Pension and Power

There are four main ways that the state has provided for income security in old age. **Old Age Security** (OAS) provides a universal indexed grant to all seniors over 65 and may be supplemented by the **Guaranteed Income Supplement** (GIS). First developed as a stop gap measure for the worst cases of elderly poverty in the 1930s, full OAS and GIS benefits are capable of putting married seniors within striking distance of the poverty line, but not of getting them out of poverty. Benefits for unattached seniors are well below the poverty line. The second option, the **Canada Pension Plan** (CPP), is publicly administered and mandatory for everyone in the paid work force. Unlike the OAS and GIS, benefits are tied to contributions made by workers and their employers throughout their working life. Payments are made of 25% of a worker's average earnings between the ages of 18 and 65, and the maximum insurable earnings for each year cannot exceed the average industrial wage. Like the OAS and GIS, the CPP is indexed to the cost of living. Third, the government provides tax deductions for private employer sponsored pension plans, **Registered Pension Plans** (RPPs) which often are negotiated by unionized and professional employees. Finally, individual savings incentives are offered in the form of tax deferrals for **Registered Retirement Savings Plans** (RRSPs).

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Pensions are big news. The ageing of Canadas population and the persistence of poverty among Canadas elderly, especially women outside of marriage, means that the laws that shape our economic well being in old age are of significant concern to people of all ages. Pensions are required because the poverty of the elderly is structural: it is the result of a market economy that is based on wage labour, but that denies access to wages to the old. These market forces make it necessary for the government to enlist society as a whole to support seniors through public income security plans at retirement age. However, increasingly the government is returning this role to the market.

Lately we cannot turn on the news or read the paper without a story about how the baby-boomers are going to break the Canada Pensions Plan, and how we need to invest in RRSPs. Less visible are the competing interests and power struggles that ultimately have determined the purpose and structure of income security in old age and that have shaped pension law in Canada. The governments endorsement of the RRSP, an individual savings model encouraged by massive tax expenditures, has been the most significant change to government pension policy in the last 30 years. The development of the RRSP as the primary retirement income vehicle is much more problematic than the lack of critical attention in the media might indicate: as a pool of capital for investment, RRSPs serve their purpose well; but in their role as a government sponsored and subsidized means of addressing the problem of elderly poverty, they call for deeper analysis. Like poverty itself, pension law is an important location for the construction of social power. The increasing privatization of retirement savings vehicles cannot be understood in isolation from the social context that engendered it.

In the last ten years, federal legislation has made RRSPs increasingly accessible. Ottawas 1988 budget provided for an annual $1,000 increase in the allowable tax exemption for retirement savings, from $7, 500 in 1987 to $15,500 in 1995.[1] As the *Globe and Mail* remarked in a special section on financial planning in 1993, rising RRSP contribution limits contain a clear message from the government [that] personal savings, the [fourth] component of retirement savings, is fast becoming the crucial one.... They re saying: here are the tools you need to fund your retirement dont expect us to do it. [2] What this article does not say, however, is that the virtual abandonment of direct public solutions to the inadequacies of the current pension system has left most Canadians with no alternative.

The public pension system the CPP, OAS and GIS has been weakened significantly in the last fifteen years. Forward progress was halted in the late 1970s, when Ontario vetoed a drop-out clause in the CPP that would have excluded up to six years time, put into raising children, from the calculation of average contributions. In 1985, the Mulroney government moved to de-index public pensions from the cost of living but was blocked by senior citizens in an effective show of strength.[3] In 1987, the same government limited the universality of the OAS by including it in calculations of taxable income. With the 1995 budget, the federal government began to tax OAS benefits on the basis of family income rather than individual income, and now is promising to move towards a means tested rather than universal grant. The social

1 Currently, Finance Minister Paul Martin has frozen the exemption at $13,500. While this represents a decline from 1995 levels, it should be noted that the maximum allowable tax exemption has been entrenched, for the time being, at almost double the 1987 limit: see *Budget 1996: Budget Plan tabled in the House of Commons by the Honourable Paul Martin, PC, MP, Minister of Finance* (Canada: Department of Finance, 6 March 1996) at 50.

2 Gail El Baroudi, "For fifty-somethings, a new sense of urgency" *The [Toronto] Globe and Mail* (21 September 1993) C1 at C7.

