House of Commons
CANADA

Standing Committee on the Status of Women

FEWO • NUMBER 034 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, October 20, 2009

Chair

The Honourable Hedy Fry

Standing Committee on the Status of Women

Tuesday, October 20, 2009

● (1530)

[*English*]

The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)): Order, please. We're ready to begin.

Mr. Schellenberg is going to be the presenter for this group of witnesses, and don't forget we also have some in camera business and some work to do. So we shall begin.

I want to welcome the witnesses. I wanted to say that one of things we're trying to do is to look at pensions for women, and we're looking at it under three headings, as you no doubt know. We're looking at it under the headings of private pensions, public pensions, and whether there's room for pensions for women who have not been in the paid workforce during their lives. Those are the three things that we're looking at, and we hope you can give us information.

We'll begin. You have 10 minutes to present, and you've given us gorgeous graphs, as you always do, and then we will question you thoroughly.

Go ahead, Mr. Schellenberg.

Mr. Grant Schellenberg (Senior Analyst, Analysis Branch, Statistics Canada): Great. Thank you very much for having us here this afternoon.

The deck that you have in front of you is organized into two broad sections. In the first few slides we focus on working-age women and men in the paid labour force and the proportion of them who belong to an employer-sponsored pension plan or a registered pension plan, in slightly different terms. We're going to consider data from three different sources, focusing on the trends in pension coverage drawn from each of those data sources to piece together the best picture we can.

In the second part of the presentation we're going to shift our focus from working-age women who may or may not have pensions to women aged 65 and over and the income that they receive. There the key story is that over the past 25 years we've seen quite a profound shift in the working lives of women, as evidenced in their increasing labour force participation and their contributions to retirement savings programs, and these changes are reflected in the amounts and sources of income they receive.

If you turn to the first line graph, data on pension coverage can be drawn from a number of sources, each of which have various strengths and limitations. We were going to consider three of those sources. This chart is based on administrative data compiled on all registered pension plans in Canada, and it shows the share of paid workers aged 17 to 64 who have pension coverage.

Among men, as shown in the blue line, there has been an ongoing decline in pension coverage rates in Canada over the last 15 to 20 years, from around 47% to 48% in the late 1980s to about 38% in 2007. Among women, there was an increase in pension coverage rates between the mid-eighties and the early to mid-nineties, and as you see here, these data suggest that the pension coverage rate for women has remained fairly stable, at around 39%, over the last decade.

Turning to two other sources of data on the next table, which are taxation data and household survey data, what I want to do is focus on the trends within age groups and focus particularly on the trends and coverage rate between 1997 and 2006-07.

Considering, first, men on the right-hand side of the table, data from the taxation date in the surveys confirmed the downward trend in pension coverage rates, particularly among men 35 to 44 and 45 to 54 years, and you see here a magnitude of decline in the range of four to six percentage points over the last decade. When we look more closely at men aged 25 to 34, we see that pension coverage rates have stabilized or perhaps increased very modestly.

When we look at taxation data for women on the left-hand side of the table, we see that the tax data show again stability in the pension coverage rates among women 35 to 44 and 45 to 54 years. Although the survey data show something of an increase for women, this could do with the way that respondents to household surveys report group RRSPs, for example, and that's the difference between these data sources. Interestingly, both the taxation data and the survey data show increases in pension coverage rates among women aged 25 to 34 over the past decade.

Turning to the next table, in addition to trends and coverage, changes in the characteristics of pension plans have received considerable attention and public discussion. Here what we're considering is the shift from defined benefit plans to defined contribution plans. In a nutshell, a defined benefit plan is one where retirement benefits are established by a formula that's laid out in the pension plan, such as 2% per year of service based on earnings during some period, and employer contributions to the plan are not predetermined but based on actuarial valuations. A defined contribution plan is one where the contributions are based on a fixed amount or a percentage of the employee's earnings, and while contribution amounts are known, the amount of the retirement benefit is only known when the employee reaches retirement and that depends on things such as the rate of return.

Between 1991 and 2007 the number of pension plan members who belong to a defined contribution plan more than doubled, increasing from about 466,000 to 935,000. Those numbers do not include group RRSPs. Evidence from the 2005 Workplace and Employee Survey indicates that about 18% of employees have a group RRSP, which is something akin to a defined contribution plan.

There are two other points I would draw from this table.

First, among both women and men, the proportion of paid workers who have pension coverage is far higher in the public sector, well above 80%, than it is in the private sector, at 22% for women and 29% for men.

● (1535)

Secondly, most of those individuals who have a pension plan—over 90% in the public sector—have a defined benefit plan, while those in the private sector who belong to a pension plan less often have one. Among women, 59% have a defined benefit plan, 26% a defined contribution plan, and increasingly we're seeing the emergence of mixed plans, wherein you have characteristics of both DC and DB plans or employees within the same firm who may belong to one or the other of those plans; we see that in the mixed numbers.

Turning to the next slide, I want to shift our focus from working-age women and their pension coverage to women who are now aged 65 and over, and to the retirement income they receive. Over the past three decades, median incomes of the elderly in Canada have increased significantly. Between 1980 and 2007, the median incomes of elderly couples increased from about $30,000 to $47,000, and those are inflation-adjusted dollars. Among elderly women living alone, the median income increased from just under $15,000 in 1980 to about $22,000 in 2007.

As displayed on the next slide, women's increasing participation in the paid labour force and their contributions to retirement savings programs, such as the Canada and Quebec pension plans and registered retirement savings plans and RPPs, are one factor underlying these trends. In this slide, we consider the role played by the Canada and Quebec pension plans. On this chart, the black line shows the percentage of women aged 65 or older who receive income from CPP or QPP as measured on the percentage axis on the left. Between 1980 and 2006, the proportion of senior women in Canada receiving CPP or QPP benefits more than doubled, from 35% to 84%, and of those who are receiving benefits, the median amount, as shown by the red line and the axis on the right, increased from $3,100 to $5,500.

