

# Women and Poverty: Canada's To Do List

Brief to House of Commons Standing Committee on Finance

(FINA) April 5, 2013

from

## Women's Centres Connect

Nova Scotia Association of Women's Centres

This is a reprise two research studies done by women's centres in the western part of Nova Scotia. *In Her Own Name: Public Pensions* by Rusty Neal et. al. (2003) documents women's stories with the two tiers of the public pension system: Old Age Security (OAS) and the Canada Pension Plan (CPP). *Women and Public Pensions: Working toward equitable policy change* by Georgia Brownwell (2006) reviews literature to develop recommendations for change.

**Our studies find that women's gendered income over a lifetime results in an impoverished income in their later years.**

For the most part women have equal access to the OAS because it was designed as a universal benefit. By contrast the CPP is a contributory pension program. How much one pays in affects how much one gets out. Our studies find that a woman's marital status, independence or dependence on men, the kinds of paid work she did over time, the work she does

in dependent-care (care of children, the ill, and the elderly), and issues of health and disability can affect her access to and receipt of both the type of public pension and the amount.

Women's stories map the existing gaps in the public retirement pension system. All focused on women's work histories and several showed how women's non-standard work had major implications for their retirement incomes. The report finds that women's gendered income over a lifetime results in an impoverished income in their later years.

Adequacy of retirement income is tied to periods of unpaid and non-standard work, to lower wages, to policies that limit the replacement rate of CPP, to indexation rates and to inequities in the tax system. A holistic approach will be necessary to fill the gaps and create equity.

What follows is not a final or exhaustive list of recommendations. This a summary of options identified during a literature review, which has been augmented by suggestions from the November 2005 forum "Women and Public Pensions: Working Towards Equitable Policy Change".

### **The struggle to access public pensions**

- Undertake a mass media public education and information campaign about credit splits and child drop-out provisions.
- Improve outreach to encourage timely renewal of Guaranteed Income Supplement (GIS) benefits.
- Provide information about savings for retirement
- Stop suspending GIS benefits when people are late filing tax returns.
- Make the GIS automatic upon receipt of Old Age Security.
- End the need for a husband's (or marital partner's) consent for CPP credit splits upon divorce
- Repeal the time period exclusion for credit splits and allow all divorced people to apply should they choose to apply.
- Grant all CPP contributors the right to name one person as a spousal equivalent.

### **The Inequality Gap**

Women working full time, year round earn 71 cents for every dollar earned by men. **Canada has the 5<sup>th</sup> largest wage gap between men and women among developed countries.**

Women's vulnerability to poverty is increased by racialization age, ethnicity, physical and mental health, geography and immigrant status.

**Single mothers are the poorest family type** with a poverty rate of 23% compared to 9% for all families.

Unattached women under sixty-five are also vulnerable to poverty with 36% falling below the poverty line<sup>1</sup> compared to 28% of men.

**The poverty rate for Aboriginal women is 36%.**

29% of racialized women live in poverty. **African Canadian women are the poorest racialized** group, with a poverty rate of 57%.

**29% of women with disabilities fall below the poverty line.**

The overall poverty rate for women born outside Canada is 23%.

Recent immigrants face a higher rate of 35%, due to racialization.

- Enact mandatory credit splitting for pensions in a woman's own name

### ***The struggle to value women's unpaid work***

Consult and conduct research to develop a vision of the most appropriate and equitable vehicle to recognize women's unpaid work. Provide a separate pension in recognition of women's unpaid work.

**The nature of work is changing, with more people in unstable, temporary and low-waged non-standard work. This increases poverty amongst low-income workers, 40% of whom are women, and will contribute to poverty when these workers retire.**

### ***The struggle of non-standard work***

- Adapt gender and pay equity provisions for non-standard workers.
- Re-establish a federal minimum wage.
- Introduce a tax credit, based on individual income to promote economic security.
- Implement a 360 hour qualifying requirement for EI
- Adapt Employment Insurance (EI) for non-standard workers
- Eliminate the year's basic exemption from CPP so low wage women contribute from the first dollar (and women with multiple jobs can contribute on all earnings, no matter how small).
- Provide a tax credit to compensate for increased contributions to CPP.
- Provide income supplements to people working for low wages.
- Ensure coverage for pharmaceutical and dental needs, at least for catastrophic events.
- Increase access to affordable housing and child care.
- Remove asset-based claw backs of government programs.

