



CITY OF VANCOUVER

OTHER REPORT

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Meeting Date: June 14, 2005

TO: Vancouver City Council

FROM: Advisory Committee on Seniors' Issues

SUBJECT: *PENSIONS IN CANADA: POLICY REFORM BECAUSE WOMEN MATTER*

RECOMMENDATIONS

- A. THAT Vancouver City Council endorse the position paper *PENSIONS IN CANADA: POLICY REFORM BECAUSE WOMEN MATTER* (Appendix B - limited distribution) created by Women Elders in Action (WE*ACT), along with its 23 recommendations (Appendix A) to improve the economic situation for senior women, of whom many live alone in poverty.
- B. THAT Vancouver City Council forward the report to the Greater Vancouver Regional District, the Lower Mainland Municipal Association, the Union of British Columbia Municipalities and the Federation of Canadian Municipalities for support.
- C. THAT Vancouver City Councillors raise the need for pension reform in relevant discussions with the federal government, whenever possible.

CITY MANAGER'S COMMENTS

The City Manager advises that the report "Pensions in Canada: Policy Reform Because Women Matter" from the Advisory Committee on Seniors' Issues has major social policy and financial implications for all levels of government in the following areas:

- Old Age Security restructuring
- Canada Pension Plan restructuring
- Taxation issues
- Immigration Policy

- Government Services for Seniors
- Pension Legislation
- Pay and Employment Equity
- Child Care Policy
- Employment Insurance (Maternity & Parental Leave provisions).

The recommendations far exceed staff's expertise to provide reasonable commentary and/or analysis on the implications or costs, and the report itself does not contain such information. The City Manager would, therefore, caution Council on endorsing the report outright and suggest that the report and the issues raised in it be forwarded to the appropriate government bodies for review and response.

COUNCIL POLICY

There is no applicable Council Policy.

PURPOSE

The Advisory Committee on Seniors' Issues requests that City Council endorse this position paper on pension reform, along with its recommendations for improvements, and promote it to other municipalities in BC and the federal government. These actions will help lay the groundwork necessary to:

- ❖ Raise provincial awareness of pension inequities,
- ❖ Garner support for the need for change, and,
- ❖ Press the federal government to review and implement changes to protect low income pensioners, mostly senior women living alone.

BACKGROUND

- At the February 25, 2005 meeting of the Advisory Committee on Seniors' Issues representatives of WE*ACT sought support from the Committee and Vancouver City Council for their position paper *PENSIONS IN CANADA: POLICY REFORM BECAUSE WOMEN MATTER*. This paper takes as its premise the understanding that women live on average five years longer than men and make up the majority of the population of seniors. They are the people with the greatest need that extends over the longest period of time. **Over 40% of senior women living alone live below the Pre-Tax Low Income Cut Off (LICO) (Statistics Canada, 2001). In 1997, this number was approximately 360,000 women (National Council on Welfare, 1999c).** In order to protect these most vulnerable citizens, pension policy in Canada must be reformed.

Months of research, discussion and review anchor these recommendations that encompass the views of many senior women around British Columbia. Recent figures discovered during the research phase of this work present some surprising and disturbing statistics

regarding women and work. Some are almost difficult to credit in this modern day and age.

These are the factors that negatively affect women's pensions today:

- **Senior women live in poverty due to low pension incomes: 65% of people collecting public pensions (Old Age Pension/Guaranteed Income Supplement) are women. (Statistics Canada, 2003). Only 35% of men depend on the above as the rest have private pensions in the form of either workplace Registered Pension Plans (RPP) or Registered Retirement Savings Plans (RRSP).**
- **Basic Old Age Pension and Guaranteed Income Supplement for people who have no other income is currently set at about \$1050 a month, less than \$13,000 per annum.**
- **In 2004, the average CPP benefit paid to women aged 65 – 69 was \$335 (58% of that for men who received on average \$578). (Statistics Canada, Nov/04)**
- **Many women have little Canada Pension or private workplace pension income because these retirement savings plans are based on lifetime earnings. Over 60% of women do not have workplace pensions (C. Wiggins, 2003)**
- **Women still carry a disproportionate burden caring for children, people with disabilities, their grandchildren and the elderly. Women are twice as likely to care for their frail parents or other relatives as men. (Statistics Canada, 2004 publication)**
- **Women earn, on average, 73 cents for every dollar men earn. (Statistics Canada, 2001)**
- **In 2003, only 59% of women over the age of 15 had paid employment compared with 73% of men. (C. Young, 2004)**
- **Women have waged work for only 75% of their potential working years; men work for 94% of their potential. (C. Wiggins, 2003)**
- **Poverty for senior women is not simply historic. Young women today will suffer hardship later due to factors such as: lack of reliable, cheap, quality daycare that keeps them out of the workforce or working only part-time; their need to care for aging parents; cuts to good-paying union jobs during their earning years; the development of user-pay programs for seniors; and Joint and Last Survivor Rates set at 60% even though approximately 70% of previous pension income is required to maintain household and daily living expenses for a survivor upon the death of a spouse/partner.**
- **Over 38% of low-pay, dead-end jobs are held by people over 20 with a post secondary certificate, diploma or degree. Women hold two thirds of these jobs. (R. Saunders, 2004)**
- **Women previously held nearly 75% of the 20,000 decent-paying public sector jobs lost in BC since 2001. (S. Fuller, 2004)**

