OLD AGE POLICY IN CANADA:

A CRITICAL LOOK

AT THE PARTIAL DE-INDEXATION

OF THE INCOME TAX AND WELFARE SYSTEMS

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Abstract

One of the more interesting changes observed over the Twentieth Century has been the development of industrialized nations such as Canada into "welfare states", wherein there is some degree of a redistribution of national wealth, in the interest of creating a social safety net. While the Canadian welfare system grew and matured during the early and mid 20th Century, the latter quarter has been a time of stagnation and in some cases, retrenchment. A key rationale for proposals to reduce seniors' benefits has been the accelerated rate of population aging, and how current programs cannot be sustained in light of the increasing numbers of the elderly who will draw on them.

In response to these concerns, the Progressive Conservative government made a number of structural changes to Old Age Security and the tax system in the 1980's, in the form of partial de-indexation, which would effectively decrease the number of people eligible for Old Age Security, and reduce tax credits available to seniors each year.

This thesis uses time series national data to show how benefits and tax credits have declined over the last decade. From a political economy perspective, this process can be viewed as a gradual and stealthy transformation of the welfare state. Government maintained income security is gradually being dismantled and placed back into the hands of the market place. The tax system is being redefined in such a way that tax cuts that middle and lower income Canadians rely on are slowly losing value. While RRSP contribution levels have been increased and some Canadians invest to both prepare for retirement and to gain the tax exemption for the invested income, only those with higher incomes can gain the most from this option. The effects of this process are discussed and the implications are considered in terms of distributional equity.

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Table of Contents

List of Illustrations

Introduction

One of the most significant demographic phenomena of the Twentieth Century has been the dramatic aging of the population experienced by most industrialized countries. In tandem with population aging, and to some extent in response to it, the emergence of state sponsored welfare programs also began during this era. While social programs for the aged and welfare programs in general were enacted and expanded between the 1920's and 1970's, program growth began to plateau in the early 1980's as concern began to grow over levels of government spending (Evans, 1994:107). The emergence of certain economic pressures caused governments to rethink the role of the state in providing such public programs as pensions, health care, child welfare, unemployment insurance (now euphemistically termed 'employment insurance') and income maintenance. For Canada, these pressures were a growing national debt, two recessions, global competition and population aging. Due to the baby-boom anomaly experienced in Canada, low fertility and low mortality, the population aged rapidly[1]. An increasing population of seniors raised governmental concerns over the sustainability of income maintenance programs and health care for the aged. These concerns produced

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For the purposes of this thesis, the terms 'aged', 'old', and 'senior' refer to people who are 65 and over. Despite the rhetoric regarding the ambiguity of a temporal classification for a physical state, 65 is the age most policies affect, and hence, due to my focus on policy effects, 65 is the dividing line.

the policy changes that will be the focus of this thesis.

In 1984, the newly elected Progressive Conservative government announced three objectives aimed at securing a lasting economic stability for Canada. These were: (a) to *stimulate* economic growth through deregulation of the private sector, (b) to exercise the twin principles of 'social and fiscal responsibility' (in essence, public monies were to be allotted primarily to those most in need, and the rest of social spending would be focussed on job creation rather than income supplementation), and (c) to restore 'fiscal flexibility' (Evans, 1994:108). This final objective is closely connected to the former two, as its implication was that deficit reduction would be attained by reducing social transfers to individuals rather than by increasing taxes.

The attempt to actualize these objectives took place in May 1985 with the Progressive Conservative government's new budget. It was proposed that child and elderly benefits be changed from being fully indexed to partially de-indexed, so that benefits would only be increased if inflation exceeded 3%. For example, if inflation went up 4% in 1986, Family allowance would be indexed at 1% for 1986, the effect of which meant lowering the value of the benefit each year in real dollars. Seniors' organizations, unions and other interest groups lobbied heavily against the change to elderly benefits (Old Age Security), and the partial de-indexation of old age security (OAS) was stopped. The Family Allowance, however, was partially de-indexed, perhaps because its supporters were not as well organised.

While proposals to change OAS and family allowance drew the attention of the media, the proposal to partially de-index the income tax system did not receive the same amount of attention, and hence became policy. Tax breaks crucial to lower income seniors, such as the Age Amount, were de-indexed in the same 'less 3%' fashion, and therefore would decrease in real value each year.

In 1989, the Conservative government tried to reform Old Age Security again. They wanted to avoid the kind of backlash that occurred in 1985, but needed a tool for reducing social transfers to that programme. The answer was the 'stealthy transformation of public pensions'(Battle,1997:529). This strategy involves policy proposals that are difficult for the lay person to understand, and have implications that are indirect, and not immediate, but which compound to decrease social spending over time, and do so automatically and hence relatively invisible to the public. Under this technique, the OAS and some other income maintenance programs became income tested, and the income test was partially de-indexed (having the 'clawback' effect of lowering the threshold for eligibility each year in real dollars).

Theoretically, the retrenchment of old age welfare policy, and the reduction of tax breaks for lower income individuals is a classic distributional issue. In the political economy tradition (Corrigan and Leonard, 1980; Ginsburg, 1979; Gough, 1979; Jones and Novack, 1980; Myles, 1984; Saville, 1957), the modern welfare state can be understood as the outcome of two opposing forces - the rights to citizenship and the rights to capital. In this sense, the partial de-indexation of the tax system and income threshold for the OAS constitute a gradual redefining of the Canadian welfare state from an era of broad and equitable programs to one in which a gradual and annual erosion of these policies occurs silently and outside of public debate. At the same time, government tax breaks for private retirement preparation have been on the increase, and so it seems the more laissez-faire imperatives of the capitalist agenda prevail. While the existing literature tends toward cross-national analysis when attempting to validate political economy arguments, my own analysis will employ time series data and a historical examination of one country. The aim is that such an analysis will allow a better view of the processes of the welfare state, and, due to the focus on one country, the high level of detail will deal with competing and alternative explanations.

This thesis is an attempt to explain the last two decades of policy reform through the Political Economy framework, as well as a detailed analysis of how these policy changes have and will affect retiring Canadians. In the first section I will explain why the welfare state is the product of the paradox in capitalist democracies whereby a liberal economy is tempered by a democratic polity (Corrigan and Leonard, 1980; Ginsburg, 1979; Gough, 1979; Jones and Novack, 1980; Myles, 1984; Saville, 1957), and how public pensions rose out of this dialectic. Attention will also be given to explaining how the capitalist mode of production delimits the development of welfare policy (Sears 1995). In the second section, I will employ time series data in an effort to show more empirically the consequences of the partial indexation of the tax system and the income threshold for the OAS, as they apply to seniors.