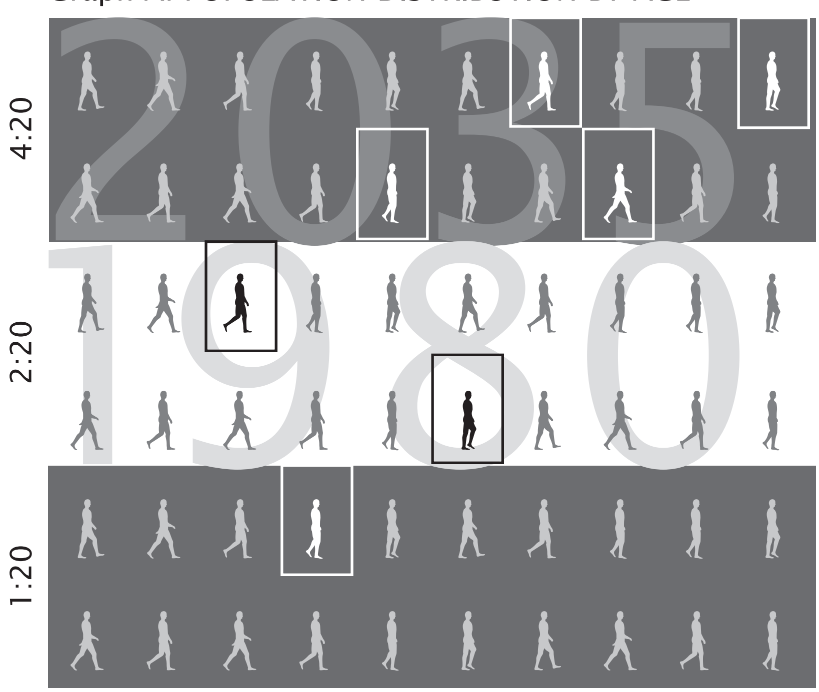
3 The OAS and CPP have been indexed to the cost of living since changes to their Acts in 1971, so that benefits increase as inflation increases.

transfer legislation introduced with the 1995 budget has thrown the enforcement of national standards back to the provinces, and the provincial finance ministers already are discussing a lowering or dismantling of those standards. The effect has been to create a great deal of insecurity about OAS and the CPP, and to drive Canadians who can afford it toward private pension solutions.

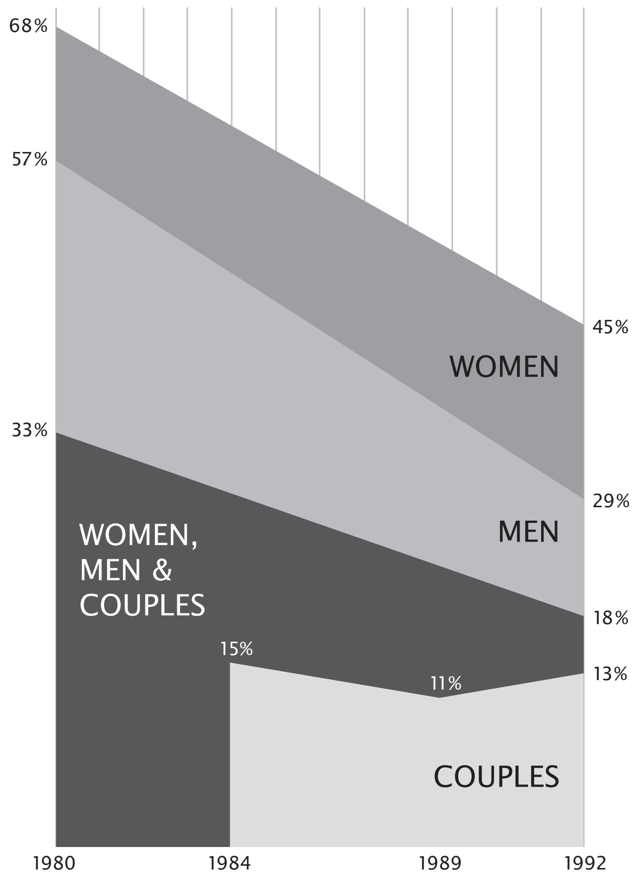
Powerful Players in Pension Law Reform

Fifteen years ago, the traditional players in making pension policy business, labour and government were fighting over how retirement income should be structured to meet the shortcomings of company sponsored pension plans. Other groups with a large stake in the final outcome also entered the debate on the basis of a different set of priorities. Womens advocates were most visible, but also were joined by senior citizens groups and social welfare organizations. In many ways, however, the parameters of the debate had already been defined. The four tiers of the pension system establish a state enforced hierarchy between the interests of private profit and public benefit; between earners and non-earners; and between universal programs designed to promote equality, and individualized programs designed to promote initiative.

Graph A: POPULATION DISTRIBUTION BY AGE



Ratio of persons 65 or more years of age to persons under 65 years of age, grouped by year. From the National Council of Welfare, “Fighting Poverty: The Effect of Government Policy,” in D. Drache & D. Cameron, eds., *The Other McDonald Report* (Toronto: James Lorimer & Co., 1985).



Graph B: POVERTY RATES

Poverty Rate among unattached women, unattached men and couples over 65 years old. From the National Council of Welfare, *Poverty Profile 1992* (Ottawa: Minister of Supplies and Services, 1994).

