

# PENSIONS, PRIVATISATION AND POVERTY: THE GENDERED IMPACT

Professor Claire Young  
Faculty of Law  
UBC

[young@law.ubc.ca](mailto:young@law.ubc.ca)

# Recent Reports on Pension Policy

“The Canada Supplementary Pension Plan: Towards an Adequate Affordable Pension for All Canadians”, C.D Howe Institute (Keith Ambachtsheer), 2008

“Pension Security for Women”, Report of the Standing Committee on the Status of Women, House of Commons Canada (the Fry report), 2009

“Report on Retirement Income Adequacy”, Jack Mintz (the Mintz Report), Department of Finance 2009

“What Can We Do About Pensions?”, Monica Townson, Canadian Centre for Policy Alternatives, 2009 (CCPA report)

“Pensions at a Glance 2009: Retirement Income Systems in OECD Countries”, Organization for Economic Co-operation and Development, 2009

# The Global Financial Crisis (GFC)

- 2008 saw global stock market losses of \$21 trillion
- In Canada the value of pension funds dropped by 21% in 2008

“With the sharp decline in stock market values in the fall of 2008, Canadians found their retirement wealth was adversely affected, especially those who had already or were about to retire. While stock market values have recovered in part since reaching their bottom in March 2009, Canadians realize that their efforts to provide adequate income upon retirement is perhaps **more challenging** than what was presumed when asset values were at peak levels” (emphasis added)

Mintz Report, 2009, p. 2



# Elderly Women and Poverty

- 72% of those over 65 living below the LICO are women (Statistics Canada (2008))
- Single women over 65 form the largest group living below the LICO (CCPA Report, 2009)
- Over 80% of single low income seniors are women (Fry Report, 2009)

# The Canadian Pension Structure

Registered Pension Plan (RPP) and Registered Retirement Savings Plan (RRSP)

Canada/Québec Pension Plan (C/QPP)

Old Age Security (OAS) and Guaranteed Income Supplement (GIS)



# The “Public” Pensions (part 1)

- Maximum OAS payment for 2010 is \$6,222
- Maximum GIS payment for 2010 is \$7,853
- LICO line is \$22,229 for a major metropolitan area and \$15,302 for a rural area
- Women form 60% of OAS recipients and 67% of GIS recipients (Fry Report, 2009)

# The Public Pensions (part 2)

- CPP is a mandatory contributory pension plan for those in the paid labour force
- Average OAS and CPP payment is approximately \$16,000 a year, with a maximum of \$19,000
- “The average monthly retirement pension (CPP) that is being paid to men who retired in 2009 was \$564 and for women it was only \$391. In other words, women were getting less than 40% of the maximum benefit. That difference ... reflects the fact that many women have spent less time in the paid labour force over their lifetimes than men have, but in particular women have lower earnings than men.” (Fry Report, 2009, p. 16)
- Women earn 71 cents for every dollar earned by men (full time full year labour) and 65 cents for every dollar (part time labour) (CCPA Report, 2009)



# Tax expenditures for workplace pension plans (RPPs)

- Tax deduction for contributions, subject to limit as to amount and income earned in the plan is not taxable
- Result is a deferral of tax until the funds are taken as a pension and likely taxation at a lower rate
- For 2009, the value of the preferential tax treatment is over \$18 billion