Chapter 1 : The Political Economy of Public Pensions

In this chapter I will outline and explain the theoretical framework of this thesis. I begin with a general political economy explanation of the welfare state, and then bring the discussion to focus on social welfare as it pertains to the elderly. I then compare the political economy argument to the modernization thesis in an effort to justify political economy as the preferred explanatory tool for discussing the dynamics of the welfare state.

The Welfare State

The political economist point of view is predicated on the assumption that old age can only be understood in the context of problems and issues of the larger social order (Estes,1991). Welfare policy is an issue of the larger social order because such policies determine where tax money will be spent, and hence which social groups are deserving of state assistance. Old age policies determine which categories of seniors will receive state assistance and therefore this broad and complex macro-socio/economic/political process shapes the lives of the elderly in Canada. From this, it seems natural to locate old age policy as central to the study of the aged.

In the Marxist tradition, issues of the welfare state can be approached from the point of view that policy in capitalist democracies is driven by the inherent paradox of political equality versus economic inequality (Myles 1984). In essence, the argument is that decisions made by political actors are tempered by two fundamental characteristics of democratic, industrialized countries. On the one hand, a democratic principle exists, whereby all citizens have the right to vote, and, in this capacity, may exercise power over the political process. On the other hand, the demands of industry and commerce, hence the capitalist character of such nations, allow a relatively small portion of the population to gain a great deal of economic power. Economic power can be used to influence the political process, as production allows a given state to compete globally, and can increase both trading power, as well as a given nation's standard of living. In a classic Hegelian sense, policy outcomes are the synthesis that result from the influence of these opposing social forces (Myles 1984: 41). Policy outcomes, then, swing on a pendulum between the interests of the political majority (the working class) and those of private corporate organizations. One might understand this by viewing political currency as a two-sided coin: on the one side there is the vote to which every citizen is entitled; on the other side there are the demands of industry. The country as a whole is dependent on the support of both for survival in global competition, but, of course, policy structure does not always reflect the interests of both equally.

It is this peculiar combination of a democratic polity with a capitalist economy that is at the heart of distributional issues in the welfare state (Gough, 1979; Jones and Novack, 1980; Myles, 1984). These two opposing political logics, consequently, have opposing logics of distribution. The capitalist economy grants rights to property. The philosophy of the market economy is that individuals will succeed in a manner relative to their effort, and competition within the marketplace ensures that goods and services will be available to all persons. Distribution in the capitalist economy, therefore, is market distribution.

Democracy, in contrast, grants certain innate rights to all individuals. Most fundamental and common are rights to political participation, maintenance of a standard of living (however arbitrary) and, in some cases, the availability of necessary goods and services (medicine, education, economic security, shelter, etc.).

For Sears (1995:170-171), this paradox is perhaps the greatest value of Marxist-based theoretical treatment. The central contradiction of the welfare state is that it is

> ...at once a product of working class struggle and a means of providing requirements for the reproduction of capital. On the one hand, it is an agency of social control, which offers services and programmes only under conditions which perpetuate poverty, dependence on the wage and the sexual division of labour. On the other hand, every oppositional movement in the area of social policy, from abortion rights to AIDS activism, from poverty reform to immigrant advocacy, makes demands on the state (Sears. 1995:171).

Sears (1995:172) argues that while state formation appears in many ways to be a series of ad hoc responses to short term problems, these responses form coherent patterns, and tend to occur "...within very real limits imposed by capitalist social relations". It is these social relations that are of key importance. While the democratic state offers the rights of citizenship, to a vote and hence a certain lease on the political process at large, the relations of production delimit the ways in which public and state interact (Sears, 1995:172). Under the capitalist mode of production, the value of goods is greater than the price of their production. In order for any corporate organization to thrive, its workers (the producers) must receive only a portion of the value of the goods they produce. Marx (1857-58)[2] covers this well:

> If one day's work were necessary in order to keep one worker alive for one day, then capital could not exist, because the working day would then exchange for its own product, so that capital could not realise itself and hence could not maintain itself as capital. The self-preservation of capital is its self-realization. If capital also had to work in order to live, then it would not maintain itself as capital but as labour.

Pensions then, are to be wrested from the surplus that allows capital to exist, whether they be private and hence negotiated between employer and employee, or public, in which case negotiations occur on a much broader and complex social milieu. If capital accumulation is of primary importance to the state in the interest of global competition, it follows that social transfers are detrimental to that enterprise. In addition, under the rubric of a market driven pension system, accumulation of capital becomes the fulcrum of economic security, and so those who cannot participate (those who receive less than the value of the goods they produce) rely more on state programs, which ensure some degree of economic security. Public pensions, then, are an ideal unit for an analysis of class conflict, as their existence and extensiveness exemplify a given state's position on the value of labour.

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Found in *Foundations (Grundrisse) of the Critique of Political Economy*, first published by the Institute of Marx-Engels-Lenin in Moscow in 1939-41.

Theoretical Debate: Political Economy vs The Modernization Thesis

Much of the research on the welfare state in the past has been focussed on analysing cross-nationally the influence of "leftist" or senior's lobbies, by means of various measures, on the policy-making process (DeViney, 1984; Myles, 1984; Cameron, 1978; Myles and Quadagno, 1994; Castles; 1978; Williamson and Weiss :1979; Pampel and Weiss, 1985). In opposition there are certain accounts that explain welfare policy growth as an apolitical outcome of the economic prosperity that accompanies "modernization"- often referred to as the industrialization thesis (Cowgill, 1986; Wilensky 1975; Kerr et al 1964).

According to modernization/industrialization theories, problems of aging are viewed in terms of power the aged have lost as a result of modernization. The term, 'modernization' is given a fairly broad definition.

> Modernization is the transformation of a given society from a relatively rural way of life based on animate power, limited technology, relatively undifferentiated institutions, parochial and traditional outlook and values, towards a predominantly urban way of life based on inanimate sources of power, highly developed scientific technology, highly differentiated institutions matched by segmented individual roles,, and a cosmopolitan outlook which emphasises efficiency and progress (Cowgill, 1986:56).