War metaphors were rampant as organized labour geared up for battle on the pensions issue in the early 1980s. Its agenda was to reform private employer pension plans, including providing for improved vesting mechanisms, portability and survivor benefits, joint union and company administration, and full disclosure to unions of company plans.[4] Labour s priorities, of course, were different from and even contradictory to the priorities of business. Even more at odds with the agenda of corporations was labour s endorsement of a primarily public pension scheme in preference to the private plans. The Canadian Labour Congress in 1980 called for the doubling of CPP benefits to 50% of the average wage so that workers not covered by private plans would not be left without a secure income after retirement. They also supported, in principle, an expansion of the GIS and OAS. The state, they argued, had a vital role to play in providing for all workers and in regulating the power of the corporate sector and pension industry.[5]

4 See, for example, Bob Baldwin (National Representative of the Canadian Labour Congress), "CLC Policy and the Politics of Pensions Reform" in *Pensions: Public Solutions vs. Private Interests: Conference Proceedings Series No. 1* (Ottawa: Canadian Centre for Policy Alternatives, 1981) at 199.

5 Louis Erlichman, "An Expanded Public Pension Plan and Collective Bargaining" in *Pensions*, see note 4 at 169.

For the most part, however, labour remained focused on a wage-replacement model of retirement income that favoured earners over non-earners. The CPP was central to its platform in that it incorporated the equalizing effects of direct state involvement in a near-universal program, while continuing to reward paid labour above unpaid work. CPP also keeps profits from the pension plan out of the hands of industry, investing them instead in universal and indexed benefits after retirement.

Organized labour s emphasis on the earnings-based CPP did not answer the concerns of women, poverty advocates or the elderly; nevertheless, for these groups any public system that provided for income after retirement was preferable to private pension schemes. Submissions to the Ontario Royal Commission on Pension Reform of that era make it clear that the focus of private pension schemes individual self-maximization over universality and equality, for the benefit of high earners over low earners was not going to meet the needs of women or the poor. Even when representatives of private plans did consider the specific needs of women, they considered women only as dependents or survivors of plan members, and never as members in their own right. The Royal Commission thus remarked that:

> it is evident from many briefs to this Commission by organizations involved in the pension industry, such as Canadian Institute of Actuaries, Canadian Life Insurance Association, Canadian Manufacturer s Association, and Trust Companies Association, that the position of women is not seen as an issue in future pension planning. When the matter is addressed, it is in terms of the dependent stereotype - that is, women are not considered as pension plan members, but only as *survivors* of plan members.... A common recommendation from the industry might urge an automatic joint-life provision in plans, but no discussion is found which relates the provisions of pension plans to women s need, desire and ability to provide for their own financial security.[6]

Clearly, women s need to provide for their own security was not a priority for the private pension industry. But it should be noted that this industry is, almost by definition, ill-equipped to address the issue of poverty among older women. Many women do not even have the option to choose private pensions because they do not work for pay. Of those women who do have access to

6 Monica Townson, "Women and Pensions" in *Pensions*, see note 4 at 133.

private employer plans in their own right, many are still at a disadvantage within the wage earning model because of womens lower wages and their decreased and interrupted participation in the paid work force. For these reasons, many womens groups rejected private systems altogether and focused on changes to the two tiers of public retirement income: the CPP and OAS/GIS.

The Canadian Advisory Council on the Status of Women was one of the organizations working for change to the CPP. This group fought to make CPP credits recognized as marital property, thereby giving women some access to their spouses accumulated benefits in case of marriage breakdown. They also fought to incorporate a drop-out clause in the CPP, similar to the one in the Quebec Pension Plan, that would exclude up to six years spent in unpaid child care work from the calculation of average wage. More radically, the council lobbied hard for a provision in the CPP to value womens unpaid work in the home in the form of homemakers pensions.[7] Homemaker pensions, it was argued, would acknowledge the merit of womens work, and recognize that women are deserving of retirement income in the same way that mens pensions are considered a right and not a gift.[8] Surprisingly, this plan was even fleetingly discussed, though not pursued, during the 1984 federal election campaign.[9]

Others, however, were convinced that the wage-replacement model upon which the CPP was based was intrinsically incapable of meeting older womens needs for financial security and independence. Economist Diane Bellemare, in a brief to a pension policy conference in 1981, argued that:

> ...any restructuring of the retirement income security strategy must transcend the notion of individual self-reliance which predicates the adoption of contributor pension plans associated with remunerated employment. In other words, to be effective, any review of our present income security strategy must dissociate the right to a decent retirement pension from participation in the labour force and the amount of contributions paid. This dissociation is imperative if we really want to deal with the problems faced by those already retired, by women and by those whose participation in the labour force is irregular.[10]

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7 *Homemaker Pension; For work that deserves concrete recognition* (Canada: Advisory Council on the Status of Women, 1985).

8 Louise Dulude, "Pension Reform with Women in Mind" in *Pensions*, see note 4 at 159.

9 "Pensions for homemakers recommended" (18 April 1983) 16:16 Ottawa Letter 120 at 120.

