

Editorial: The CAG Position Paper on Pensions

Population aging, older workers, retirement, and pensions have moved to centre stage in the current climate of economic woes facing the numerous levels of government in Canada. Social security reform is a high priority on the federal agenda, as witnessed by the recently debated Seniors' Benefit (SB), a cost saving strategy for government, and the newly enacted and more stringent Canada/Quebec Pension Plan (C/QPP). With fiscal pressures resulting from national debt/deficit being *pitted against* social policies and programs, older Canadians are becoming targeted as social problems. Hence, gerontology is moving from a cloistered discipline to one that is central to public policy issues (Torres-Gil & Puccinelli, 1994). However, we are not taking advantage of the opportunity; as McDonald (1997, p. 393) comments, "there is a pervasive silence across the [Canadian] gerontological landscape" regarding pension questions. This, then, is an opportune time for the Canadian Association on Gerontology to contribute to the public (and political) debate on pensions and to educate and inform on retirement and pension issues.

This is not the first time that Canadians have been involved in pension debate and controversy. A generation ago, we were engaged in the Great Pension Debate – the issue then was how to improve the incomes of retired Canadians. Now, the central issue is how to reduce public pensions in order to meet federal debt/deficit reduction goals. As Prince (1996) puts it, we have gone from "expanding coverage" to "heading for cover". Associated with this major transformation is an emerging socio-political discourse about older workers and retirees, a discourse that contains themes of their supposed affluence and their unreasonable burden on the public pension system.

While Canadians have long held compassionate views of the elderly, this is beginning to change, as evidenced in three ways. (1) A growing voice, coming largely from wealthier Canadians, states that older people should contribute to reducing our debt/deficit (Ekos Research Associates, Inc., 1995). This view is fuelled by claims from government and business that poverty among the aged has been virtually eradicated and that, since retirees have enough money, we can reasonably expect them to sacrifice in these economic times. For example, the Canadian Institute of Actuaries (1995, p. 17), using the Sarlo measure of Poverty, states that "poverty among the aged has been eradicated". Such views make it easier to politically market reductions in Old Age Security (OAS), the Guaranteed Income Supplement (GIS), and the CPP.

(2) Apocalyptic demography (Gee, 1998; Robertson, 1997) – “demography is destiny” – arguments have become widely accepted by Canadians. With regard to older workers, this means that we feel that there are too many older workers taking jobs away from unemployed younger persons, and/or clogging the upper job echelons, thus blocking the career mobility of those following behind them. With regard to retired persons, demographic (or dependency) burden – the ratio of pension beneficiaries to working-age persons – is used, in true apocalyptic demography fashion, to point to the need for changes such as the Seniors’ Benefit. As McDaniel (1987) has argued, we have made demography (i.e. population aging) a “guiding paradigm” of the Canadian welfare state. Such demographic determinism has important diversionary functions. If the CPP is “in trouble,” the increasing number of beneficiaries is the “obvious” reason – we do not need to look beyond that to the high rates of unemployment that reduce the flow of money to the CPP fund or to the fact that large-scale provincial borrowing over the years has severely depleted the fund. Similarly, rising health care costs can easily be attributed to the increasing numbers of elderly persons, rather than forcing us to tackle the difficult issues in a health care system controlled by a medical monopoly built upon expensive technology (Marshall, 1993).

(3) With the “graying” of the Canadian budget (more than \$20 billion is transferred to seniors in pensions), it has become almost routine to ask if we have the right to impose such a large economic obligation on future generations.¹ This is a mild form of the U.S.-based intergenerational conflict discourse (e.g., Longman, 1990). The basic idea is that older people are receiving more than their fair share from the public purse, a situation that is unjust to the young. However, this kind of zero-sum thinking – what one group “wins,” the other “loses” – is not reflected in research or reality (Torres-Gil & Puccinelli, 1994).

Taken together, these three interrelated views have paved the way for a negative image of the aged. If we add to this the 1991 Supreme Court of Canada decisions upholding mandatory retirement (in those provinces not having superseding provincial human rights legislation) for the “common good,” we can see the foundation of age discrimination in Canada. As Binstock (1994, p. 727) states, “. . . the long-standing compassionate stereotypes of older persons have been undergoing a substantial revision.”