From an industrialization perspective, the modern era can be understood in terms of the transition from the agricultural to the industrial society. For Cowgill (1986), increases in education, urbanization, health technology and modern economic technology have the combined effect of lowering the status of the aged. The latter two are most essential to our analysis of old age welfare policy. An increase in health technology, results in increased longevity. Coupled with a lowered birthrate, and thus an aging population, generational competition occurs and consequently the phenomenon of retirement appears. Aged workers are removed from the work place in order to make room for stronger and faster young workers. Within this structural-functionalist perspective, a society is viewed as a social organism, and as such, the system will adjust to maintain equilibrium upset by social change. This social change is the above mentioned transition and subsequent loss of status of the elderly. From this perspective then, one would explain the emergence of pensions as a means of restoring or addressing some of the losses that led to the lower status of the aged due to forced retirement. In the traditional agrarian society, elders retain power and influence past their working years because of the land they own. This land is of course divided up among children (or in some cases given to the eldest male child), who would in return maintain the elders until they die. The shift to industrialization causes a rift in this equilibrium, as the aged no longer have vast land holdings and large numbers of offspring. Over time, due to lowered birthrates and increased longevity, the percentage of aged in a given society begins to increase. For Cowgill (1988: 65), the increased productivity of industrialized nations allows the state to implement certain programs which will maintain the elderly - old age security, pensions and Medicare- thereby restoring the equilibrium that was previously maintained through family bonds.

While this theory puts old age policy into a neat package, some (Myles, 1984; Cole, 1985; DeViney, 1984; Quadagno 1987) argue that the picture is a much larger one.

To understand the emergence and dynamics of public pensions Myles argues that we must not look at the elderly, but to those groups most active in the political process on a policy making level.

> The elderly themselves have played only a marginal role in the production of these outputs of the political process in the advanced capitalist countries, and as a result, the development of a 'political sociology of aging' requires going far beyond the gerontologist's traditional concern with the elderly as such and extending the traditional boundaries of the discipline to include those social groups and institutions which produce the social policies that do shape the experience of growing old in contemporary societies. (Myles, 1984:20).

The argument here is that the most influential lobby on behalf of pension expansion has been that of labour and trade unions. He further argues that public pensions for the elderly should be understood as a deferred wage, or citizen's wage, negotiated between employer and employee, or between the state and the citizen, while they are still in the labour force (Myles 1984:31). For Myles (1984:23), while the marketplace wanted employees to retire, savings from market wages were insufficient for all except the wealthy. While private pensions ensured employee devotion and guarded against employee turnover, they did not ensure against inflation, and were only offered for a marginal proportion of the jobs in the marketplace. In order to initiate retirement, and thus replace older workers with younger ones, the state had to offer some form of maintenance that guarded against inflation.

For Cole (1985), while some political economist theories attempt to understand the aging experience by looking at the capitalist character of industrialization[3], these do not sufficiently explain the emergence (most greatly felt in the 1960's and 1970's) of social welfare benefits. His question is a matter of chronology. If there had been capitalist democracies for more than a century, and hence also the class conflict that political economists use to explain welfare state dynamics, why did the 'welfare state' emerge at a particular point in time?

On the one hand, I agree with Cole that the emergence of the welfare state is probably best understood under the rubric of political economy in terms of the contradictory nature of capitalist democracies. On the other hand, the dynamics of the welfare state and state formation at large are for Sears (1995) delimited by capitalist social relations. Regardless of the dynamics of class struggle, the policy outcome is shaped by the economic scenario in which it occurs. In this sense, the capitalist character of industrialised nations is a key element in the analysis of welfare policy as it mediates, or to put it more strongly, guides the maintenance of such programs. While retirement is necessary for production, as it insures a steady replacement of older, highly paid workers with younger, inexpensive, and in some regards more productive workers, the democratic notion of citizenship rights demands that the state intervene in the provision of retirement

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The argument is that with merchant capitalism workers sold finished products for fixed prices. In industrial capitalism workers sell their labour time for wages. Because of this, where the aged worker, perhaps slower, in the merchant system could make up for this production deficit with skill and superior craftsmanship (ergo a higher price per unit) or perhaps simply would produce less and live on less, the industrial worker could fall behind minimum levels of production and get fired altogether, with no means of support.

maintenance.

The theoretical debate between political economy and the industrialisation thesis in regards to the welfare state is an old one. I do not wish to add to the large body of research that explores industrialisation vs political conflict as causal determinants of welfare state dynamics. The existing literature discussed above seems to show that the welfare state is at some level a result of industrialisation, but its dynamics and maintenance are heavily influenced by political processes that occur within the state during the growth of industrialisation. In a sense, both theories are correct, but I would argue the industrialisation thesis has a highly tautological character which makes it indisputable on the one hand, yet conceptually empty on the other.

The next section of this thesis will be an analysis of changes in old age pension policy over time theoretically in an effort to explore Sears' (1995:172) notion that: "State formation takes place within very real limits imposed by capitalist social relations". I will track the changes in Canadian old age policy and show how class conflict and macro-economic conditions shape the dynamics of our pension system.

Chapter 2: A Political Economy Analysis of Old Age Pensions In Canada

In this chapter, I begin with a brief history of public pensions in Canada, and trace their lineage in tandem with the political changes that shaped them. I then focus on the period of retrenchment which began in 1985, and try to explain within a political economy framework the social forces which gave rise to the process of 'reform by stealth' that characterizes contemporary welfare reform in Canada.

The Post War Era

At the beginning of the 20th Century, most older individuals did not retire. People worked until they were no longer able to do so, and would then be left in the hands of family or such charitable organizations as the church through "houses of refuge" - what are now call "hostels". The era following World War 1 however, in terms of social welfare policy reform/creation, was one of dramatic change. It marked the beginning of state intervention in the financial maintenance of certain groups in the population. In 1927 the Old Age Pension Act was put in place. This was the first social welfare provision directed specifically at the elderly, and was a means tested pension. In other words, it was a fund that provided for only those in dire need. Bryden (1974:103) explains that while interest groups (such as trade unions) did not find the means test pension satisfactory, they were nevertheless glad that something had been done. The provision of an old age pension was a monumental event in that it opened a new dialogue of state assisted financial provision for seniors, and a new language of state intervention in the financial preparation for old age. In a sense, this event marked the beginning of the modern definition of old age. For Myles (1984), this new definition of the "senior citizen" changed the meaning of old age, to that of an expected period in the life course, wherein it is expected that one should experience a certain degree of state sanctioned and assisted financial stability and freedom. It was also the case that the seeds were planted for a break from the traditional *market ethos* of self preparedness and reliance.