10 Diane Bellemare, "Collective Strategies for Retirement and their Underlying Values" in *Pensions*, see note 4 at 46.

between waged work and the right to a decent retirement income needed to be fundamentally challenged in a way that, from a theoretical point of view, not even homemaker s pensions would do. Both Bellemare and the Council s homemaker pension proposal, however, share a common understanding of the role of the state in pension law. In fighting for the expansion of universal state benefits, these advocates were once more looking for ways to break the structural dependence of women on a male wage that is implicit in the wage and work force structure, and mirrored in earnings based pension plans.

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The entire basis of the CPP pension scheme, the preference for the waged over the unwaged, and the unquestioned correlation between waged work and the right to a decent retirement income needs to be fundamentally challenged in a way that not even homemaker's pensions would do.

Women s advocates were joined by anti-poverty advocates and senior citizens groups in calling for a de-emphasis on the wage replacement model in favour of an expansion of the OAS and GIS. The National Welfare Council argued that an expansion of the public system was the only means to address the needs of the unpaid and underpaid specifically women, the unemployed, and the disabled. The *Association quØbØcoise pour la dØfence des droits retraitØs et des prØ-retraitØs* (AQDR) advocated a universal and public system for everyone, with fixed benefits for everyone men and women, administered by the State. It would be indexed and managed publicly and in part by the elderly themselves, without involving the private pension industry. The scheme would provide benefits of 15% above the poverty line, a flexible age of retirement, and better home care services.[11]

Thus, despite different views as to how it should be accomplished, women, seniors, anti-poverty groups, and labour all argued that supporting the elderly was the responsibility of society as a whole and not only of the individual. This philosophy was in marked contrast to the agendas of

11 Claude de Mestral, "Recommendations and Priorities of the Elderly" in *Pensions*, see note 4 at 237-238.

private suppliers of pension funds and the industries that relied on their services. In 1981, senior corporate officials in the pension industry took the position that they would fight to the last breath in this country against any further expansion of the Canada Pension Plan or the Quebec Pension Plan because they would consider that a declaration of war against the private enterprise system. [12] The assortment of interests loosely referred to as the Pension Industry would ultimately demonstrate that they had the power to make it a very good fight.

The Pension Industry actually comprises a range of different institutions and actors, united by their diverse interests in large accumulations of capital available for investment. It includes as its allies Canadas business leaders, and even international powers such as the Organization for Economic Cooperation and Development.[13] Lobby groups like the Committee on Pension Policy include the Canadian Chamber of Commerce, the Financial Executives Institute, and the Canadian Manufacturers Association. Institutional investors like trust companies, banks, and investment companies are the primary carriers of private pension moneys. In return, the industry profits from the stock investments, and even venture capital, that derives from these moneys.

The introduction of the RRSP appears to address some of the specific demands of labour and women's groups for greater portability and flexibility. However, the move toward an individual savings model is a distinct setback for those seeking to modify the inequitable distribution of benefits provided by the private market system.

The Toronto Stock Exchange stated that pension funds and other institutional investors have vitally influenced macro-economic performance. [14] In 1979 institutional investors held nearly 56% of all stocks and roughly 80% of all bonds.[15] Their potential was already being recognized as a source of venture capital by merchant bankers, and as the key supply of investment in industry.[16] As pension funds became ever larger and more

12 Mike Rygus, "The Realities of the Problem: A Labour View" in *Pensions*, see note 4 at 9.

13 In 1992, the OECD was urging governments to adopt RRSP models for retirement income: see Elizabeth Duskin, "Private Pensions and Public Policy," OECD Social Policy Studies No. 9 (Paris: Organization for Economic Co-operation and Development, 1992).

aggressive in their investments, a massive influx of capital was expected for the oil and hydroelectric sectors, young industrial companies, and foreign securities markets.[17] By 1982 the role of pension funds in supplying the capital resources of the economy was substantial.

At that point, the pension industry was not reconciled completely to a public pension plan that redistributed payments as fast as it received them. It endorsed, instead, the development and expansion of the Registered Retirement Savings Plan. Tax breaks for individual savings were comparatively limited in 1982, but the pension industry saw great potential in them. RRSPs, like private employee pension plans, would continue to feed the need for vast concentrations of capital for investment. At the same time they are more portable, flexible, and profitable than are company sponsored plans. Industry also supported an individual approach because it lifted the contribution burden imposed on employers in work-related pension schemes.

The entrenchment of an individual savings approach, facilitated through tax breaks and private plans, thus had significant benefits for many in the financial and business sector. And it is this corporate agenda that has been taken up by finance ministers, from Michael Wilson to Paul Martin, in the significant reallocation of government funds away from universal OAS toward massive tax expenditures to support private savings in the form of RRSPs.

The Privatization Agenda

Amendments to employment pension plans, and the introduction of the RRSP, appear to address some of the specific demands of labour and women s groups for greater portability and flexibility. However, the move toward an individual savings model is a distinct setback for those seeking to modify the inequitable distribution of benefits provided by the private market system. The shift to privatization is an entrenchment of the interests of the pension industry in Canada and internationally, at the expense of equity concerns.