- **Immigrant women need to live in Canada for ten years before they can collect 25% of Old Age Pension. They must reside in Canada for 40 years before they can collect full OAP at age 65. This applies even if they have become Canadian citizens and contravenes the *Charter of Rights and Freedoms*.**

Without direct intervention by enlightened policy makers, senior women will continue to be one of the poorest socio-economic groups in Canada for the foreseeable future.

FINANCIAL IMPLICATIONS

The financial implications are unknown; although a recommendation to change taxation policy relating to RPPs/RRSPs could offset increased costs of improving programs.

CONCLUSION

Society still pays women less than men, refuses them pay equity and habitually expects them to make sacrifices to put the needs of their families ahead of their own need for financial security in old age. There is no question that eliminating poverty in old age for women who have taken on an unfair burden of society's care-taking duties in their lifetimes should be the responsibility of governments.

As a matter of fact both federal and provincial governments have made public commitments to end poverty, which get reiterated during each election campaign. The Canadian government has also proclaimed its intention by signing international agreements.

By lending their considerable clout to the cause of raising awareness and garnering support for pension reform to result in more equitable treatment of senior women in this country, Vancouver City Council will be demonstrating both compassionate and well-informed leadership.

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WOMEN ELDERS IN ACTION (WE*ACT) RECOMMENDATIONS FOR CANADIAN PENSION POLICY REFORM – DECEMBER, 2004

PUBLIC PENSIONS

1. Increase Guaranteed Income Supplement (GIS) so that total Old Age Security/GIS is at a level at least commensurate with the pre-tax low-income cut off (LICO). Currently, most recipients of this supplement are women and/or immigrants with little or no paid work experience. These programs can answer their most pressing need for adequate support.
2. Make full entitlement to OAS/GIS universal so that every individual who is a permanent resident of Canada at age 65 or older whose income/circumstances meet the GIS requirement, is entitled to OAS/GIS regardless of the time they've spent in this country.

These pensions are needed to reduce the additional health and social problems present when a segment of society is marginalized by lack of income; as well as the potential abuse of immigrant elders.

3. Raise the income ceiling for maximum CPP contributions from \$40,500 to at least \$60,000. Thus, higher income earners would contribute more to the fund. (*CPP/QPP Position Paper*, Older Women's Network Pension Committee; Revised March 1999).

Depending on how this increase was designed, this could raise the resources needed to support a caregiver drop out and the increase in replacement rate for low-income workers mentioned below.

4. Modify CPP/QPP so that it replaces 50% of the income for low-income workers, disproportionately women. The current maximum of 25% of average wage consigns those receiving the least pay to a continuation of extreme poverty throughout their retirement years.

This is one way to utilize a work-based pension program to alleviate retirement income disparities and compensate for our unwillingness to

legislate a 'living wage'. (*Using Pension Policy to Address the Poverty of Older Women*. Townson, Monica. 2001)

5. Oppose privatization of public pensions. Privatization of pensions in jurisdictions outside of Canada provides important lessons. Research clearly indicates moving to privatization puts low-income earners at great risk. They may find themselves without enough discretionary income to contribute. Even if they are able to contribute, they lose a sizeable portion of that investment for fees, commissions and program maintenance paid to private financial institutions.

While higher income earners may find it easier to continue making the same or greater pension contributions, they too will be paying a greater percentage of their savings to institutions rather than to the actual investments. (*Pensions Under Attack*. Townson, Monica. 2001)

6. Develop a parallel 'dropout' provision in the CPP/QPP to the existing child care dropout to include persons who are caring for people with disabilities or providing eldercare or care for grandchildren so that women's care-giving contributions are recognized and not penalized when benefits are calculated. This is necessary to compensate for the extreme pressure care-giving puts on the disproportionately large number of women who take on these social responsibilities; as public policy makers increasingly shun a social obligation for providing care. **Ensure that these drop out provisions are incorporated within the body of all CPP applications.**

This care-giving often substitutes for much more costly institutionalization. Women, many of whom are still wage earners and may be at the peak of their (albeit, proportionately-smaller) earning powers, should not suffer for taking on this work that has tremendous value to Canadian society. They must not be triply penalized by undertaking difficult, unpaid work that ultimately also reduces their retirement income. (*Using Pension Policy to Address the Poverty of Older Women*. Townson, Monica. 2001)

7. Establish equality for all same-sex, common-law and legal marriages by backdating CPP/QPP Credit Splitting rules to 1978 and incorporating all subsequent improvements.
8. Eliminate the cap that limits the Lesbian Gay Trans-gendered and Bisexual (LGTB) community's claim on CPP/QPP Survivor Benefits back to no later than January 1998. That date is arbitrary, unfair, and penalizes older members of the LGTB community. Discriminatory policies must not be allowed to continue.