Old Age Security

The next major step toward public pension expansion took place in 1952, with the introduction of Old Age Security, a universal pension program. To qualify for this program, one needed only to be over seventy years of age. By virtue of being "old", one qualified for a monthly income. This program was supplemented by the Old Age Assistance Act, which was, more or less, a continuation/replacement of the former means tested Old Age Pension, and thus was a supplemental fund for low income seniors.

While this new program improved the income of all seniors to some small degree, it provided only enough for the bare necessities of living. To maintain a pre-retirement lifestyle after withdrawal from the labour force, it was necessary for one to make financial preparations outside the governmental programs. The problem was that only a small portion of the population had the means to do this. Personal provision for old age was still a prerogative of the wealthy, only now the state had sanctioned the removal of "the old" from the workplace. It was also the case that both personal provision (savings, bonds etc.) and private pensions were not resistant to inflation. In 1984, 93.7% of private pensions had no form of inflation protection (Finlayson, 1989:124).

> Even without financial ruin brought on by depression and wars, the market was helpless in the face of inflationary pressures. Unlike the state, which by means of its power to tax is able to recapture the real wealth that is redistributed by inflation, the private pension market has been unable to provide an inflation-free investment vehicle to prevent significant erosion of real income over the retirement period (Pesando and Rea, 1977 as cited in Myles, 1981).

Outside of market fluctuations, it was also the case that one had to work for a fixed number of years in order to receive a pension. Whereas there are now laws about portability, and of course the Canada Pension Plan is completely portable, one did not have these options in the past. A person would not leave a company for a better offer because the years invested in that person's pension would be lost as well. In a sense those who worked for companies offering pensions became slaves to the financial preparation for their golden years, as dismissal or resignation would result in the loss of a pension (Myles, 1984:24).

The Canada Pension Plan

In light of these concerns of market fluctuations, portability, inflation, the inevitability of retirement as a stage in the life course, together with the concerns that OAS benefits were minimal and that relatively few people had private pension plans, the Canada/Quebec Pension Plan was enacted in 1965 (Bryden, 1974). Under this new system, contributions were to be made by each eligible citizen from each paycheck, with an equal contribution by that person's employer. Payments were and still remain fully indexed, though the ceiling benefit is $8725 a year (roughly 25% of the average income in

Canada - $34900) and is taxable. This differed from the Old Age Pension and Old Age Security as they were taken from the tax base, whereas CPP was a contributory, "pay as you go" program. CPP contributions are deducted from all taxpayers paychecks in a given year, and then used to provide benefits in the following year to pensioners.

With the advent of the CPP, the universal plan was restructured, and the age of eligibility was reduced to 65. In addition, the Old Age Pension of 1927 was reintroduced, for all intents and purposes, to become the Guaranteed Income Supplement (GIS), and was still in the form of a means tested fund.

At the end of the 1960's, with these programs established, one could argue that the structure was in place for a fairly extensive system of governmental assistance in the financial preparation for old age. The CPP was a pension plan for those who were legitimately employed, the OAS was a universal pension, and the GIS was there for low income seniors who needed the extra assistance. Other amendments were made over the years, such as spouse's allowance, survivors' benefits, which aided widows who were financially dependent on their late husbands, and there was the option to exclude periods of low earnings, aimed specifically at reducing the impact of the child-bearing years on women's pensions. In a span of roughly 40 years, Canada emerged from a country where provision for old age was up to the individual and the family, to one which the government was recognised as having a necessary and integral role in this process. By the mid 1970's the universalist welfare state had reached its full maturity (Battle, 1997:523). While these programs have been amended over the years, no major pension expansion has taken place since the 1970's.

The Birth of Policy Reform by Stealth

Battle (1996: 6-7) posits that a new era of pension reform began in 1985, one of 'social policy by stealth' wherein complex and obscure amendments became the new way to cut costs and reform policy. When welfare policy becomes entrenched in the socio/political fabric of a society, the process of *retrenchment* requires new political strategies centred around the avoidance of blame and the backlash of interest groups (Pierson, 1996:7-8).

> Most of these changes were effected through 'social policy by stealth' - the introduction of complex technical amendments to taxes and social programs that camouflage their intent, extent and impact. Because these changes typically are obscure and difficult to understand, they generally escape media scrutiny and public debate. (Battle and Torjman, 1993:1).

Battle (1996:5), argues that beginning in the 1980's the process of policy change was 'reform by stealth'. Due to such factors as perceived economic and demographic pressures, related to the aging of the population, there was a push to lower the cost of the Canadian elderly benefits program. The steady increase in the population aged 65 and over was raising the size of social transfer payments to OAS. The Conservatives needed a way to reduce social transfers, but had to do so in a manner that was politically strategic, so as to retain public support. The first attempt to cut costs by the Conservative government under Mulroney was in the form of a proposal to partially de-index the OAS. In short, the plan was to only increase OAS payments if inflation rose over 3 percent in a given year. The consequence of this would be that OAS payments would lose value each year in real dollars. For instance, keeping dollars constant, a pension of $4600 in 1986 would be worth $3679 in 1995 (Battle, 1996:6) in constant dollars. This proposal was met with great resistance from seniors, unions and other interest groups; the government backed down, and the proposal ended in failure. On the other hand, while the attempt to de-index pensions failed, a far more subtle reform took place in the income tax system. The tax system was successfully partially indexed, and this affected tax brackets, personal exemptions and deductions. The federal income tax threshold was partially indexed, and this meant that the income level above which people owe taxes (called the basic personal amount) ceased to be indexed in step with inflation. For example, the personal amount was $6169 in 1990, and was increased to $6280 in 1991. Were it fully indexed, it would have been set at $6514 in 1991 (according to the consumer price index). In 1992, the basic amount stopped being indexed, and stayed at 6456, where it remains. Had it been fully indexed, it should have risen to $6834 in 1996. Even though the CPI has gone up 5.5% since 1992, the basic personal amount has stayed the same because inflation has not exceeded 3% in a given year. The age amount was also partially indexed. Every year when people file their tax returns, they can claim a certain amount against their income tax if they are over 65. In 1990 this amount was $3327, and was moved to 3387 in 1991. Had it been fully indexed, it would have been moved to $3514 in 1991. In addition, this tax credit became subject to an income test in 1994, according to which any individual with an income over $25 921 would not be able to claim the full amount.

Another deduction seniors rely on, the pension income deduction, was de-indexed in 1985. In 1985, those who relied on a pension income could claim $1000 of that income as tax exempt. The figure still remains. Had it been fully indexed, it would be at $1412 in 1996. Summing up all of these effects of partial and full de-indexation, there is $994 less that a senior can claim because of partial indexation. This figure will rise every year. It will rise because all of these deductions have been partially de-indexed and thus will devalue each year. In years of low inflation, the effect is not as bad, but when inflation gets to 3%, the value of such an affected program will decrease more dramatically.