By itself, state identification with the interests of industry does not explain the radical new direction that pension law has taken in the last fifteen years. The government s move to a highly privatized, individual-based pension scheme has been embraced not only by industry but by a range of

14 Toronto Stock Exchange, "Submission to the Royal Commission on the Status of Pensions in Ontario" (Toronto: TSE, 1978) at 40 as cited in Richard Lee Deaton, "The Political Economy of Pensions: The Political and Economic Framework of the Canadian Pension System" in *Pensions*, see note 4 at 76.

15 Deaton, see note 14 at 83.

16 A recent article in *Maclean's* demonstrates that this potential has been realized. Ironically entitled "Looking Forward to Retirement," the article barely mentions the role of pension plans in providing retirement income but instead focuses on the increasing use of private pension funds to back corporate takeovers: see Andrew Willis, (27 March 1995) 108:13 *Maclean's* 36-37.

17 Allan Robinson, "Innovation in Investment" (22 December 1979) 73 The Financial Post S9.

high-powered groups. It is a move that has been facilitated by the decentralization of power over welfare issues, the concentration of federal power over finance and tax issues, the shift within the medias treatment of pensions from a social to an economic model, and finally by the strong social tradition of liberal individualism that government and industry have played upon in their characterization of pension issues.

This last factor, a liberal tradition that places responsibility for economic well-being for all members of our society on the individual or nuclear family, has been particularly significant. Diane Bellemare has argued that an individualistic economic philosophy always has informed the structure of the state pension system.[18] This philosophy fits neatly with arguments that maintaining ones standard of living at retirement is an individual or family responsibility best left to private market forces.

The liberal tradition is institutionalized in our wage-based system of retirement income and, as such, is in sharp contrast to the view, held by social advocates, that elderly poverty is structural and the responsibility of society as a whole. Todays pension paradigm maintains an individualistic component that de-emphasizes the potential role of society as a whole, through the state, in supporting our seniors and protecting vulnerable groups from systemic inequities in the economy. As a result, OAS and GIS are seen increasingly as charity rather than as a fulfillment of Canadas social responsibility to those seniors who are excluded from access to a self-sufficient wage. What is interesting, and harder to explain, is precisely why the private savings model has eclipsed the competing concept of universality so effectively in pension policy.

The structure of Canadian federalism encourages federal funding through regressive tax expenditures rather than through publicly funded programs. While changes to the pension system by way of tax reform can be made unilaterally by the federal Minister of Finance, reform of the health and social welfare aspects of pension policy depends on the cooperation of every province, and can be blocked by just one. A unique consensus among most provinces was achieved in the late 1960s and early 1970s, when many of Canadas national health and welfare programs were established. This consensus would later prove to be a delicate one, however, as seen in

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18 Bellemare, see note 10 at 21

Ontarios single-handed rejection of the drop-out clause for mothers in the CPP. Factors such as constitutional conflict have made that consensus even weaker.

Already, the Canada Health and Social Transfer (CHST), to take effect on 1 April 1997, has dismantled national standards in both health and welfare, two of the hardest fought compromises between the provinces and the federal government.[19] This change will begin a new era of interprovincial rivalry and competition for federal funding. The effect of this devolution of power to the provinces already threatens to affect income security for seniors, as provincial finance ministers meet and argue about age of retirement and cutbacks in funding.[20] It is arguably the power vacuum created by the federal governments withdrawal from the business of creating national standards that has opened the door so significantly to advocates of pension privatization.

The private pension industry in particular is well-placed to make its views known: it is an influential lobby group, and its influence seems to have increased with its wealth over the last 15 years. Particularly since 1988, when personal tax exemptions for RRSP contributions began to increase by $1,000 per year, the providers of RRSPs and mutual funds have become increasingly powerful. In 1994 the *Globe and Mail* reported that mutual fund companies have a vested interest in the current system. Of the $130 billion invested in mutual funds, an estimated $26 billion to $39 billion is held in RRSPs.[21] This amounts to a great deal of economic power on which the government itself

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19 The CHST was introduced on 27 February 1995 in *Budget 1995*: *Budget Plan tabled in the House of Commons by the Honourable Paul Martin, PC, MP, Minister of Finance* (Canada: Department of Finance). The standards appear in the preambles to the *Canada Assistance Plan*, RSC 1985, chapter C-1 and the *Canada Health Act*, RSC 1985, chapter 6, section 1.

20 See, for example, "Latest Budget — A 'Humane' Approach to Solving Deficit Woes" (28 February 1995) 23:5 Ottawa Letter 49 at 49.