### ***The struggle for adequate public pensions***

- Increase the replacement rate for CPP which is now designed to replace 25% of lifetime average earnings.
- Increase the OAS/GIS and Allowances to pre-tax LICO levels.
- Increase allowable earnings to 10% before GIS is clawed back.
- Increase benefits for survivors.
- Strengthen public pensions and oppose privatizing the public system.
- Adopt a standard income test for all public pensions
- Fully index all pensions to wages, not prices.
- All workers logging more than 10 hours a week should have access to portable public pension plans.
- Base eligibility on income not assets.

### ***The gap in Public Pensions and Employment Insurance***

Women are more likely than men to depend on public pensions as their primary source of income.

**Two in three working women who pay into EI benefits do not qualify if they lose their jobs.**

Women account for 7 out of 10 part-time employees, but less than ½ qualify for EI.

**Women aged 25-44 with young children are the population least likely to qualify for EI benefits.**

75% of employed women have children under 16. Many are single mothers who have difficulty getting EI.

**One of three working women with a newborn does not qualify for maternity or parental EI benefits** because they are self employed or have not worked for at least 2 yrs.

In 2009, 73% of women with children under 16 were employed.

In the pension realm, **women get about 60¢ on the dollar when compared to men.**

When the research is narrowed to unattached (single, divorced, widowed) elderly women, the results are far worse. A 2004 study found an astounding 45.6% of women in these circumstances still lived in poverty.

Equally stressful is **the dominant role of women in low-quality, precarious work. 40% of women work in these kinds of jobs** and won't be able to accumulate much, if any, pension income.

**Welfare states have failed to come to grips with post-war social changes, most notably the massive entry of women into the workforce, with undesirable, even perverse results.**

### ***The struggle for equitable public pensions***

- Analyze the benefits of alternative methods of accumulating retirement savings such as Tax Pre-paid savings plans and encourage the use of the most efficient and equitable methods.
- Abolish compulsory retirement and ensure flexible working conditions for older people.
- Eliminate residency requirement for OAS/GIS
- Eliminate the cap on benefits prior to 1998 for lesbian, gay, transgendered, bi-sexual survivor claims.
- Implement a gender-based analysis to understand how the tax system impacts on women's retirement.
- Increase the personal credit and age credit on the income tax so women pay taxes after they stop receiving GIS support.
- Change the income definitions of the GIS to remove its perverse treatment of dividends.
- Include a drop-out provision specifically for care-giving, separate from and in addition to a pension that recognizes women's unpaid work.
- Develop a rural labour market strategy to increase access to adequately paying, stable jobs.
- Increase CPP disability pensions to at least the level of the pre-tax LICO.
- Develop a labour market strategy to increase employment for persons with disabilities, African Canadians and Aboriginal peoples.
- Expand tax credits and make tax credits refundable, whether or not the person has enough income to pay income tax.
- Ensure that employment income under a reasonable amount does not jeopardize additional, income-tested supports.

### ***Conclusion***

Today, a woman of 65 expects to live until age 88, 4 years more than a man. This gap widens as life expectancy increases. How can we ensure a guaranteed retirement income, indexed to exceed the poverty line (\$23,000) to workers with no supplemental pension plan, or who have not contributed enough or whose wages are too low? Given the statistics on women's poverty and public pensions, finding an answer to this question is urgent.

## ***National Overview***

### ***The widening gap between rich and poor***

Since 1980, the earnings of the richest 20% of Canadians has increased 16.4%; while the poorest 20% had a 20.6% drop in earnings.

**Canada's richest 1% — the 246,000 privileged few whose average income is \$405,000 — took almost a third (32%) of all growth in incomes** in the fastest growing decade in this generation, 1997 to 2007.

The richest 1% has seen its share of total income double, the richest 0.1% has seen its share almost triple, and **the richest 0.01% has seen its share more than quintuple since the late 1970s.**

A recent private sector study shows that by the end of 2009, **3.8% of Canadian households controlled \$1.78 trillion dollars of financial wealth, or 67% of the total.**

The total average compensation for Canada's highest paid CEOs was \$7.3 million in 2008, compared with an average of \$42,300 for all Canadians.

Canada's five biggest banks avoided paying \$16 billion in taxes between 1993 and 2005.