Another program hit by 'reform by stealth' was Family Allowance, a program which gave all families a certain amount of money per child, so as to ease the financial strains of child rearing. In 1985, unlike the OAS, it became partially indexed. In 1989, just as was the case with the OAS, family allowance became income tested, incorporating a tax-back approach. If a family had an income over a certain amount, it had some or all of the family allowance taxed back. In 1993 the family allowance came to an end, and was instead amalgamated with the existing Child Tax Credit into the Child Tax Benefit. This new program gives a non-taxable benefit to families at a certain amount per child, if the family income is below a specified income level. We have moved from a family allowance and tax credit, to no tax credit, and an income tested family allowance. In a sense, two programs have not really been amalgamated; rather, one has been continued, and the other has been dropped. The new Child Tax Benefit is both partially de-indexed and has a partially indexed income test (Evans, 1994: 110). This means that the number of people eligible, and the amount they get, will decrease every year.

Battle (1996:6) argues that 'policy by stealth' brought in a great deal of new government revenue. Moreover, due to the subtle nature of the changes, their implications were not fully understood by the voters. The 1989 budget marked the end of the universal pension, though it was to be a slow and silent death. Instead of de-indexation, an income tested pension was put into place. In effect, pensioners with income exceeding a certain threshold ($50,000) would have to pay back a certain percentage of their OAS. Those with high incomes (roughly $70,000) would have to pay back all of their OAS. Furthermore, the threshold was only partially indexed, and so it would fall every year in real dollars, to a lower and lower income group. To add to the subtle nature of this policy, the cut-off point in 1989, when the bill was passed, was set so high that only a handful (4%) of seniors were affected (Battle 1986: 9). Those few did not miss the pension too badly, as they had fairly high incomes. That small group of seniors was unlikely to raise much political opposition, and those who would be affected in the future were unaware of the true ramifications of the policy.

Like the Conservatives, the Liberals have also made changes to elderly benefits in Canada. The age credit, which was partially indexed by the Conservatives, as stated earlier, was reformed again in 1994 by the Liberals, when it became income tested. The lower end of the income test, where people begin to lose the amount they can claim, was set at $25 921. Like the other income tests discussed, it is not fully indexed. The 1998 tax forms still use the same amount, though in terms of 1994 dollars, that original amount has degraded to $24 461. Not only is the age credit shrinking every year in real dollars due to the credit's partial de-indexation, but it is also less available to those with higher incomes (and "higher" is obviously being used in a very broad sense) as the income threshold is partially indexed, and as such, becomes lower each year in real dollars.. To add to this, the 1995 budget detailed a plan to income test the OAS before payment by 1996. Where before, one would receive the full pension, and then have a certain portion "taxed-back" based on one's income for that fiscal year, it is now the case that entitlement will be calculated before payment, and hence, the universal plan is no longer universal, both in practical and formal terms.

At the same time as the government has been making cuts, policies have been enacted that shift responsibility for retirement preparation and financing to the individual. Under the auspices of necessary deficit reduction and an impending fiscal crisis which would result from the demographic impact of the baby boom, a myriad of tax-breaks and higher ceiling limits have been enacted for contributions to registered pension plans (RPPs), deferred profit sharing plans (DPSPs), and registered retirement savings plans (RRSPs). RRSP contributions are tax-deductible, and investment income is tax exempt. The amount of deductible RRSP contribution for a given year, if unrealized, can be carried over to the following year. In the case of DPSPs and RPPs, a policy called the Pension Adjustment (PA) was enacted, which allows contributions made to such plans to be claimed as tax credits in much the same way as are RRSP contributions (Frenken, 1995:9). While presented in the positive light that these reforms aid Canadians in their retirement preparations, only Canadians with sufficient incomes to make such preparations are in a position to receive this ‘aid’.

In light of these changes, contributions to RRSPs have increased dramatically since 1991. While RRSP contributions had more than tripled from 1983 to 1993, the major portion of RRSP contribution growth, both in frequency and size, took place after 1990 (Frenken 1995:3.2-3.4). For Myles (1995:88), the aim of the liberalization of tax deductions for RRSPs is one of cost shifting to the private sector.

Regardless of the position one takes on the perceived ‘pension crisis’ it is still the case that the issue is one of growing concern for Canadians, and it has the potential of hindering the process of positive pension reform (Battle and Torjman, 1994) . Moreover, we see the various major banks in Canada developing their RRSP marketing schemes around this new theme of 'apocalyptic demography'. A plethora of advertisements present so called 'financial experts' predicting gloom and doom for the future, offering RRSP's and mutual funds as a back-up plan, for the “inevitable” bankruptcy of the public pension fund. In the midst of this confusion there is no mention that the CPP is a pay-as-you-go fund, which is by virtue of this fact immune to bankruptcy. It is also never mentioned that OAS and GIS come out of the tax base, and hence, cannot go bankrupt.

Taking a step back to view the broader picture, we see the development of a new public consensus, aided both by the government and the private sector. The government argues it cannot afford an aging population. To soften the blow, it offers tax credits and exemptions for those who seek to provide for themselves, either through RRSPs or other private plans. The private sector then adds fuel to the fire, with disastrous predictions about the future of public pensions in Canada, offering their respective plans as a safe-haven. The plans are also attractive because, as mentioned above, they double as a tax shelter[4]. The politics of pensions are being played with a "loaded deck" because the government speaks in the interests of keeping public plans "sustainable", enacts policies which compensate and assist Canadians in investing in the private market - but at the same time maintains a program of partial de-indexation which is slowly retrenching the "sacred trust" of public pensions.

The Proposed Senior's Benefit

In 1995, a proposal was put forth to combine the OAS, GIS, age credit, and pension income credit into a family income-tested, non-taxable (except for those with very high incomes over $80,000), fully indexed Seniors' Benefit (Battle, 1997:541-543). With this program, benefits would be scaled to family income in such a way that those (singles) with incomes $25,000 or less would receive the same, or more than they get now. Those who made more than this would get less benefits, but would save more on income tax (with the exception of those with incomes in excess of approximately $80 000) than under the current system. While this seemed, on the surface, to be a reasonable program, there was cause for concern.

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[4]Of course it is never mentioned that RRSP's are taxed as income when they are withdrawn. It is also the case that inflation may devalue the original payment so far that even with the accrued interest, the RRSP may only increase slightly in real dollars, and then it would be taxed as regular income, shrinking the net gain once again.