21 Ellen Roseman, "Mutual fund firms strongly oppose moves on RRSPs" *The [Toronto] Globe and Mail* (8 December 1994) B7.

has become dependent. In a lead-up to the 1996 budget, *Macleans* reported that despite pressure to lower the amount of tax exemptions given to the wealthy in the form of RRSPs, the finance minister [was] unwilling to lower the ceiling because RRSPs provide a desperately needed pool of domestic savings that Ottawa itself draws upon. [22] Both the pension industry s increase in wealth and the increased dependence of the government on that wealth have solidified the position and power of RRSP advocates. In turn, discourse about pensions is shaped by that power, and effectively disempowers advocates of a public plan: organized labour, the poor, seniors groups and women s organizations.[23]

The shift in pension discourse from a health and welfare issue to a financial one is reflected in media treatment of the subject. Discussions of pensions appear increasingly and disproportionately in business publications, which naturally tend to address pensions from the perspective of their primary readers the business community.[24] As this perspective carries over to the mainstream media, the interests of Canadians as citizens facing eventual retirement is almost completely absent from the dominant discourse and evaluation of pension performance. The problems that women face in meeting their needs in retirement, for example, takes on a very interesting light in the business section of the *Globe and Mail*. In a story entitled Wage Gap Adds Urgency for Women, the subtitle is Bleak pension prospects dictate maximum RRSP contributions. While recognizing that many women feel they cannot afford to contribute to an RRSP, and that women today still earn significantly less than men, the article concludes that women will just have to learn to save more. The article does not argue in favour of a more equitable system; nor does it explain how women who make less can save more and still support themselves and their families.[25]

The language and framework of these articles is in itself alienating and intimidating to those who would like to understand the new terms of the pension debate. For this reason the former Director of the National Council of Welfare in 1982 saw one of his organization s primary roles to be to translate the issue into lay terms and concerns. In his view, [t]here are few areas of public policy so given to misinformation, misunderstanding and just plain ignorance as pensions. [26] Thus, when the Canadian public is told

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22 E. Kaye Fulton and Mary Janigan, "Previewing the Budget" (26 February 1996) 109:9 *Maclean's* 18 at 19.

23 Richard Lee Deaton, *The Political Economy of Pensions: Power, Politics and Social Change in Canada, Britain and the United States* (Vancouver: University of British Columbia Press, 1989) at 232-260.

24 Last year, the author conducted an informal survey of articles in the *Globe and Mail* with the word "pension" in their titles. In 1995, 28 of 41 stories (excluding celebrity pension issues such as MPs' pensions) were in the Business section of that paper, and dealt primarily with pensions as investment vehicles. Of the 13 articles on government policy in Section A, seven were specifically concerned with the unreliability and cost of public pensions and retirement income.

25 Ann Kerr, *The [Toronto] Globe and Mail* (21 September 1993) C7.

26 Ken Battle, "They also Serve who Stand and Complain: Social Welfare Groups and the Politics of Pension reform" in *Pensions*, see note 4 at 213.

that the government just can t afford universality any longer, as it was by a financial expert in a *Globe and Mail* story,[27] the argument is taken as unbiased fact by more and more citizens who have now been taught not to expect even a basic government pension when they retire.

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Moving pensions from the social welfare arena to the realm of business and economic development does more than merely downplay the important social issues connected to pensions. It actually presents a misleading impression of economic efficiency. Again the experience of the National Welfare Council is relevant: the group points out that [t]ax expenditures are expensive, largely hidden from public view, and are increasing faster than direct spending on visible government programs. [28] Nevertheless, these indirect expenditures are nearly impervious to the scrutiny of a public that is increasingly concerned about more visible government spending.

Implications

With increased reliance on the RRSP comes new priorities. Pensions now are evaluated not simply in terms of their effectiveness in ameliorating poverty among the elderly, or maintaining the standard of living of retirees, but increasingly in terms of their effectiveness as investment vehicles for industry. This view applauds the concentration of increasing amounts of RRSP contributions in the hands of banks and pension vehicles. Industrial profitability becomes as important as the standard of living of retirees.

27 El Baroudi, see note 2.

28 National Council of Welfare, "Fighting Poverty: The Effect of Government Policy" in Daniel Drache and Duncan Cameron, eds., *The Other McDonald Report: The Consensus on Canada's Future That The Macdonald Commission Left Out* (Toronto: James Lorimer & Co., 1985) 63 at 78.

For some it is no doubt a win-win solution. For individuals with income to invest, who are looking at a number of career changes throughout their working lives, the current regime provides some flexibility. RRSPs are controlled by the investor, and the interest accrued goes directly to that investor. Banks, as well, will continue to show record profits, and significant amounts of tax dollars in the form of exemptions will flow to those with the highest incomes. But the private and individual pension model does little, if anything, to solve the problem of poverty among seniors generally. Moreover, RRSP deductions drain tax dollars from general government revenue, thereby reducing the ability of the state to fund more equitably-distributed public pensions.