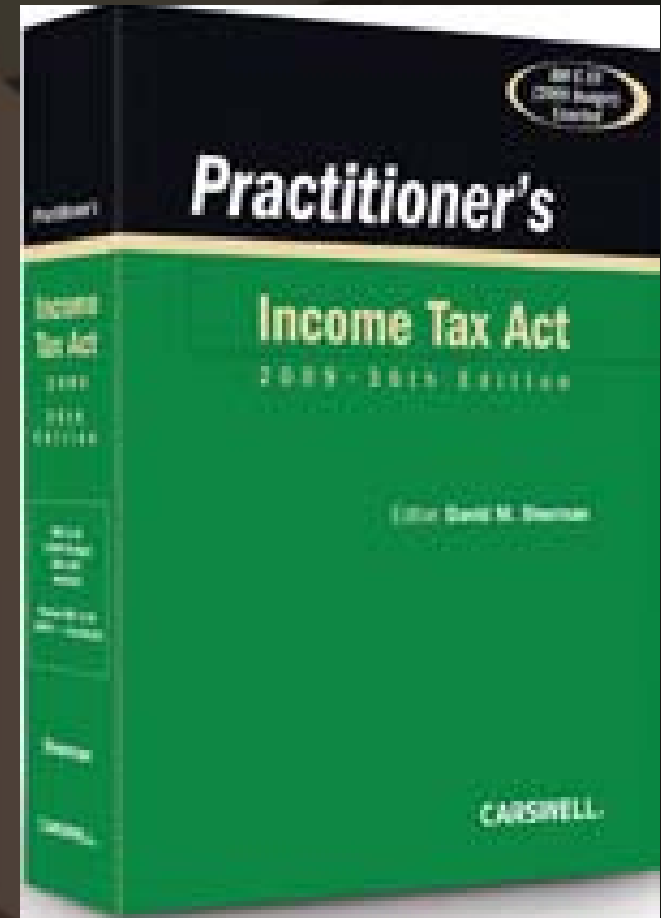


# Tax expenditures for RRSPs

- Tax deduction for contributions, subject to limit as to amount and income earned by RRSP is not taxable
- Spousal RRSP, future income split with spouse
- For 2009, the value of the preferential tax treatment is over \$13 billion

# Pension Splitting

- Pension Income Splitting (\$730 million for 2009)
- Income taxed at a much lower overall rate
- One spouse has \$140,000 in pension income and the other has no income, tax saving is \$11,000.



# Workplace Pension Plans (RPPs)

- Only 37% of Canadian workers are members of a RRP
- Slightly more women (52%) than men (48%) are members of RPPs (2007 figures)
- Women's membership static, men's has dropped
- By the year 2022, only 33% of women will have contributed to a RPP for 15 years compared to 40% of men (Fry Report, 2009)
- Men are contributing considerably more in amount than women and thus receiving more of the tax expenditure (over \$4 million) (Income Statistics, 2008)

# Defined Benefits Plans (DBP) and Defined Contribution Plans (DCP)

- Significant shift to DCPs (only 28% of workplace plans are DBPs)
- Shifts the risk with respect to the investments to the employee
- Employer has no responsibility to maintain adequate funds in the plan to meet future liabilities
- Employees have choices to make about how their funds are invested

# RRSPs

- Less than half those eligible actually contribute to a RRSP (Canadian Institute of Actuaries, 2007)
- In 2007 55% of contributors were men and 45% were women
- Women contributed considerably less in amount than men (37% of overall contributions)
- Need discretionary funds to make the contribution



# RRSPs continued

- Tax deduction is worth less in terms of taxes saved to those with low incomes than those with high incomes

Example, A (high income earner paying tax at an average rate of 40%) and B (lower income earner paying tax at an average rate of 20%) each contribute \$10,000 to a RRSP

A saves \$4,000 in taxes owing and B saves only \$2,000 in taxes owing (upside down subsidy)

- Women use less of their available RRSP room and have less money than men invested in RRSPs (Fry Report, 2009)
- Top 20% of Canadians in terms of net worth have a median RRSP value of \$111,000 while the median for the other four quintiles are \$35,000, \$15,000, \$6,000 and \$0 respectively)

# Spousal RRSP

- Relies on the private family
- Single women have no access to the tax expenditure
- Fewer people than ever are living in a spousal relationship and 41% of Canadian women over 18 live alone (Statistics Canada, National Population Health Survey, 2006)
- Demise of the spousal RRSP now that pension income can be split

# Pension Income Splitting

- Advantage is lower overall tax rate where one spouse has a high income and the other little or no income
- Purely fictional split
- Assumption that the benefits are shared
- Lower income spouse's marginal tax rate increases to a higher rate and she is liable for the tax



# Options for Change

- Convert tax deductions to tax credits, and make them refundable
- Reduce tax expenditures for private pensions and divert the monies to the OAS and CPP
- Ongoing federal government consultation, we await the results