We can also look, as shown on the next slide, at these same trends in terms of RRSP pensions and superannuations. Again we look at the proportion of women aged 65 and over receiving income from this source and at the median amounts. As shown on the black line, the proportion of women receiving retirement income from RRSPs, pensions, and superannuations increased from 20% to 55% over this period, and the median amount received by recipients increased from $4,600 to $7,400.

Overall, the income that Canadian women now receive in old age reflects changes in their working lives and their participation in both retirement savings programs, both publicly and privately administered.

As seen on the next slide, the overall effects of these changes can be assessed by considering the total aggregate income received by all senior women in Canada. In 2006, women aged 65 and over received about $54 billion, up from about $20 billion in 1980. That overall increase, as we move towards the right of the chart, reflects increases in average income as well as the fact that there are more elderly women in Canada today now in absolute terms than there were 26 years ago. But what's particularly interesting about this chart is the growing proportion of total aggregate income received from the Canada and Quebec pension plans, as shown by the yellow area, and the growing proportion of income received from RRSPs, pensions, and superannuations, as shown by the red area.

To conclude, I want to highlight two points regarding the composition of income received by seniors.

On the next table, we look at how the composition of income received by seniors varies by where they are in the income distribution. This slide is taken from a recent Statistics Canada study that looked at seniors who had significant labour force attachment when they were younger; specifically, they had earnings of at least $10,000 at age 55.

The key point to be made here is, if we look at the column entitled “bottom quintile at age 55,” that people who were at the bottom of the income distribution at age 55 received the majority of their income from old age security, guaranteed income supplement, and the Canada/Quebec pension plans—62% of it—by the time they were aged 75 to 77. For those who were at the middle of the income distribution when they were 55, the proportion of income received from OAS, GIS, and C/QPP was around 43%, while pensions, superannuations, and other investments accounted for almost half of their income at age 75.

● (1540)

Finally, those who were at the top of the income distribution relied primarily on pensions, superannuation, and investments. The importance of transfers on this chart would be more evident for those at the bottom of the distribution if this study hadn't looked at people with strong labour force attachment at age 55.

From the final slide in this afternoon's presentation, we want to make the point that in spite of the growing share of income that seniors and senior women receive from retirement savings programs such as the Canada and Quebec pension plans, pensions, and RRSPs, many also receive income from the guaranteed income supplement. In 1981, 55% of women aged 65 or older received the guaranteed income supplement. In 2008, 40% did so. The share of women aged 65 to 69 receiving the GIS is indicated by the dotted red line; it's about 10 percentage points lower. This suggests that GIS receipt is higher among women who are in their seventies and eighties.

Thank you very much.

The Chair: Thank you very much. You have done just beautifully, on time.

We can start with Ms. Neville. There are seven minutes, and that includes questions and answers.

Anita.

● (1545)

Hon. Anita Neville (Winnipeg South Centre, Lib.): Thank you.

I'm not quite sure where to begin. On the very first slide, you talk about the percentage of paid workers with pension coverage by sex. How do you account for the figures you have here?

Mr. Grant Schellenberg: Looking at the trends in the rising rate of pension coverage among women, we have a study now at Statistics Canada, currently in progress. When we look at the characteristics of women in 1987, 1997, and 2007, what we find is that pension coverage is more prevalent among individuals who have higher earnings, higher education, employment in certain industries, and/or who have union coverage. Women, and particularly those in their forties and early fifties, now have higher earnings than they used to; they have higher education than they used to; many of them are employed in the public sector. This has increased the share of women with pension coverage, particularly through the mid-eighties to the mid-nineties.

When we look at the downward trend among men, what we see is that a shift out of high-coverage industries—manufacturing to some extent, but also a shift out of education and public administration—accounts for some of it. Also, there has been a downward trend in unionization among men, which is positively correlated with pension coverage, and that has accounted for some of the decline of coverage among men.

Hon. Anita Neville: Thank you.

In your slide on quintiles, how do you define the bottom, middle, and top?

Mr. Grant Schellenberg: It is based on total family income after tax, and it's adjusted for family size. If you have a family income of $100,000 and one person, or a family income of $100,000 and four people, there's an adjustment made to account for that family's size. The individual family's income is then ranked from lowest to highest, and the population is divided into five groups of equal size: the bottom 20%, the next 20%, and so on. Among the quintiles I've shown you there, the bottom corresponds to the lowest or bottom 20% of the distribution, the middle the third, and the top the highest quintile.

Hon. Anita Neville: Thank you.

Have you done any disaggregation of figures for women and men who work part-time, on the impact of part-time work on pensions?

Mr. Grant Schellenberg: Yes. In a report we're doing now, the likelihood of having pension coverage shows as lower among part-time workers than among full-time workers. We see that in the aggregate. It's important to keep in mind that you might have high rates of part-time employment in sectors such as retail trade and restaurants and bars, where pension coverage is low, so it's also important to consider part-time and full-time within sectors; that might yield a slightly different picture. We could provide that.

Hon. Anita Neville: Have you done any work on the impact on pensions for women, clearly in this case, who leave the labour force for a period of time for child-rearing and then re-enter the workforce? I recognize that people do it for different periods of time and go in and out, but have you done any study on that impact?

Mr. Grant Schellenberg: No, we haven't done that. What is really required there is to have either longitudinal data, where you could track people over time, or retrospective data, where people reflect on their lives.

Marie Drolet, one of our analysts, looked at the length of time during the working life and what the difference in years of participation was for women. She has quantified that. If I recall correctly, I think it's in the order of four to five years less than their male counterparts, which would have implications on contributions.

On that point, obviously there are provisions within the Canada and Quebec pension plans for dropouts for a period of time. I think where an interesting issue resides is with group RRSPs or defined contribution plans: what are the implications for periods out of the labour force for women under those types of retirement savings arrangements? There, we don't know very much.

Hon. Anita Neville: In the study you just referred to, is there any analysis of the fact that women frequently enter the workforce at a lower rate, exit the workplace to have a family—I don't know whether I'm expressing it right—and then, when they come back in, haven't accumulated the earnings that men have during that period of “time out”, for lack of a better term? Have you done any study on the impact of that?