The RRSP cannot serve as a straightforward replacement for the public pension system precisely because it is based on the availability of a surplus individual income for savings, and therefore is not available to all Canadians. In 1993, Statistics Canada registered that only about 26% of tax filers put money into RRSPs this is a lower coverage rate than even that of employer sponsored plans a decade earlier. While newspaper reports indicate that more and more people are taking advantage of RRSPs, it is not at all clear that RRSPs will benefit even a bare majority of the population.[29] Nor are the benefits of the private savings model equitably distributed among taxpayers. The RRSP tax structure is regressive: it benefits the wealthiest the most because it provides for a tax deduction commensurate with ones tax bracket.[30] RRSPs offer little in tax savings or income security to people in the lowest income brackets.[31]

Ultimately, RRSPs are of least benefit to those who need income security the most: the single, widowed and lesbian women who suffer the worst poverty after age 65.[32] (See Graph B) RRSPs are more flexible than private employer sponsored pensions in terms of accommodating womens work force patterns; given the absolute failure of company sponsored plans to meet womens needs for support in old age, however, the comparison is a bleak one. Further, the RRSP does not address or even acknowledge the structural poverty of women that can result from years of unpaid or low-paid work.

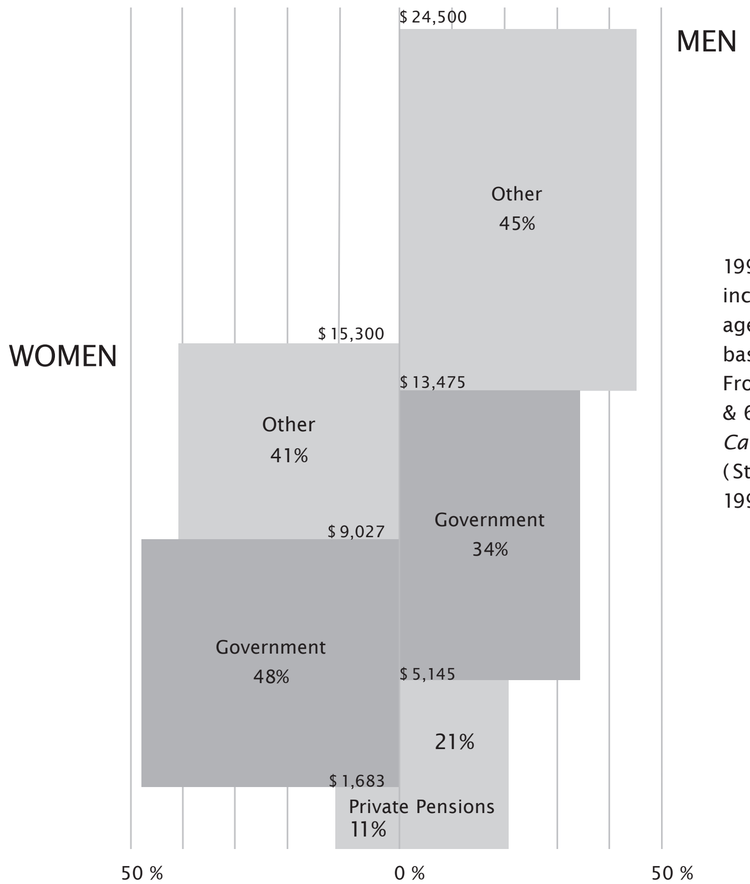
Because of this structural inequity, women are disproportionately reliant on the public pension system. The RRSP system by itself is not

29 Margot Gibb-Clark, "More Canadians Plan RRSP Contributions" *The [Toronto] Globe and Mail* (8 December 1994) B7.

30 Drache, see note 28.

31 Proposals to decrease the inequities of access to RRSPs have been entertained briefly by the present government, but quickly shut down by the financial community. A tax credit system that would provide equal deductibility of RRSP contributions to everyone (likely at 25%) regardless of their tax bracket may well make it easier for lower income people to save using RRSPs. Certainly such a move would have the beneficial effect of subsidizing the wealthy less through gross tax expenditures. However, this plan appears to have been effectively shut down by those who benefit from the high tax breaks for RRSPs — high income earners, and the pension industry. According to the *Globe and Mail*, pension industry players like the Investment Funds Institute recently sent a brief to Paul Martin, lobbying to keep a high RRSP limit and full deductibility: see Roseman, note 21.

32 The poverty rate of the unattached elderly (single, widowed and divorced), while it has decreased, is staggering. In 1980, 57.8% of men and 68.7% of women over 65 were living below the poverty line. By 1993, that rate had decreased to almost one third of unattached men (32.1%) and close to half (47.3%) of unattached women. See *Poverty Profile 1993: A Report* (Ottawa: National Council of Welfare, Spring 1995) at 31.



1990 sources of income for persons aged 65 and over, based on sex. From Tables 6.3 & 6.4, *Profile of Canada's Seniors* (Statistics Canada, 1994) at 45.

