-out' is already in force in Quebec but is blocked from implementation in the CPP because of Ontario's veto.
- In the case of homemakers who are also taking care of young children or disabled relatives, but were never in the labour market or do not intend to return to it, integration in the C/QPP at no cost on the basis of a hypothetical income equal to half the average wage (meaning about \$9,000, which is slightly above the minimum wage).
- In the case of other homemakers (typically older women whose children have left home), integration on the basis of the same hypo-

thetical income, but with full contributions payable by the husbands (who are the main beneficiaries of these women's services).

3. Equalizing C/QPP credits automatically between the spouses at the time of a divorce, on death, or when the younger of them reaches retirement age. Sharing of credits between the spouses *without* homemaker participation in the C/QPP would not be sufficient: it could simply result in dividing the husband's pension in two, which would yield two inadequate pensions.

**N**ONE of the above should be taken to mean that Canadian men are happy with the benefits they receive from our pension plans. On the contrary, while few actually fear becoming poor in old age, the majority nevertheless suffer an important drop in their standard of living when they retire. This results partly from the very low level of benefits paid by the Canada/Quebec Pension Plan (only 25 per cent of average earnings up to a maximum) and partly from the unreliability of pension funds sponsored by employers. Although the majority of male employees contribute to such employer plans (compared to less than a third of female ones), very few will eventually collect because pension rights from the source almost never increase in value with the cost of living and are usually lost when a worker changes jobs.

Almost everyone involved in the pension debate agrees that the percentage of previous income which the system provides should be increased. What they cannot agree upon is whether this increase should be brought about by expanding the C/QPP (so that it would pay a larger percentage of former earnings, 50 per cent for example) or by obliging all paid workers and their employers to contribute to some form of non-government *private* pension scheme.

The first alternative is favoured by labour unions, who argue that it

would produce better and cheaper retirement benefits. The second is promoted by life-insurance companies and other financial institutions, who control private pension funds and reap enormous profits from them.

**A**S THESE DISCUSSIONS have taken place almost strictly between men, few people even noticed that the option of expanding the C/QPP would be much preferable for women because:

- The C/QPP is the system that can most easily subsidize the pension costs of low-income workers (through measures such as the basic exemption), and most female earners are in that category.
- An expanded C/QPP would lend itself much better to the equalization of pension credits between spouses and ex-spouses. This would be unlikely to happen in private pension plans which are mainly regulated by provincial law.
- Unlike the C/QPP, non-government pension plans cannot provide the full protection against inflation which women need even more than men, because of their longer life expectancy.
- Only the C/QPP can take into account women's work in the home, either through child-care 'drop-out' periods or through the direct integration of homemakers in these plans.
- An expanded C/QPP would start paying larger benefits very soon, while mandatory private plans would not pay full pensions until 30 or 40 years after their introduction.

The main point to retain from all this is that *everything* that relates to pensions has at least as much importance for women as for men, and often more. Now that the final stages of the Great Canadian Pension Debate are underway, it is imperative that women, individually and in groups, stand up and fight for their own as well as their mothers' and their daughters' right to fair and adequate pensions when they are old.

## Conflict

My grandmother's 'good' sofa  
Its virtue already  
Stained when we got it.  
The red shag rug  
Wall-to-wall  
Tackiness  
Imposed by the landlord.  
My husband's ubiquitous bookshelves  
Of naked plywood.  
And, naturally, toys  
Mingled with plastic  
Bowls and containers  
Spread on the floor  
From front door to back  
Courtesy of  
Our toddler,  
Our reason for living  
Here, and like this.

How can one little desk be a refuge  
Tucked in a corner by a high traffic area  
Its drawers and pigeonholes  
Full to bursting?  
They've taken so much of the space!  
They've left me so little!

I could be happy  
I think, with a spinster's life.  
A cat to warm my lap  
Lush plants to nurture  
And a room,  
Small, but with boundaries  
Where any disorder  
Would be of my own  
Creation.

*Anne Miles*