● (1550)

Mr. Grant Schellenberg: I think we've done work on that in terms of what earnings penalty women have incurred when they do come back. We haven't examined the implications of that for retirement savings.

Hon. Anita Neville: When we look at income stability, it's generally agreed that retirees need 50%, 60%, or 70% of retirement income to live in a way that is similar to the way they did when they were working. In your study, do you have any indication of whether women have experienced or attained that 50% or 60% of earnings?

Mr. Grant Schellenberg: There's been one study of income replacement rates done at Statistics Canada. It came out last year. I've brought copies for the committee that I could leave with the clerk.

On that one, the family was the unit of analysis. Because the majority of women are living within a marital couple, they looked at family income. As for disaggregating that in terms of women living alone versus women in couples, we haven't gone that far. As I say, we've only done one study on the income replacement rates, and only now are those longitudinal data becoming available to do that type of long-term analysis.

Hon. Anita Neville: Do I have more time?

The Chair: You have 20 seconds.

Hon. Anita Neville: Well, I'll put the question out.

Have you done any studies of the impact on women in different family configurations, either single, single parents, stay-at-home parents, or women working and dual family earnings? Have you done studies of that?

Mr. Grant Schellenberg: A number of issues come to mind on that.

One would be that on the proportion of women who are in marital relationships, women who are in their fifties, say, and approaching retirement, that proportion hasn't changed that much over the last 20 years. It's between 70% and 80%.

But what is particularly striking is that of the other 20% who aren't married or living common law, it's an *x* on the curve. It used to be that most of them were widowed. Relatively few of them were separated or divorced. Now what you find is that relatively few of them are widowed and the larger proportion of them are divorced. When we look at, for example, the incidence of low income among unattached women who are divorced, the incidence of low income is higher among that group than it is among those who are widowed or were never married.

So I think that change in family formation, with the incidence of late-life divorce, is one change that bears particular scrutiny.

Hon. Anita Neville: Thank you.

Thanks for the extra 45 seconds.

The Chair: Thank you.

Nicole.

[*Translation*]

Ms. Nicole Demers (Laval, BQ): Thank, Madam Chair.

Thank you for being here today.

Before getting started, I would like the committee to send its condolences to the family of the worker who lost his life on the Hill today in the boiler explosion yesterday.

I listened carefully to what you said. However, with regard to the figures in the second table, concerning "Tax filers with annual earnings greater than $1,000," I wonder to what extent that would be significantly different if we put: "Tax filers with annual earnings greater than $10,000." Do you have those figures as well?

Also, in May 2009, the Department of Finance published a news release in which it stated that the federal, provincial and territorial finance ministers had recommended amendments to the Canada Pension Plan starting in 2011. Among the new measures they would like to introduce, there is the main proposal, which is to maintain the contribution rate at 9.9%, but there is also some question of increasing the pension adjustment when a person retires before 65 years of age, from 0.5% per month to 0.6%. So it would be 7.2% per year instead of 6%.

The document also proposes to increase the pension adjustment starting after the 65th birthday, from 0.5% to 0.7% per month, that is from 6% to 8.4% per year, as also proposed in the discussion paper of the Régie des rentes du Québec.

Do you have any projections based those data? If these proposals are implemented, what will the population look like, with regard to women, pension plans and all that?

During this consultation—which is still underway, I imagine—certain women's groups have submitted briefs to ensure that their concerns are taken into account. One of those concerns—my colleague Ms. Neville referred to it—is women at home with children under seven years of age who cannot contribute to a pension plan while they are at home. These women's groups asked that they be granted pension credits equivalent to 60% of maximum eligible earnings.

Do you believe that measure would recognize the "invisible" work of those women and also enable older women to have better pension incomes?

● (1555)

[*English*]

Mr. Ted Wannell (Assistant Director, Labour and Household Surveys Analysis Division, Statistics Canada): I'll respond to the middle question first because it's something I've worked on fairly recently. We don't do projections, but we have looked at the proportion of people who take up their CPP or QPP benefits right at age 60. That proportion of the population has been increasing over time, particularly among people who have already taken up registered pension plan benefits in their fifties. A lot of them are advantaged in terms of what they have.

If you look at the trends for men and women, it has been going up for both men and women, but faster for women than for men, so a higher proportion of women—I think it's in the neighbourhood of 32% or 33%, the most recent data we have—take up their CPP benefits as soon as they are eligible at age 60, and it's two or three percentage points lower for men.

Mr. Grant Schellenberg: In terms of the question on women with children under the age of seven and the invisible work of women, I'm not familiar with the policy recommendation and I'm not prepared to comment on what the implications of that might be.

[*Translation*]

Ms. Nicole Demers: With regard to your second table, which concerned "Tax filers with annual earnings greater than $1,000"—which I find very low—if the same projections were made using "Tax filers with annual earnings greater than $10,000", would that be significantly different?

[*English*]

Mr. Grant Schellenberg: Certainly because the likelihood of having pension coverage is positively correlated with earnings, I would expect the overall incidence of pension coverage we would get from the LAD to go up. The magnitude of that shift with moving the threshold from $1,000 to $10,000 would have to be seen.

From our standpoint, to use all tax filers, even those who have no earnings, would result in an unrealistically low pension coverage rate, one that does not have a lot of meaning. By using the $1,000 threshold, we have in a sense established a very conservative measure of the pension coverage rate. The further up the income distribution we go, we would get a more restricted sample and a higher rate of pension coverage. There's always a judgment call on those types of questions.

[*Translation*]

Ms. Nicole Demers: Mr. Schellenberg, two years ago, we conducted a study on the economic security of women. At that time, we asked Statistics Canada to start issuing statistics on older women over 80 years of age because we are now living up to the ages of 100, 105 and 110, and we believe that the difference is really pronounced between women 75 years of age and those over 80.

Have you begun to keep statistics on the pension incomes of women who are 80 and over? If so, could we have them?

[*English*]

Mr. Grant Schellenberg: We can get that information both from the 2006 census, because we have enough sample size from that now, and from looking at the tax file data and seeing what we could do there. One of the implications is that as you move to the population who are 80 and older, you do have a growing proportion of women who may be institutionalized, and when we do things like household surveys or the census of the general population, there's always the risk of losing the institutional population. So particular emphasis would have to be made to capture that group as well.