Graph C: SOURCES OF RETIREMENT INCOME

likely to decrease womens reliance on the public system, or to increase their access to private pensions. Better access to private pensions and better rewards within them, as offered by the RRSP, are far more likely to serve those who already have access to the private pension system. As a result, an increase in the benefits of private pensions is likely to benefit men much more than women. (See Graph C)

In an article assessing the impact of pension reform on women, Maureen Donnelly argues that even though individual women and members of other systemically disadvantaged groups do manage to use the current tax structure to secure a better old age, the system itself is stacked against them. Donnelly concludes that [t]he disparate impact of Canadian taxing statutes on women is, like the pension system, rooted in a bias toward the patriarchal family in which women are economically dependent upon men. [33]

Thus the new focus on the individual, rather than on society

33 Maureen Donnelly, "The Disparate Impact of Pension Reform on Women" (1993) 6 Canadian Journal of Women and the Law 419 at 424.

generally, as the primary locus of pension policy does not significantly alter the lines of power and dependence within the paradigmatic male headed nuclear family. For the most part, the economy continues to impose this model, and government pension policy   through inaction   does little to curtail it. Lines of dependence are reinforced by their invisibility. Unattached women, lesbian couples (who are counted statistically as a household of two unattached women), and gay men continue to be excluded from private benefits just as they are from publicly funded ones. The government has drawn a line in the sand between those who receive tax deductions to save for old age and those who do not, and it has drawn that line at the heterosexual nuclear family.[34]

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Lines of Dependence and Power

With the shift toward private pension instruments, the goals of government pension policy have changed. The power relationships created by pension law must surely change as well. Pension policy shapes and directs the lines of power and dependence between old and young, men and women, employers and employees, the married and unmarried, heterosexuals and gays and lesbians, and the rich and poor.

The poverty of the elderly is structural. In this century it is the result of a market economy that provides the means of subsistence through wage labour, and then denies access to wages as people grow older. Poverty among the elderly is reinforced by government policy that presumes that these same market forces will provide a decent living for the very people it excludes. Far from meeting the income needs of the elderly and liberating them from the structural poverty of the private market, state policy is designed increasingly around the needs of capital.

The privatization of pensions is premised on a construction of the individual as unconstrained by deprivation of resources and power; yet this privatization reinforces the structures and institutions that constrain individuals. Where this structure benefits a particular group, the liberal, individual analysis makes it appear that members of that group have earned their rewards. Likewise, where the structure punishes members of a group, they too will appear to deserve the result   in those cases, poverty.

34 The Spouse's Allowance institutionalizes married heterosexuals as the normative family pattern for the elderly, and the only family recognized and supported by the state. Same sex couples, and women who do not marry or are divorced, are excluded from these benefits. This distinction has been upheld in two recent court cases. In *Egan v. Canada*, [1995] 2 Supreme Court Reports 513, the Supreme Court of Canada saved, under section 1 of the Canadian Charter of Rights and Freedoms, a provision of the *Old Age Security Act*, RSC 1985, chapter O-9, that denies equivalent spousal benefits to same sex couples. Four members of the court did not even find a violation of the Charter's section 15 equality provisions as the exclusion of homosexual couples was rooted in our Canadian law and values, as well as biology. This judgment in the context of public pension plans has been extended to the private pension system as well: in *Rosenberg v. Canada (Attorney General)* (1995), 127 Dominion Law Reports (4th) 738 (Ontario General Division), the heterosexist definition of "spouse" found in the *Income Tax Act*, RSC 1985, chapter 1 (5th Supp.) was upheld under the Charter for the purposes of pension benefits.

The individual savings model that now is entrenched in pension policy has not served those who face systematic discrimination because it is blind to systems and structures, and sees only merit and individual agency. The privatization of pensions in the form of RRSPs only makes the lines of dependence more invisible. By ignoring these dependencies and inequities, the individual savings pension model ultimately reinforces them.

A public retirement income system could liberate many from the constraints of private power. Ideally, such a system would recognize the need to counteract the inequities of the waged economy for the elderly, for women, for the poor, and for all those who fall outside the male headed nuclear family. What is required is a broader understanding of social responsibility that recognizes the ways in which young, employed, male, married, and wealthy people receive structural benefits at the expense of the elderly. The existing public pension system acknowledges some limited responsibility for the welfare of seniors on the part of society as a whole, but even this role is being dismantled. The final irony, however, is that that private individual savings model drains unprecedented amounts of money from government coffers while doing nothing to address the inequities that lead to poverty in old age. On the contrary, the private savings model institutionalizes the inequities by hiding them behind an ethos of individual merit. The government s increased reliance on private pensions does not mean that fewer elderly people will be poor, or that the inequities between the elderly will be reduced; it simply means that inequity and poverty are accepted, invisible, and secondary to the needs of industry. ■

Poverty among the elderly is reinforced by government policy that presumes that these same market forces will provide a decent living for the very people it excludes. Far from meeting the income needs of the elderly, state policy is designed increasingly around the needs of capital.