9. Ensure the CPP/QPP Investment Board (CPPIB), responsible for the public pension plan, is streamlined, transparent and accountable. Ordinary pensioners must be proportionately represented, in relation to income levels and gender, on this Board to oversee the life-long investment of their own money to ensure that it is grounded in the common sense and ethical perspectives of ordinary Canadians.

Pension plan funds themselves must remain firmly out of the reach of politicians and bureaucrats who may seek to manipulate or appropriate resources.

10. Develop ethical investment policies for CPP/QPP to ensure that our pension investments are socially responsible and do not support companies or enterprises that manufacture or trade in military arms or weapons; have records of poor labour practices; contribute to environmental degradation; or whose conduct, practices or activities are similarly contrary to Canadian values. (Motion to the House of Commons. Pat Martin, NDP, MP Winnipeg Centre. 2004)

Invest CPP/QPP dollars in the communities where they were generated for good financial return on investment; as well as social return of more jobs, clean environment, etc.

PRIVATE OCCUPATIONAL PENSIONS

11. Protect private pensions through more stringent regulation and oversight of administration fees. Put safeguards in place for contributors to protect them from unscrupulous companies that would siphon off funds from pension plans.
12. Encourage the provision of components such as child rearing drop outs, care for people with disabilities and eldercare in workplace pension plans to duplicate those that should be available through CPP/QPP.

By using its power to regulate workplace pension plans through negotiations with their own employees, the government will ensure accounting is done to recognize that some women now qualifying for private pensions have carried an unfair burden of large, unremunerated contributions to societal well-being through their roles as care-givers.

13. Set Joint and Last Survivor rates to cover the real costs of maintaining the same residence and standard of living for the survivor once a spouse is gone. Research is needed to confirm this rate, now thought to be between 66 2/3 and 70 percent.

14. Create policy to ensure that all workers logging more than 10 hours a week have access to workplace pensions. Currently, approximately 60% of working women do not have access to company plans. Women, who are 'under-employed' or frequently choose part time work as a way to help juggle their lion's share of the workload at home continue to be penalized in the long term by diminished pension income. (Statistics Canada, 2001)

Ensure that these pensions are portable and do not have to be vested. This requirement works against the short term and mobile nature of many women's experience of paid employment.

TAXATION CONSIDERATIONS

15. Ensure incomes below the poverty line (commonly understood as Low Income Cut Off) are not taxed. The gap between the wealthiest in the country and the poorest widens daily. It has become untenable for those with the very least income to continue to help subsidize programs for those better off (e.g. subsidies/grants to businesses; energy retrofitting programs for homeowners; generous pensions for MPs; education saving funds utilized disproportionately by higher income families; etc.) (Statistics Canada, 2001)

16. Reform income tax policy to convert deductions for RPPs and RRSPs savings to credits to be subtracted from taxes owed. This would make contributions more equitable between those in higher and lower tax brackets. Use the subsequent revenue increase to fund changes to OAS/GIS.

INDEXING

17. Ensure that all pensions both public and private are fully indexed.

TO SUPPORT THESE CHANGES

18. Provide education on all aspects of pensions that is accessible, available, and understandable to women of all ages and life-stages. Ensure that information is translated in appropriate languages and, given literacy issues, in a variety of mediums. Most importantly, all information targeted to seniors must be in large print and plainly written.
19. Provide accessible problem-solving counsellors at a 1-800 number to aid seniors in the language of their choice.
20. Provide seniors with a list of government programs for which they might qualify upon making application to receive pension. Include a full explanation for the formula used to calculate the amount of benefits.
21. Ensure that all future changes to pension policy in Canada first include analyses of the differential impacts on women and men as provided for under the *1995 Federal Plan for Gender Equality*.

ADOPT COMPLEMENTARY POLICIES

22. Implement affordable childcare, adequate paid maternity and parental leave, and community support for the care of seniors and people with disabilities. This will help ensure that women's unpaid family responsibilities do not continue to undermine their future financial security.
23. Improve women's wages and employment opportunities in the paid work force with **enforceable** pay and employment equity policies so they are better able to accumulate funds for their old age. Recent developments that permit governments to pass legislation to roll back contract agreements (**including pay equity**) should be disallowed.