There is a certain amount of truth in these concerns about older workers, retirement, and pensions (and population aging in general) appearing in the public discourse. However, these concerns are exaggerated, are generally of a short-term nature only, and are frequently presented in very narrow economic terms. For example, fears that the CPP will be bankrupt soon appear quite frequently in the media (e.g., *Globe and Mail*, 1995a), but many commentators fail to recognize that the baby boomers will be replaced by the baby bust generation which will make smaller demands on the system. Economic productivity (and our ability to support dependents)

hinges upon a host of factors, of which demographic change is only one (Fellegi, 1988). Clearly, these less than compassionate stereotypes of older workers and retirees help to weaken our feeling of collective responsibility toward the aged and allow for changes in policy and programs that may be, at best, indifferent to older persons and, at worst, punitive, with negative effects on the quality of life of seniors.

Fundamental to this changing imagery of the aged is the assumption that the public pension system is too "fat." Let us, then, look at the most recent data available on the economic circumstances of Canadian seniors. Using Statistics Canada's (not generous) low-income cutoffs, the National Council of Welfare (1998) estimates that 655,000 persons aged 65 and over – or approximately 19 per cent – have incomes below the poverty line. While the proportion of the aged living in poverty is lower than in 1980 (33.6%), it is nevertheless the case that about one in five elderly persons is poor. Using the Canadian Council on Social Development's definition of poverty, closer to one in four elderly Canadians is poor (Ross, Shillington, & Lohead, 1994). That 19–25 per cent of Canada's elders are poor does not compare favourably with most western industrialized countries, and is certainly not indicative of an overly-generous public pension system that needs to be cut.

Poverty among the aged is closely associated with marital status and gender. The level of poverty among elderly couples is approximately 9 per cent. However, 29.3 per cent of unattached men and 45.4 per cent of unattached women aged 65 and over are poor; this translates into 91,000 men and 375,000 women (National Council of Welfare, 1998). Most of these poor older women are widows, women whose domestic work has not been recognized by either the CPP or the QPP. In addition, the much vaunted argument that the next generation of women will not face poverty in retirement because more women work outside the home for pay is false. Approximately 49 per cent of *retired* widows (i.e., they worked for pay) live below the government's low income cut-offs (McDonald, Donahue, & Moore, 1997).

At the other end of the income ladder, approximately 19 per cent of senior-headed households have an annual income of \$60,000 or more (1996 data) (Statistics Canada, 1997a). However, the largest category of older persons is unattached women, of whom only 4.9 per cent have incomes of \$40,000 or more (Statistics Canada, 1997a). Overall, then, the income situation of elderly persons, particularly women – who comprise about 60 per cent of the aged – cannot be characterized as "wealthy".

In addition, the retirement income mechanisms that are in place now are not sufficient to guarantee adequate later-life income for most Canadians. Recent rhetoric regarding increasing individual responsibility for retirement income fails to consider the structural factors (e.g., gender, race, class) that make for an uneven playing field throughout life – and one that becomes more uneven with advancing years. This can be seen in terms of

Registered Pension Plans (RRPs) (or “private” or “company” plans) and Registered Retirement Savings Plans (RRSPs), both of which have become the politically favoured vehicles for ensuring later-life income security. However, RRPs are available to only 51 per cent of men and 44 per cent of women who are employed paid workers (Statistics Canada, 1995). Also, employment sector is an important determinant of fringe benefits such as pension plans – persons who work in the core (e.g., for large corporations) and the state sectors are much more likely to have access to RRPs than periphery sector (e.g., small companies, often in service industries) workers (many of whom are women and members of ethnic minority groups) (McDonald, 1995).

