

## **Plenary 1 Imagining Progressive Social Welfare Policy Panel B3**

### **Panel B3: Unemployment Insurance (EI), Old Age Benefits & Retirement Issues**

Chair: Joyce Jones, BC Seniors Network

- Laurel Ritchie (Canadian Auto Workers Union): Can We Make Unemployment Insurance Work Better for Women?
- Margaret Manery (Independent Researcher from BC): Abolishing Mandatory Retirement: What are the Safeguards for Women?
- Madonna Harrington Meyer & Kristenne Robison (Syracuse University): Linking Old Age Benefits to Marital Status vs. Minimum Benefit

#### **Abolishing Mandatory Retirement: What are the Safeguards for Women?**

To help us gain a better understanding of some of these concerns, Arlene McLaren and I, co-authored a study in 2001 called “The Factors Affecting the Economic Status of Older Women; Implications for Mandatory Retirement.” This study is available on-line from the Legislative Library of BC.<sup>1</sup> This spring, Arlene and I conducted a further study entitled, “Abolishing Mandatory Retirement: What are the Safeguards?” for low- and middle-income earners, on behalf of the Columbia Institute. In July, the BC Human Rights Coalition interviewed us on the subject of “Exploring Mandatory Retirement.” A transcript of that interview is available in their July newsletter. Many of my comments today are taken from these studies.

#### *The attractions of mandatory retirement*

Banning mandatory retirement may sound attractive to those who are worried that they won't have enough money in their retirement years and therefore feel they will need to

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work as long as possible. It may sound attractive to employers who seek to divest themselves of having to pay out private pension benefits, and to government that is seeking to reduce state benefits. Further, it may be an attractive proposition for women who, having delayed their careers, wish to work beyond age 65.

### *Mandatory retirement is not a panacea*

But the elimination of mandatory retirement is not a panacea. For one, it's not clear to what extent employers are willing to keep on or hire older workers, or to what extent they are willing to accommodate older workers' needs. For example, the costs associated with extended health and disability insurance is prohibitive post-65.

### *Labour conditions, wages, and benefits*

While, it's easy to say that banning mandatory retirement will give everyone more freedom and more flexibility, and that it will protect human rights, for many people, the problem is inadequate wages and pensions. Private pensions have become less stable, full employment and good benefits less available, particularly in the case of women. These issues need attention to address poverty and economic insecurity in old age, but are often ignored in the mandatory retirement debate.

Labour laws designed to reflect a labour market based on full-time, permanent, paid employment are no longer applicable to almost a third of the Canadian workforce who are employed in non-standard labour, and are either self-employed, or work at part-time or temporary jobs. Eligibility for most labour- and employment-related rights, benefits,

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and protections is still based almost exclusively on the standard employment relationship.<sup>2</sup>

Almost two million adult Canadians with some paid employment – about one in six employed people – work for less than \$10 an hour, and earn less than poverty wages over the course of the year based on Statistics Canada’s Low Income Cutoff (LICO).<sup>3</sup> Low-waged workers, of which 22 percent are women,<sup>4</sup> often lack regulatory protection, and are left unprotected by public programs, such as Employment Insurance, and do not qualify for paid maternal/parental leave, or family leave. The likelihood of having low weekly earnings has increased substantially in recent years for women and new immigrants.<sup>5</sup> Canadians on low income cannot save for their retirement on these wages, and if they don’t have private pension – which is very likely – they must rely on public pensions.

### *Historical reasons for mandatory retirement*

Historically, mandatory retirement clauses in workplace agreements were established to keep employees loyal, rewarding a dedicated workforce with pensions, and protecting older workers from discrimination until they reach retirement age. As the B.C. Human Rights Coalition has recently stated: “Mandatory retirement raises important human rights considerations but it also encapsulates economic, labour and social policy concerns. Thus these larger issues must be incorporated into any substantive human rights analysis.”<sup>6</sup>

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Mandatory retirement is deeply embedded in workplace negotiations, pension designs, and retirement patterns. Our public pension system is based on eligibility at age 65, with early retirement at age 60, with different effects on women and men. To insist on the elimination of mandatory retirement without providing other safeguards could create even further adverse effects for vulnerable workers. The removal of mandatory retirement could end up creating more serious and pervasive systemic discrimination.<sup>7</sup>

### *Dangers of increasing the age of entitlement for pension benefits*

One of our concerns is that the banning of mandatory retirement may lead to an increase in the age of entitlement for pension benefits. This is a fundamental issue, especially from a gendered perspective, because women are the majority among older people, as well as the majority of elderly who are living in poverty.<sup>8</sup> For example, international organizations such as the Organisation for Economic Co-operation and Development and the World Bank are advocating for a raised eligibility age for pensions.<sup>9</sup> The rationale for delaying the age for receiving public pensions is that people are living longer, they are healthier, and, of course these rationales fit very well with the current neoliberal trend of cutting back on state intervention.