● (1600)

[*Translation*]

Ms. Nicole Demers: Thank you very much.

Thank you, Madam Chair.

[*English*]

The Chair: Thank you very much.

Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, gentlemen, for showing up.

In a former life I had a mentor who was an actuary, and he used to tell me it's all in the numbers, and he ran his business literally just looking at a spreadsheet. I'm a firm believer in that too. I'm really thankful and pleased that you're here today, because it really is all in the numbers.

I'll just start with that. The last slide confused me. Can you just explain that slide? Maybe everybody else got it, but I don't quite understand what the slide is telling us. Why is there a difference between women aged 65 and older and women aged 65 to 69. Is the one 65 all the way up to everybody...?

Mr. Grant Schellenberg: The dotted red line is women just aged 65 to 69. So in a sense we've captured young seniors. The other slide captures all seniors 65 and over, including those in their seventies, eighties, and nineties. What it shows is that the GIS rates for those in their sixties are about 10 percentage points lower than the total population. The implication here is that GIS receipt is higher among women in their seventies and eighties and beyond.

Mr. Dave Van Kesteren: I was very pleased also to do this study. Obviously we all have mothers, but I was one of that group—maybe most of us are here—who had mothers who raised families and were never able to enter the workforce, and subsequently they were disadvantaged when their time came for retirement.

The question I want to ask is about trends. If we were to judge the trend today, where it's going, taking into account the labour force—in the past 30 years women have entered it—what impact do you expect to see on poverty rates in this group of women as they enter their senior years? Where is that line going to go? How is that trend going to move?

Mr. Grant Schellenberg: In terms of answering that question, I would focus on three sets of characteristics that I think have implications. The first set of characteristics is what's happening with the labour market and demographic characteristics of women who are now in their thirties, forties and fifties, and coming up on retirement. What are the key trends we're seeing there? Again, I think, on the positive side, we're seeing high and sustained rates of labour force participation and, as a result of that—and acknowledging the fact of years out of the workforce—higher lifetime earnings than any preceding cohort.

The second factor that I would point to there is the tremendous increase in educational attainment among women in their thirties, forties and fifties. If we look at workers aged 45 to 59, even at the beginning of the 1990s—men included here—the proportion who had high school or even less than high school was quite substantial. I don't have the number off the top of my head, but it was in the range of probably 40% to 50%. The proportion with a university degree was quite small. That has been fundamentally reversed over the last 20 years. To the extent that things such as earnings and pension coverage are correlated with earnings, that would certainly have a positive impact.

On the negative side around the demographic and the labour markets, I think the incidence of later-life divorce is something that we hadn't seen before, and that would be another implication. So there are those types of trends in the demographics on the labour market side, plus the fact that they're having fewer children than used to be the case.

That's all fine and well, but the next set of characteristics is what's happening within the workplace. Here we have trends in pension coverage, the characteristics of pension plans. In the United States and the U.K., from what I read in the literature, the shift towards defined contribution plans has surpassed what we've seen in Canada. If we were to move in that direction of greater prevalence of group RRSPs, that would reshape the financial preparations that people would be making and the vehicles they would have to make those financial preparations, regardless of their education and these factors.

The third one I would point to is what's happening in financial markets in terms of rates of return on these things—I'm not in a position to speculate on that—and also in terms of whether people are in institutional savings arrangements like defined benefit plans or in individualized retirement accounts, which raises issues such as management expense ratios and things like that that people at the C. D. Howe Institute and others have pointed to.

So I think those three sets of characteristics—the demographic and labour market, what's happening within workplaces, and what's happening in the financial markets—all come to bear.

● (1605)

Mr. Dave Van Kesteren: Finally, I—

Mr. Grant Schellenberg: Sorry, Ted wants to add something.

Mr. Ted Wannell: I just want to follow up a bit on the aspect of the trajectory, because just a few months ago we completed a study looking at people who start in their late forties, and following them to their late sixties, particularly looking at what influences the receipt of the GIS when they're in their late sixties. That's kind of an indicator of low income, once you're into the range where you're eligible for the GIS.

It's all the types of things that you'd expect to see. If you start off with relatively low income in your late forties, if your income declines over the next 20 years, if you get sick as evidenced by a disability deduction on your income tax, those would increase the probability of GIS receipts. On the other hand, if you're contributing regularly to an RRSP, if you're a member of a registered pension plan, all those things are really protection against qualifying for the GIS in your late sixties.

The Chair: You have one minute.

Mr. Dave Van Kesteren: Very quickly, going back to the slide on page 4, what percentage of the public sector would be women and what percentage would be men?

Mr. Grant Schellenberg: That's easy data to obtain, but I don't have it in front of me at this point in time. I could provide you with that.

Mr. Dave Van Kesteren: And maybe the same for the private sector.

Mr. Grant Schellenberg: Sure.

Mr. Dave Van Kesteren: That would be interesting to see. We obviously have to do some catching up with the private sector.

Thank you, Madam Chair.

The Chair: Thank you.

Irene.

Ms. Irene Mathyssen (London—Fanshawe, NDP): I'd like to thank you, gentlemen, for being here. I appreciate very much all this information. I hope I can do justice to it in terms of my questions.

In slide one, I found it very interesting that, among those who were covered by pensions, in terms of males it had declined and in terms of women it had increased slightly, but both were in the area of 38% to 39%. That means that 60% of Canadians are not covered by pensions, and it would seem to me we should be very concerned about that.

Have you pursued any of that in terms of looking at trends? Ultimately, in the fact that 60% of Canadians are not covered, what does that mean? Can you speculate?

Mr. Ted Wannell: Well, I don't really have to speculate. That was one of the results in the study. If you don't have RPP coverage, then you're more likely to collect GIS and to fall into that low-income category once you're past age 65.

Ms. Irene Mathyssen: And that's a very difficult place to be in because it's significantly lower than the low-income cut-off.