The expectation that RRSPs will play a major role in future retirement income is very problematic. It neglects the differential ability of younger persons to purchase them, an ability which, as is commonly the case, contains a gender dimension. In 1992, 21 per cent of women tax filers contributed to such savings plans, compared to 29 per cent of men tax filers (Statistics Canada, 1995).² In 1995, only 35 per cent of eligible persons participated in RRSPs (Akyeampong, 1998). Thus, the majority of working Canadians do not/cannot purchase RRSPs; of those who do, most are relatively high income earners. Add to this the fact that the cashing in of RRSPs before the age of 65 is increasing (Akyeampong, 1998). For example, in 1996, approximately 851,000 Canadians under the age of 65 cashed in \$4.4 billion of their RRSP savings. More than one-half of withdrawers are under the age of 45, and not funding their early retirement (Frenken & Standish, 1994). Approximately one-fifth of withdrawers do not have any employment income or Employment Insurance benefits (in the tax filing year), indicating that many people are having to use RRSP savings to live *now*, not later. As the Canadian economy hobbles along in the face of global restructuring, more and more people are less and less able to save for retirement (and some of these people were previously able to do so).

Another factor affecting the income prospects of seniors is unemployment among older workers. While older workers do not “officially” have a high rate of unemployment, they experience the longest durations of unemployment. In 1996, 22 per cent of men and 19 per cent of women aged 45 and over who were unemployed, had been so for more than one year (Statistics Canada, 1997b). This suggests that the actual level of unemployment among persons aged 45 and over may be considerably higher than officially measured, as people become discouraged in job-seeking and come to define themselves as retired (Marshall, 1995). Recent research shows that older workers forced into retirement because of unemployment are disadvantaged due to their low levels of education, their checkered work histories, and ultimately, their retirement incomes, whether personal or household (McDonald, Donahue, & Moore, 1998).

Changes in family structure also have impacts on retirement income. Nearly 60 per cent of single mothers in Canada are living in poverty

(National Council of Welfare, 1998). The chances are very low that they will be able to garner savings for their old age – immediate survival is their major concern. The increase in divorce, which is the most important factor leading to mother-led families, also means that proportionately more women will enter old age “unattached” and at high risk of poverty.

We already have a high degree of income inequality in later life in Canada, the culmination and accumulation of structurally-based inequalities in earlier life. The proposals to reform pensions that dominate the discourse about debt/deficit reduction will serve to widen income differentials in later life. The now infamous *Globe and Mail* (1995b) article, proposing a “renewed” Canadian pension system, illustrates this point. It proposed folding the OAS into a “super GIS” and converting the CPP into a “super-RRSP” system. The “terminally feckless” will end up on the public dole; those of us “wishing to live better than that should save for [our] own retirement”. The now defunct Seniors’ Benefit – which would have combined the OAS and GIS and based eligibility on household rather than personal income – had minimal income redistribution effects and would have been especially detrimental to low income women. Lower income elderly would have seen their pension increase by 17 cents a day (!) and more and more middle income retirees would experience income reductions. Concerns were raised that this \$120 per year boost would not generate support for the government’s redistributive arguments (*Globe and Mail*, 1998) and rightly so, since the ability to save for retirement is far from equally distributed, and is the result of structural factors and not “fecklessness”. Nevertheless, the main force behind the abandonment of the SB appears to have been the fears of the pension industry, which saw a savings disincentive in the Benefit which would have hurt the business of selling RRSPs (*Vancouver Sun*, 1998).

One of the mandates of the Canadian Association on Gerontology is to educate and inform, based on research, not rhetoric. Data and gerontological research do not support the dismantling of the current pension system. This is not to say that the present system is perfect – there are far too many impoverished seniors, especially women, for us to make such a claim. However, the current political discourse, which views pensions and later-life income through the lens of federal debt/deficit, is not based on empirical evidence and can only lead to greater income inequality among our seniors.

Notes

- 1 The main argument against the increased C/QPP contribution rates that were enacted January 1, 1998 was the burden the new rates would place on our children.
- 2 The percentage of persons purchasing RRSPs in a given year is a very crude indicator of future financial security; we also need to know the regularity of contributions and the degree to which contributions are maximized.
- 3 Authors names appear in alphabetical order.

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