The idea of moving away from the public pension system is popular these days, but I think it's important that we resist that idea. It's even more important to get good information out there; scare tactics about population demand exceeding funding availability may lead people to believe that the public pension system is unsustainable. But the federal government was well aware of the phenomenon of population aging and took this into account when the CPP was first established in 1966. Gradual increases to

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contribution rates were expected to occur. The contribution rate relative to wages has now risen to 9.9 percent in 2003, to what is called the “steady-state rate.” Even with an aging population, the risks are still minimal and the effect of the baby boomers retiring will only be with us over the next thirty years or so, at which point we will revert back to about a 1960s – 1970s level. The rise in contributions to CPP in 1998 in Canada has prevented the risk of a deficit in the public pension system, which is unlike the case in the U.S.

Canada rejected the idea of raising the age of eligibility for pensions during the debate over CPP reform in the late 1990s when Paul Martin was finance minister. But this does not mean that it will cease to be an issue in the future. The International Monetary Fund (IMF), which praised the 1998 pension reforms in Canada for putting the CPP “on a sound actuarial footing,” still suggested that statutory retirement age could be increased.<sup>10</sup> The Organisation for Economic Co-operation and Development (OECD) – of which Canada is a member – takes the view that working longer will be crucial to address what it calls “the looming pension crisis.” It has called on member countries to get rid of early retirement schemes and to make sure jobs are available for older workers. “If nothing is done quickly to extend working lives,” the OECD says, “living standards will fall in the course of the coming decades.”<sup>11</sup> This approach, that uses demographic changes as scare tactics, promotes a neo-liberal agenda to reduce the provision of public programs and promote private interests.

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### *Vulnerable workers and alternative policy*

In the new globalized economy, the vulnerability of low-wage workers is increasing. Labour market flexibility has led to re-organization of the workplace and the economy, at a time of declining strength in worker representation, which has contributed to the downward pressure on wages and working conditions. Legal reforms need to be developed to promote new forms of worker representation, particularly of the most vulnerable workers, to improve the status of workers in the new economy. Workplaces, for example, need greater access to representation of vulnerable workers because they have conditions or obligations that interfere with their capacity to participate in the labour market; or because they are subject to particular forms of discrimination and disadvantage at work.<sup>12</sup> There is a need for public education and reform on employment standards and pensions. Employment standards need to be expanded and extended to all the working population, and especially to the working poor. Low-income workers have very few other protections and usually are not covered by private pensions and have poor access to employment insurance. In addition, our society should provide adequate services that would assist women in a range of areas, including healthcare, childcare, seniors' care, and adequate housing programs.

### *Women, employment standards and pension structures*

In considering women's employment, we need to look beyond the mere freedom of choice argument. Our research indicates that there needs to be more of an understanding as to how our employment standards and pension structures could better reflect the needs of women in their retirement. Rather than relying solely on changing human rights

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legislation regarding mandatory retirement, there are other areas of public policy such as labour and employment standards that also need to deal with problems associated with older workers.

Retirement income provision in Canada is built on gendered assumptions, which produce material disadvantage for women. These inequalities are being exacerbated by current neoliberal trends towards marketization and individualization of pension that favour economic solutions such as privatization, deregulation of mutual funds, and investments in the stock market.<sup>13</sup> Pension protection legislation is needed to safeguard private pension as workers' assets, not companies' assets, from corporate restructuring and bankruptcies to ensure that these funds are not taken away from workers.

Only about forty percent of the population has some form of private pension entitlement, with fewer women than men.<sup>14</sup> We also know women still earn less than men, and because of this, their rate of benefit entitlement is still less than men's. That's where tools like pay equity come into play. We also know privatization has adversely affected women's rate of participation in the union movement as of late. Privatization has cost women good paying jobs – jobs that typically carry better benefit entitlements than their non-unionized counterparts. What is coming out of this debate about mandatory retirement is the need to pay closer attention to minimum employment standards and how we can extend these standards to the greater working population. We've got the working poor who are completely without private pensions, and may not be protected by employment standards, or have inadequate access to child care, home care, extended

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health care, day care, or senior care – all these programs are critical to one's well being and their old age and in how they manage both emotionally and financially. In these circumstances, it is unlikely women could put aside significant savings for their retirement years.