Mr. Ted Wannell: And I believe Grant also has some figures on the proportion of pension income in the different quintiles, which is also relevant here.

Mr. Grant Schellenberg: The fundamental issue you're getting at here is, what are the implications for retirement for individuals who do not have coverage within a registered pension plan? Somewhat surprisingly, the issue of income replacement rates for people who do and do not have pensions has not been addressed up until now, largely because of lack of data and the longitudinal data of the duration that we need to address that question.

But on that point, we could ask what the implications are for retirement of having or not having pension coverage. Last year we released the 2007 General Social Survey, and in that release we focused on non-retired Canadians who were 45 to 59 years and we asked them a whole battery of questions about what their plans and expectations were around retirement.

What we found was that pension coverage was associated with a number of plans and expectations. Individuals who did not have a pension plan were far more likely to say they did not intend to retire. There was a difference of about 12 percentage points between those two groups. Of those who said they planned on retiring, those who did not have a pension plan were far more likely to express uncertainty or to say they didn't know about the timing of their retirement.

Clearly, if you have a defined benefit plan and you know at age 60 you will get *x*% of your salary, it will add certainty to one's retirement plans. And similarly, among those who stated a planned age of retirement, the likelihood of saying they were going to retire before age 60 was 17% of those who did not have a pension, but 39% of those with a pension. So the age of retirement and the age at which people leave the labour force is fundamentally different for those with and without pensions.

Finally, we asked these near-retirees: at the time you expect to leave the workforce, do you think your retirement will be more than adequate, adequate, barely adequate, or not adequate to maintain your standard of living? What we found was that 74% of people with pensions said they expected their retirement income to be adequate or more than adequate, compared to 60% of those with no pension. So that was a difference of about 14 percentage points. Quite clearly, there are differences.

In another study we have currently under way, we're just looking at a very narrow cohort of individuals using the tax file data. These are people who did or did not have RPP coverage in 1991 when they were 55. And by the time those individuals were 70 to 72 years of age, the difference in the proportion who were retired and who had left the workforce was 5 to 15 percentage points, depending on where they were in the income distribution. So quite clearly there are implications.

The final point I would draw from that last study, though, was that of those individuals who had left the workforce—those with no RPP, they had retired—we didn't find a significant difference in the earnings replacement rate achieved by RPP members and non-members. RPP non-members were far less likely to be retired—as I've just said, there was a difference of 5 to 15 percentage points—but of those who had left, at age 70 to 72 they were replacing a comparable share of their earnings that they had had at 55 years.

That's only one study, and given the importance of that issue, it certainly warrants more and deeper analysis, and that's certainly an important question to keep pursuing.

● (1610)

Ms. Irene Mathyssen: So the poor are working longer, then. And I know the retirement age has been pushed up to 71 in most recent legislation. Is it because people are so poorly prepared for a secure retirement that they're working longer? Do the statistics suggest that they're becoming Wal-Mart greeters, that kind of thing?

Mr. Grant Schellenberg: The certainty around the planned retirement age is correlated with things such as household income, with pension coverage, with the amount of RRSP savings. So certainly financial preparedness is central in all of that, absolutely.

Ms. Irene Mathyssen: I was doing some background reading, and one of the things I came across—in Monica Townson's work, but I've read it elsewhere—was that the uptake in terms of RRSPs is significantly lower than what's available. People simply can't afford it. They don't have that liquid income or they're raising kids or caregiving, or a host of any other reasons. That inability to provide that little extra cushion against a lack of a good defined benefits pension would seem to suggest that's the reason we're seeing people working longer and being less able to retire in what we would call a dignified and comfortable way.

Mr. Ted Wannell: If we go back to the early CPP uptake—people who take their CPP in their early sixties—and split that figure into those who have some registered pension plan income and those who do not, those who do not are far more likely to go back to work and work a significant amount than those who also have pension incomes. It seems that there are at least some people who retire without that adequate income, then reassess their situation and end up back at work fairly soon afterwards.

The Chair: Ms. Mathyssen, that's your time. Thank you.

We're going to the next round. Welcome, Ms. Guarnieri. It's a pleasure to have you. You will share your time with Anita?

● (1615)

Hon. Albina Guarnieri (Mississauga East—Cooksville, Lib.): That's right. Thank you, Madam Chair.

The Chair: Five minutes for this round.

Hon. Albina Guarnieri: Thank you.

In the 21 years that I've done constituency work, I've had some occasion to witness some very sad stories. One issue that has always bothered me is that women who lose a spouse have to cope with an immediate drop in household income. They're reduced to the survivor benefits without any bridge or transition period. This leaves them with a couple of options, for those who aren't wealthy, where they may have trouble paying their immediate rent, or they may have to look into selling their home to make ends meet, to move into a smaller home. I wonder whether or not you would consider that there would be merit for this committee to explore maybe a six-month transition period, where they continue to use full OAS and CPP benefits for say, six months or three months. I'm pulling six months because that seems reasonable to make a transition to the next step.

I am eager for your thoughts. I see that you're smiling.

Mr. Ted Wannell: Well, the statistical evidence we have on that is from a couple of studies that were done a few years ago. One was in an international context and just looked at replacement rates right after widowhood. Generally, they showed that right after the spouse dies, it really wasn't an issue. But we're always looking at averages, medians, means, so there are always cases at the ends of the distribution where things are a little bit different.

If we look at a Canadian study that was a little bit longer term, it looked at the income tax data, and again they found there was not a lot of evidence, at least in talking about the means or medians, in terms of immediate large declines in income replacement rates once you take account of the fact that the number of people in the household had been reduced. However, over the following five years, the income declines far more for widows than it does for widowers. So over time you get a greater gap between the incomes of the two groups. That corresponds to what we see in terms of the GIS rates, where the GIS rates for women definitely seem to be going up as they age.

Hon. Albina Guarnieri: That's interesting that, yes, the data do not support difficulties immediately after, but I must confess, I should be sending you my constituency cases, which would indicate otherwise.

I don't want to eat into Anita's time.

The Chair: Anita, you have two minutes.

Hon. Anita Neville: Thank you.