Firstly, while the clawback threshold in 1989 was set at $50,000 dollars, under the Seniors' Benefit it would be set at 25,921[5]. This would greatly reduce payments, as there would be fewer persons eligible for pensions. Outside of the debate on whether persons with $50,000 incomes need a pension, this change would have another more subtle effect. In essence, the lowered income limit would increase the number of seniors who would not receive a pension, and arguably, could decrease the number of supporters of public pensions since fewer people would have a vested interest in maintaining them.

Secondly, the Seniors' Benefit was set to be set up in such a way that all those who would be 65 by the year 2001 had the option of staying with the current program (OAS and GIS), or moving to the new one. In essence, the proposal was engineered to avoid political outrage on the part of those currently receiving Old Age Security. Again this brings us back to the theme of pension 'reform by stealth'; a series of subtle reforms that in concert comprise a dramatic change in the structure of a public policy. If the plan was of greater benefit to all, 'grand fathering' the change would not have been necessary.

Lastly, due to the income-tested nature of the Seniors' Benefit, the proposed pension divorces itself from the universal image of the OAS. In a sense, the Seniors' Benefit was simply a polished and finely tuned Guaranteed Income Supplement. It was essentially a welfare program for the aged. This point is crucial, because the proposal marks the end of an era where anyone could expect to receive money simply by virtue of

[5]These numbers were obtained from a 1996 Report by the National Council of Welfare.

having contributed to the building of a nation. It would now be the case that governmental assistance takes on a new role of (a) mediating a contributory pension, and (b) controlling a more subsistence oriented pension (for which fewer people are eligible every year).

In many ways, then, it was fortunate that Finance Minister Paul Martin announced on July 28, 1998 that the Federal Government was not going to go ahead with the proposed Seniors' Benefit Plan.

> Therefore, in light of the structural enhancements to the public pension system, the turnaround in the country's economic prospects, and because of our commitment to sound fiscal management, the government is today announcing that the proposed Seniors Benefit will not proceed. The existing OAS/GIS system will be fully maintained (Hon. Paul Martin, 1998).

The structural 'enhancements' Mr. Martin refers to are the central point of this thesis. It was not necessary to implement the Seniors' Benefit because the structure was already there to reduce pension transfer payments annually in the form of the partial indexation of the cut-off income for eligibility, as well as all the other 'enhancements' discussed in this chapter. Every year a new income class of Canadians becomes ineligible for Old Age Security and the old age credit. The tax-base pension is slowly eroding and with it, arguably, the public support for and understanding that such programs are necessary.

In the chapter that follows, I will track the process of erosion since 1985 by examining how benefit levels for various programs have changed over time in constant dollars. I will compare thresholds for income tests over time to what they would have been with full indexation. Finally, I will show the dramatic effects of the partial de-indexation of the income tax system, and how they affect seniors.

Chapter 3: An Empirical Analysis of Trends in Canadian Old Age Policy.

In this chapter, will first examine the demographic changes that have accompanied welfare reform in Canada. The main focus of this thesis to this point has been to show the erosive character of partial indexation, when used as a means to decrease public spending on social programs, or to increase tax revenue. The following analysis shows that partial indexation does this by causing lower income groups to have less deductions and more taxes, or to be increasingly ineligible for certain levels of social benefits. Following the examination of demographic changes, I present an analysis of the tax system as it pertains to seniors, followed by an analysis of Old Age Security.

Population Aging

I begin our analysis with a consideration of the population aging phenomenon. This refers to a demographic change over the last few decades in the proportion of the population aged 65 and over. Figure 1-A shows the percentage of the population, aged 65 and over from 1921 to 1997[6]. One can observe how the aged population increased steadily until the late 1940's, when it levelled off during the 'baby-boom', and then began

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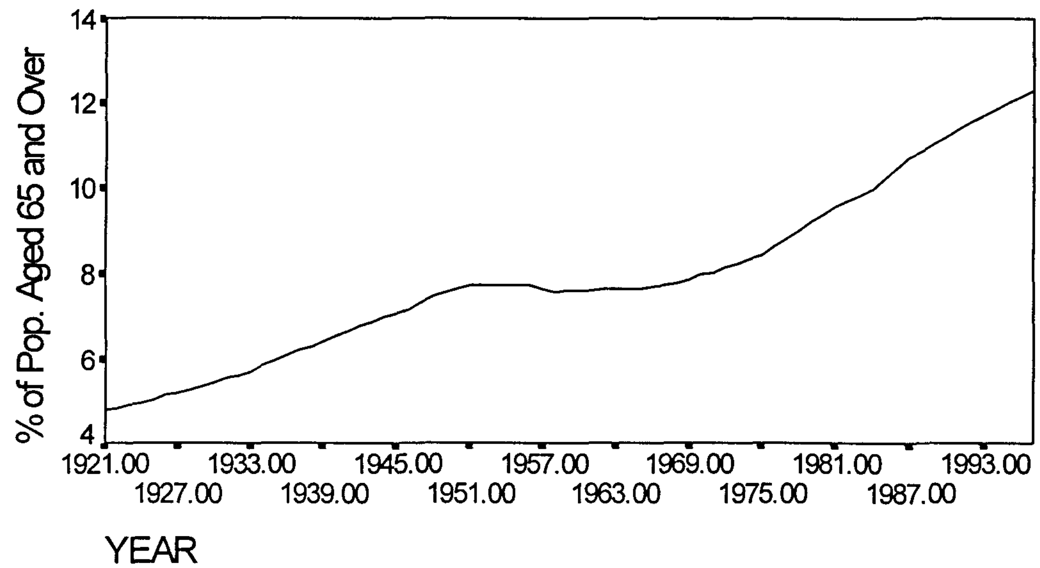
Data for this chart were acquired at the CANSIM (Canadian Socio-economic Information and Management) database, via the CHASS (Computing in the Humanities and Social Sciences) data centre web site at the university of Toronto (http://datacetre.epas.utoronto.ca). A variable for the population aged 65 and over was divided by a variable for the total population, and then multiplied by 100 to give a percentage.