Our studies suggest that our current pension system does not provide elderly women with the financial security they need to retire with dignity. Almost fifty percent of unattached elderly women in Canada live below the standard measure of the poverty line and we need to look at the adequacy of our public pension system to address this problem. At a minimum, Old Age Security (OAS) and Guaranteed Income Supplement (GIS) entitlements should be raised so they are above the poverty line.

When you look back and ask what led to these low-income conditions, factors such as lack of pay equity, lack of employment equity, lack of child care, and many other social programs are partially to blame. An adequate solution would also extent a mechanism within our pension system whereby women's unpaid work is recognized and credited.

### *Conclusion*

When looking to our human rights legislation, the basic question needs to be how will workers be protected against poverty in their old age? It is important to remember that the focus should be on protecting the right to a public pension at age 65, criterion currently set by mandatory retirement. So any discussion about eliminating mandatory retirement needs to address the right to social security for seniors, the majority of whom are women.



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We need to be careful that the ‘right to work’ post-65 doesn’t become an obligation to work in conditions that jeopardize people’s health and well-being in their later years. In considering the debate on mandatory retirement, it’s important to look at the larger social context where we have greater polarization between those who are doing quite well under the current economic system and those who are not. So we have that gap, and right now those in decent jobs who want to have the choice to continue working in old age are speaking on behalf of everyone else including those in non-standard jobs and those who have no private pension plans. These people experience retirement much differently than those in higher socio-economic classes. The inadequacy of our public pension system and the need for more supportive social programming is much more of a concern for these people than indicated by the current debate.

### Endnotes

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<sup>1</sup> *Factors Affecting the Economic Status of Older Women in Canada: Implications for Mandatory*

*Retirement*, Victoria: British Columbia Human Rights Commission, 2001

< <http://www.llbc.leg.bc.ca/public/PubDocs/bcdocs/344377/index.htm> >

<sup>2</sup> Cynthia J. Cranford, Leah F. Vosko, and Nancy Zukewich, “Precarious Employment in the Canadian Labour Market: A Statistical Portrait,” *Just Labour*, Vol. 3 (Fall 2003): 8

<sup>3</sup> Judith Maxwell, Smart Social Policy – “Making Work Pay,” Submitted to the TD Forum on Canada’s Standard of Living, July 4, 2002: iii; Ron Saunders, 2004, *Defining Vulnerability in the Labour Market*, Vulnerable Workers Research Series, Canadian Policy Research Networks: iv.

<sup>4</sup> Monique Bégin, Keynote Speaker, “Imaging Public Policy to Meet Women’s Economic Security Needs,” October 13, 2005, Simon Fraser University 40<sup>th</sup> Anniversary Event.

<sup>5</sup> Recent immigrants are more likely to have low income than those who had been in Canada for more than 15 years or those who were Canadian-born, perhaps because of the shift in national origin from

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- <sup>6</sup> B.C. Human Rights Coalition, 2005, Newsletter, Vol. 2.1 (February): 1.
- <sup>7</sup> Abolishing Mandatory Retirement: What are the Safeguards? Report submitted to the Columbia Institute, 2005.
- <sup>8</sup> WE\*ACT, *Pensions in Canada: Policy Reform Because Women Matter*, Vancouver, December 2004: 2.
- <sup>9</sup> OECD, 1998, *Maintaining Prosperity in an Ageing Society 1960 – 2030*, Paris: Organisation for Economic Co-operation and Development; World Bank, 1994, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*, Oxford: Oxford University Press.
- <sup>10</sup> Monica Townson, "Canadians are facing demands to work beyond age 65," *Investment Executive*, Mid-November 2004.
- <sup>11</sup> Ibid.
- <sup>12</sup> Kerry Rittich, 2004, *Vulnerability at Work: Legal and Policy Issues in the New Economy*, Report for the Law Commission of Canada: 3.
- <sup>13</sup> Condon, Mary. "Gendering the Pension Promise in Canada: Risk, Financial Markets and Neo-Liberalism," *Social and Legal Studies*, Vol. 10, No.1 (2001): 97.
- <sup>14</sup> "Percentage of all paid workers," Statistics Canada, Catalogue no. [74-507-XCB](#) and [13F0026MIE-2004001](#).