You referenced earlier that divorced women—I was going to focus on what my colleague did as well, on single women—are particularly disadvantaged as they move through with pensions. Have you done any study on the impact of the splitting of pensions at divorce?

Mr. Grant Schellenberg: No, we haven't.

Hon. Anita Neville: Okay. Going back to my colleague's question, women frequently live much longer than men. Women are frequently alone much longer. We currently have income splitting for couples, which provides a financial advantage if you're in a couple situation, but it strikes me that the single person, man or woman but usually woman, is particularly disadvantaged. You're saying that your data isn't showing anything of the sort.

Mr. Grant Schellenberg: When I raised the issue of marital status, I wanted to get at what were the potentially vulnerable populations in terms of perhaps low income. Without getting into the discussion around what constitutes low income or what constitutes poverty, if we look at the census data from 2006 and we use the low-income cut-offs before tax—these are women who are not living with family members and are 75 years of age or older—we get a low-income rate of 28% for those women who had never married during their lives and a low-income rate of 29% before taxes of those who were widowed. For those who are 75 and over but divorced, the low-income rate was 42%. That's a difference of about 13 percentage points. If we look at the 65 to 74 age group, the low-income rates for the widowed and never married are in the range of 25% to 30%, and the rates of the divorced are in the 39% range. That's where I was coming back to for late-life changes in family formation or dissolution in this case, and the implications for financial well-being.

● (1620)

The Chair: I think we've really run out of time on that one.

Alice.

Mrs. Alice Wong (Richmond, CPC): First of all, thank you very much for such a detailed study. I would like to draw your attention to the second slide, the percentage of paid workers with pension coverage by sex and age group. We can see that between 1997 and 2007, it stands out very clearly that the 25 to 34 age group probably have gone into jobs with pension coverage.

Relating to age, then we have the 45 to 54 age group who are also covered with pensions. Is there a correlation between the pension coverage and the RRSP that they get into?

Mr. Grant Schellenberg: In the taxation data we have here, you'll notice that the absolute numbers that are reported within age groups vary somewhat because different things are included within these figures. The taxation data are based on something called the pension adjustment that's reported. That's where those data are coming from, so that's where the four percentage point increase in the proportion of young women here with a positive pension adjustment comes from.

That could include, and does include, deferred profit-sharing plans within the taxation data, and given the nature of the data, we can't net out the implications of deferred profit-sharing plans. In the survey data, we also see the increase. Within those numbers, we also have the possibility that survey respondents mistook a group RRSP for a registered pension. My suggestion is that the reason the survey data are higher than the tax data is for that reason. But if one assumes that they're equally likely in 2007 as in 1997 to get those things confused, the overall trend is still upward and of the same magnitude. If one assumes that the reporting error is of the same magnitude, it's suggests that something is happening there.

Mrs. Alice Wong: Based on what you just said about the confusion, isn't it true that younger people are now looking at financial literacy more than older women who have not had the opportunity of being educated on the way to invest or the way to plan, and also retirement planning for women? Do you see a correlation between financial literacy and retirement planning, and hence the results of their pensions at the end? It's complicated, isn't it?

Mr. Ted Wannell: We really don't have a whole lot of evidence on that right now. There's actually a new survey that will become available in the next few months on financial capability, and it should answer a lot of those questions on demographic characteristics. It actually contains questions that are almost like a test of people's ability to plan their finances. Within a few months, we should have a lot more answers than we do right now on the ability of different groups to engage in financial planning.

Mr. Grant Schellenberg: Could I add one thing on that issue?

One of the issues we face when we do surveys of this sort and ask people in telephone interviews about their pension coverage and so on is that how well they understand their retirement savings vehicles is somewhat suspect. For example, a few years ago we did a workplace and employee survey. In that survey we surveyed employees within a firm. We also had the management of the firm fill out an independent survey. What we found was that some 10% of individuals reported that they had a pension plan, and when we surveyed the firm, the firm didn't offer a pension plan.

More recently, when we looked at the 2007 General Social Survey report, of the people who self-identified as pension plan members, 15% said that they didn't know what type of plan they had. These were individuals who were 45 to 59 years old and who were presumably approaching retirement. The other thing that stood out from those results was that we asked individuals who they received financial advice from. Again, these are people aged 45 to 59. I think around 30% of them said that they didn't receive financial advice from anyone. Some received financial advice from a spouse or a family member. We don't know about the quality of the advice. I think about half—I could confirm those numbers—were receiving financial advice from a financial institution or a financial adviser. The likelihood of not receiving financial advice was higher among people with low incomes and higher among more recent immigrants to Canada and other groups.

Coming back to Ted's point, in December or January we will be releasing a survey of financial capability, and it will shed more light on this issue.

● (1625)

Mrs. Alice Wong: How much time do I have?

The Chair: You went 11 seconds over.

Mrs. Alice Wong: Can you get that information for me?

The Chair: Yes. I will ask for that information before the witnesses leave.

We'll go to Mr. Desnoyers.

[*Translation*]

Mr. Luc Desnoyers (Rivière-des-Mille-Îles, BQ): Thank you, Madam Chair.

On page 3—which interests me the most—you state that the coverage rate for women in the private sector is approximately 22%. Is that correct?

[*English*]

Mr. Grant Schellenberg: Yes, that's right.

[*Translation*]

Mr. Luc Desnoyers: You also state that 59% of women have fixed benefit plans and that 26% have fixed contribution plans. Is that correct?

[*English*]

Mr. Grant Schellenberg: What that table shows is that for women in the private sector, 22% have an employer-sponsored pension plan or a registered pension plan. The defined benefit, defined contribution, and mixed plans are part of that 22%.

There is an interesting point to be made here. Take as one's benchmark the defined benefit pension plan. If you multiply the 59% by the 22% coverage rate, what that table shows is that 13% of women in the private sector have a defined benefit pension plan and 18% of men in the private sector have a defined benefit pension plan.

[*Translation*]

Mr. Luc Desnoyers: So that means that 78% of women in the private sector don't have coverage, that they don't have benefit plans —

[*English*]

Mr. Grant Schellenberg: Seventy-eight per cent don't have coverage under a registered pension plan. That proportion would be reduced to the extent that people have group RRSPs, which are not included in this database.