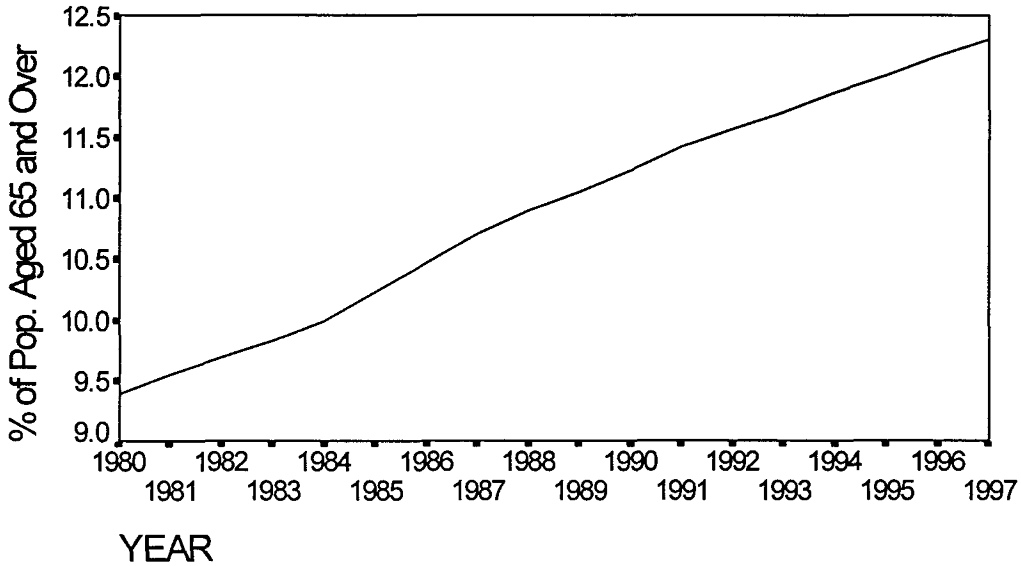
Figure 1-A
Population Aged 65 and Over by Year



to climb again in the late sixties. In the late seventies, it is observed that there is a dramatic slope upwards, and this trend characterizes the more recent years. It is this rapid increase that has become a cause for concern on the part of policy-makers and financial planners, as it signifies that the proportion of the population entitled to certain benefits and tax credits is increasing dramatically.

For the sake of this analysis, which will focus on policy changes implemented from 1980 to the present, Figure 1-B shows how the percentage of the population aged 65 and over has increased from 1980 to 1997. This chart captures the gradual increase that has characterised the latter part of the century in Canada. From 1980 to 1997 the percentage of the population aged 65 and over increased almost 3%, from 9.4% to

Figure 1-B
Percent of the Population Aged 65 and Over by Year



12.3%. Looking back to Figure 1-A, between 1921 and 1951 there was an increase from 4.8% to 7.7%, roughly 3%, but over a span of 30 years - and of course there was no increase again until the end of the baby-boom. The point here is that the rate of growth of the elderly population in Canada during the latter part of the decade is unprecedented in the national records.

In contrast, Figure 1-C shows the percentage of the population aged 18-64 (conceptually the 'working population') by year, from 1980 to 1997[7]. We see how, in

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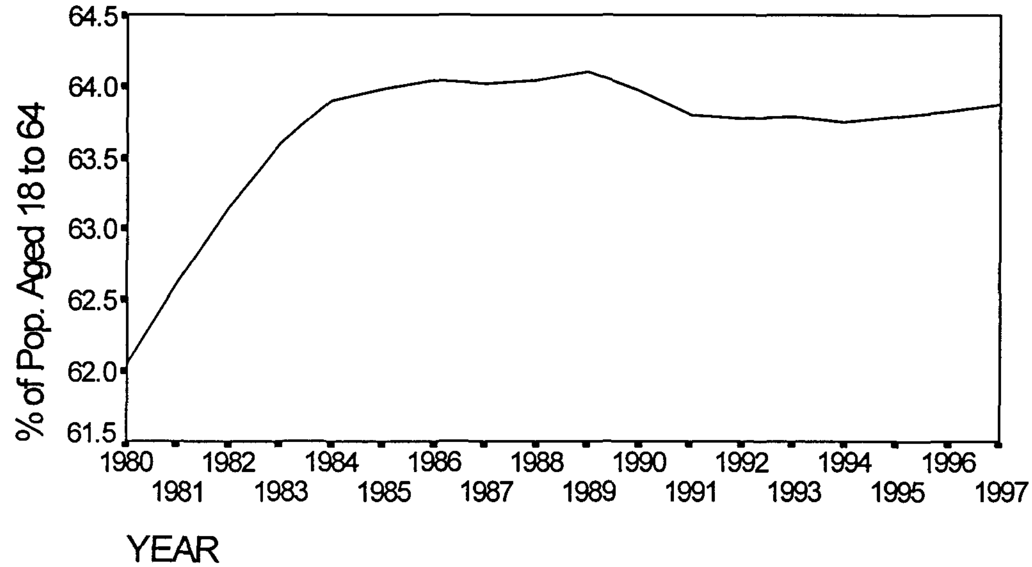
The above data were acquired at the CANSIM database via the CHASS datacentre. The Y axis has the population aged 18-64 (pop1864), divided by the total population (totpop), multiplied by 100 for a percentage

Figure 1-C
Percent of the Population Aged 18 to 64 by Year



recent years, due to lower fertility rates, and a growing elderly population, the percentage of the population in the 'working years'[8] (aged 18-64) has plateaued. This trend is arguably one of the key issues that underlies much of pension debate, as it is argued that 'pay as you go' programs, such as the CPP, and programs that are funded from the tax-base, such as OAS, will put too much financial pressure on those still in the work force. The following analysis reveals that due to partial indexation of the tax system, and of income tests for such programs as Old Age Security, OAS will not put a strain on public

8

It is noted that there are certainly people over 65 who are still in the work-force, and there are like-wise, people under 65 who are retired. The purpose of these measures is simply to allow a crude comparison of those who are potentially in the work force, and those who are potentially retired.

money, as fewer people each year become eligible for benefits, and as higher taxes find their way to lower and lower income groups.

The Tax System

In 1985 the Conservative government partially de-indexed certain elements of the income tax system. These are the basic amount, the age credit, and the pension income deduction. In the following analysis I will show how these changes have impacted on the deductions available to seniors, and in particular, low income seniors.