[*Translation*]

Mr. Luc Desnoyers: Those 78% therefore can vary by a few percentage points, from what I understand. So a lot of women won't have coverage at retirement, according to those statistics, unless I'm mistaken.

[*English*]

Mr. Grant Schellenberg: That's correct.

[*Translation*]

Mr. Luc Desnoyers: So that means that most of them, that 78%, will never be able to comply with what all the financial advisors say, that you have to cover nearly 60% to 70% of your income in order to have an adequate pension.

[*English*]

Mr. Grant Schellenberg: Think about Canada's retirement income system as comprising three tiers: OAS and GIS are the first tier, the Canada Pension Plan is the second tier, and registered pension plans and RRSPs are the third tier. While the majority of women in the private sector do not have a registered pension plan, the extent to which they can contribute to RRSPs is there as the alternative savings vehicle, with higher contribution limits set for those who don't have the pension adjustment.

[*Translation*]

Mr. Luc Desnoyers: Do we have any statistics that show where the majority of these women stand from a wage perspective? Are they in the high, average or much lower wage category?

That means that, if they are in the wage category... Those women who have been displaced from their jobs as a result of the current crisis are all in the low-end of the wage category. Logically, their chance of having RRSPs ultimately is virtually nil. Can we have your comments on that subject?

● (1630)

[*English*]

Mr. Grant Schellenberg: The viability of purchasing RRSPs, obviously, and the economic and the tax advantage of investing in RRSPs would vary across the income distribution. I think it would be an overstatement to say the vast majority of them are concentrated at the very bottom of the income distribution. Women in the private sector, particularly those with higher levels of education, do achieve reasonable earning.

I think your point here is to express concern that within the private sector a significant proportion of women do not have RPP coverage and are likely to have earnings at which RRSP contributions are not feasible or do not make tax sense. And I would say that there is a significant proportion of women for whom that is the case.

I would add that there would be women farther up the distribution who are making RRSP contributions as well. There's a range.

The Chair: Thank you.

Yes, Monsieur Desnoyers.

[*Translation*]

Mr. Luc Desnoyers: Would it be possible to get the data on what you've just said?

[*English*]

Mr. Grant Schellenberg: Yes.

[*Translation*]

Mr. Luc Desnoyers: Thank you.

[*English*]

The Chair: Irene Mathyssen.

Ms. Irene Mathyssen: Thank you, Madam Chair.

I have a question in regard to the longer term. Currently CPP is indexed using the consumer price index, but we know wages rise more quickly, or they have been rising more quickly, so essentially families earning income are doing better in terms of their ability to have spending money, a standard of living. In terms of those who are retired, since the CPP is based on the consumer price index, they're falling further and further behind and their standard of living is in decline. I'm wondering if you've taken a look at the impact of that in terms of whether we should be changing the way the CPP is calculated. Is that something we should take a serious look at?

Mr. Ted Wannell: I don't think we want to say anything about what should be done.

For example, we know that in the United States the situation is the opposite and they're having a hard time financing things based on the average industrial wage. I think we have to recognize that when you come into the system your starting pension is based on increases in the average industrial wage and it switches into CPI mode once you start receiving the benefits.

I think the other thing to think about is looking at what the needs are. What we generally know there, looking at household spending patterns over time, is that people's household spending tends to stay pretty flat until about age 75 and then starts to decline after that. And whether that is based on actual declines in their needs or declines in the relative spending power of the CPP, we really don't know.

Ms. Irene Mathyssen: I want to get back to this income replacement rate of between 60% and 70%. Do we know what proportion of senior women actually experience that level of replacement income upon retirement?

Mr. Grant Schellenberg: The issue of income replacement rates is one that I would approach as a basket of indicators that one uses to assess the financial well-being of seniors. It is very possible to have a woman who has very modest attachment to the paid labour force through her working life, then at age 65 receives the guaranteed income supplement and old age security and meagre CPP benefits, and her earnings replacement rate is far above one, it might approach two, but her absolute level of income may be $15,000 or $18,000. So when we look at the very bottom of the income distribution, the concept of income replacement rates provides some information, but if your income was low during your working life and your income is comparable during your retirement, you will have a replacement rate of one. At that point, I think the additional indicators one ought to consider would be absolute levels of income, composition of income, and the extent to which one would rely on the guaranteed income supplement and other income support programs to maintain income in old age.

When we get further up the income distribution or, more accurately, the earnings distribution, the earnings replacement rate begins to make more sense in terms of a measure of the replacement of the standard of living. So at the middle of the distribution, if your earnings are $80,000 at age 40 or 50 and your income at age 70 is $50,000, you have a replacement rate of 0.67, and that in conjunction with some indicators around absolute levels and composition of income provides you with a picture. Similarly, you could have a hockey player with the Ottawa Senators who has a huge income at age 30 and huge lifetime earnings and has an income replacement rate of 0.3 at age 70, when in fact that tells us very little about the standard of living he is able to maintain.

In that sense, then, I would flag income replacement rates or earnings replacement rates as one of a series of measures that are useful to assess financial characteristics, but on it's own, I think, it ought to be interpreted with a degree of caution.

The other point I would make here is that while the concept of earnings replacement rates is frequently used and is an attractive benchmark for financial planners and policy-makers, there is no single agreed-upon definition of the concept or how to measure it. When we go back to the literature on this, you find people use very different things in the denominator. For pre-retirement income, is it income that is in the denominator in the calculation or is it earnings? If it's either of those, what do we count as pre-retirement? Is it the five years before receiving CPP? Is it average earnings between 45 and 64? Is it average annual earnings over a lifetime? What one puts in the denominator makes a very big difference.

Similarly, a numerator of the replacement rate, that is income in retirement, is not exactly straightforward either. For example, we have a significant proportion of people at age 70 who are receiving earnings. The very concept of an income or earnings replacement rate means that earnings are being replaced with something else. So if they are still working, do we count them in an earnings replacement rate calculation and do we count their earnings in that? Different people take different approaches to both of those issues.

One more that I would flag here is coming back to your issue of the CPI versus the average industrial wage. How do we adjust the dollar figures from the pre-retirement to the post-retirement period of time? Do we put them in constant dollars using the consumer price index, or do we put them in constant dollars in terms of average industrial wages or some other wage measure? That also can have very big implications for replacement rate outcomes.

To further complicate matters, sometimes in the calculation of replacement rates people take into account declining family size—the fact that children leave home and hence a dollar at age 70 may go further, or not—and family size at, say, age 40, and how does one take that into account?

● (1635)

Finally, I would throw into all that mix, how does one treat home equity in the replacement rate? If you live in a home at age 70 that you own outright, do you calculate some form of imputed rent? In a sense you're deriving an invisible income stream.

The Chair: Thank you very much. You went well over time, but you were bringing in some very important indicators that we had to look at.

Sylvie.

[*Translation*]

Mrs. Sylvie Boucher (Beauport—Limoilou, CPC): I'm going to share my time with Ms. McLeod.

I just have one brief question on the table that Ms. Desnoyers referred to earlier. We see that the coverage rate for women in the private sector is 22% and that of men is 29%. Unless I'm mistaken, there is still a seven-percentage point difference between women and men.

Have you made any calculations to determine the wage category they're in? Are the 29% of men and 22% of women in the same wage category? Are they in the middle, lower or upper ends? Could we have those figures concerning wages so we can determine where women in the private sector stand relative to men as regards pensions?

● (1640)

[*English*]

Mr. Grant Schellenberg: The 22% and the 29% in the private sector are the gross unadjusted rates. It's virtually all women, all men, with no attempt to make comparisons among those who have comparable levels of income.

Now, with this data source, the question is on limitations of the data. For example, regarding the data source with the 22% and the 29% that we have here, we don't know anything about those individuals aside from whether they're male or female. We don't know their earnings or their ages. To get a comparison of what you're talking about, one would hope we could go to tax data, for example, and there we have very good information on the earnings and pension coverage. The problem is that for prior to 2000 we have no information about the industries in which they're working. I think in more recent years we do have that, so we could look at private sector coverage, in a sense controlling for earnings, as you're suggesting. We could go back and do that, using the taxation data or the survey data to make the comparison you're asking for.

[*Translation*]

Mrs. Sylvie Boucher: That would be very important.

[*English*]

The Chair: Cathy.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Madam Chair.

As I've listened to my colleagues' comments, I think a few things really stand out. On the idea of the divisions of pensions and divorce, which Ms. Neville mentioned, I think it would be great to have some more data there.

Ms. Mathyssen had some discussion regarding people working as Wal-Mart greeters, perhaps when they're 65. That was portrayed as not being something that people choose to do. I guess there are times when people enjoy some jobs in their retirement and find taking on these tasks to be very much in keeping with.... It would be interesting to know how much of it is choice and how much of it is supplement.

As my children are heading into the workforce, we're trying to encourage them to save money for their retirement right from the start. Is there a difference in, let's say, comparable income—it's $20,000 now and it's $40,000.... Is there a change in how the new generation is saving for retirement when they don't have plans? Is anything done there?

Mr. Ted Wannell: It's something we could look at with the tax data, for sure, if you're interested in, say, RRSP contributions as well as our RPP coverage, but I'm not aware of any study that has done it.

Mrs. Cathy McLeod: I have a quick question, for my own knowledge. I understand there's some way within CPP they recognize time but not contribution. Could you clarify for me the child-rearing years? How does that work?

Mr. Grant Schellenberg: My understanding of the CPP—and if there are HRSDC people here, they can correct me if I'm wrong—is that the contributions are based on years of earnings, but that there is a formula to exclude years of low earnings or non-earnings; I think it's your seven lowest years of earnings over a 35-year period. That's excluded from the calculation of retirement benefits, recognizing the likelihood that women, for example, are likely to be out of the workforce.

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you, Cathy.

Thank you very much. We could keep you here for another two hours. This is very, very interesting.

You will get a note from the clerk, obviously, asking you for some data that everyone wanted, but Ms. Guarnieri wondered if you could provide us with any data to support the answer to her question, which was specifically about when a woman loses a spouse. She talked about her six-month interim, and you said that you noted it was later on and not in the immediate time after the loss of a spouse. Do you have any data to support that? She wanted to know. If you have, could you send it to us, please?

Secondly, I think Ms. Wong and Ms. Hoeppner wanted the work on the general survey in 2007, about how near-retirees may be lacking in financial information, and also perhaps the retirement plans and expectations of non-retired Canadians between 45 to 59, which you did, Mr. Schellenberg. Those are a couple of the things, but we will send you other information later on.

You did not give us any information on women in the unpaid workforce other than the fact that obviously they probably receive survivor benefits, OAS, and GIS. Is there a way to get any information on that, or is that really all that is available to them? If one wanted to look at ways to value unpaid work, would one have to come up with a brand-new policy? Is there no data on that?

● (1645)

Mr. Grant Schellenberg: There has been work done at Statistics Canada in the past, by Dr. Leroy Stone, on the value of unpaid work. As for where that research stands now and what he concluded at the end of that, I'm not sure. I'm sure there are some documents summarizing what he has done that we could send over.

The Chair: Thank you very much.

Mr. Van Kesteren.

Mr. Dave Van Kesteren: Madam Chair, I asked if they could also give us statistics on the ratio between private and public between men and women. Could they could provide us with that?

Thank you.

The Chair: Yes.

Thank you very much.

Mr. Grant Schellenberg: Thank you.

The Chair: We will suspend now.

[*Proceedings continue in camera*]

MAIL POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid | Port payé

Lettermail | Poste–lettre

1782711
Ottawa

If undelivered, return COVER ONLY to:
Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5

En cas de non-livraison,
retourner cette COUVERTURE SEULEMENT à :
Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

Additional copies may be obtained from: Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the following address: http://www.parl.gc.ca

Publié en conformité de l'autorité du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

On peut obtenir des copies supplémentaires en écrivant à : Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : http://www.parl.gc.ca