In 1988, the tax system was fundamentally changed. Before, deductions like Canada Pension Plan contributions, the age amount and Unemployment Insurance (now called Employment Insurance) were subtracted from a person's income to calculate that person's taxable income, in 1988 such deductions became 'non-refundable tax credits' and so they were no longer used to calculate the taxable income. Non-refundable tax credits are deducted from federal tax on an income tax form. Federal tax is 17% of taxable income, if income is $29 590 or less; 26% if income is between $29 590 and $59 180; and 29% if income is more than $59 180. Non-refundable tax credits are 17% of the sum of all claimable items (such as the age amount and CPP). Previously, the age amount was deducted from total income before the calculation of taxable income, and so it had the same value for all taxpayers. Now, an individual's income may be taxed at 26%, but the non-refundable tax credits are only worth 17% of the initial expenditures. In effect, this raised the amount of taxable income. Some of the deductions that became non-refundable tax credits were increased in 1988, but the increase was offset by the consequential increase in taxable income. For this reason, my analysis of the tax system is broken into the periods before and after 1988, so that the effects of partial indexation are not obscured by the jump in amounts that occurred in 1988. For instance, the basic amount was increased from $4200 to $6000 in 1988. While this appeared to be a deduction increase, it was offset by the rise in taxable income that occurred that year. People's deductions increased, but their taxable income also increased. To ignore this fundamental shift in the taxation structure would produce a misleading analysis. The tax systems before 1988 and after are very different, and should be analysed as such.

The Basic Amount

The basic amount is a tax credit all taxpayers can claim against their income. It is called a 'non-refundable tax credit'. Non-refundable tax credits are weighed against an individual's 'taxable income' for the purpose of calculating how much income tax that individual is required to pay. These credits are all added up, and then 17% of that sum is subtracted from the federal tax that is calculated from the taxable income. Currently, the basic amount is $6456. For those with a very low income, the basic amount allows them, in some cases, to avoid being taxed. In 1985, the basic amount was partially de-indexed. Figure 2-A shows the basic amount from 1980 to 1987. This chart displays the dollar amount for each year at market prices (current dollars), or in other words, at the dollar value of that particular year[9]. The chart shows a smooth increase in this deduction each

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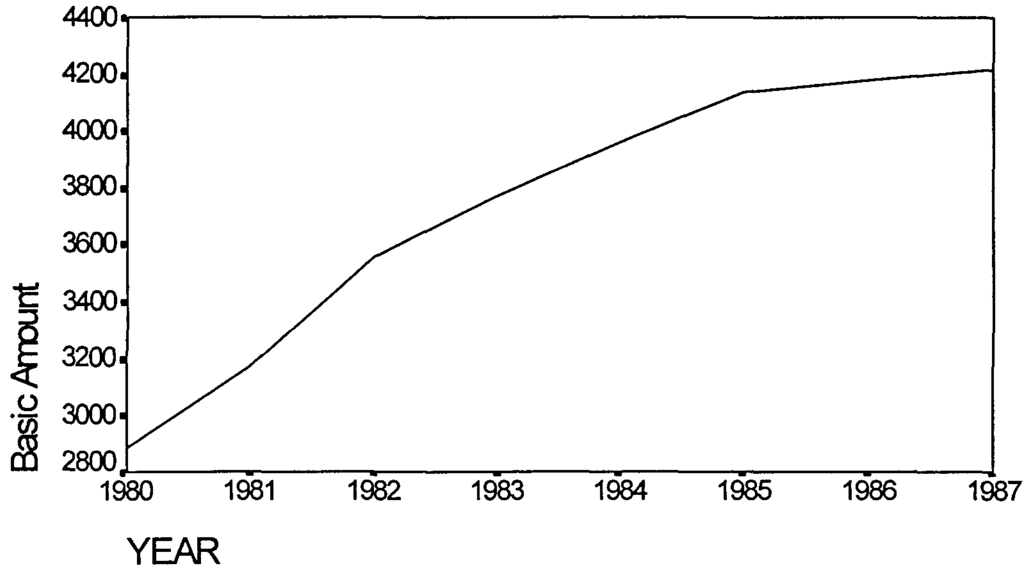
The figures were taken from Revenue Canada's income tax forms for each year. Market prices are values for currency relative to the price of goods and services of that relative

Figure 2-A
Basic Amount at Market Prices by Year



year from \$2900 to \$4200. In 1985, the basic amount was partially de-indexed in the "less 3%" fashion, meaning that the deduction amount would only be increased if inflation went up more than 3% in that fiscal year and would only be increased by inflation that year minus 3%. For example, if inflation was 4% in a given year according to the Consumer Price Index, the basic amount would be indexed by 1%. This policy change had the effect of lowering the real value of this deduction each year (unless of course there was no inflation in a given year).

Figure 2-B shows the basic amount in 1986 (constant) dollars[10]. When a

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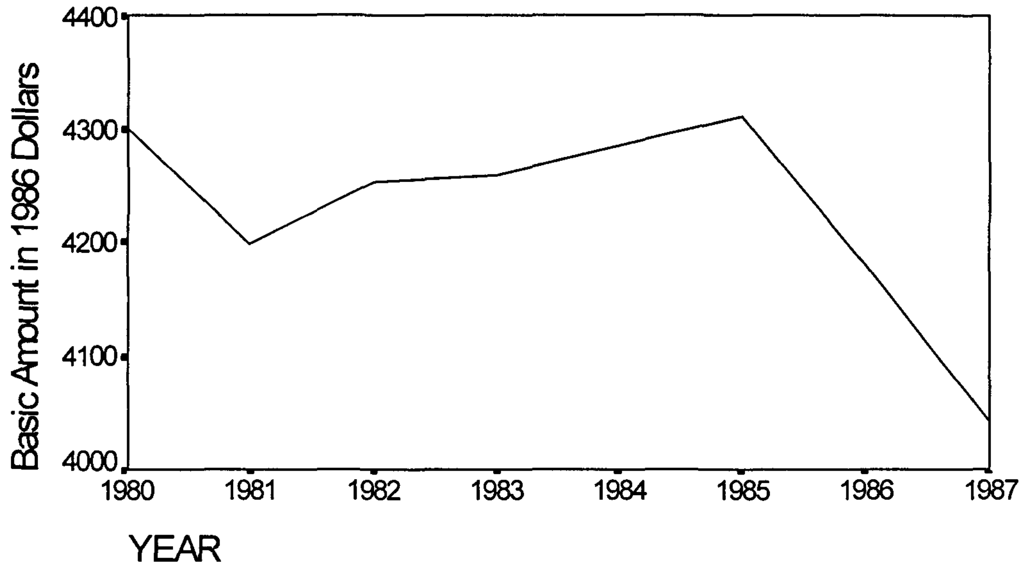
year. They are also often referred to as current dollars.

[10] To compute these figures, the basic amount for each year was divided by that year's consumer price index (CPI), which had 1986 as a referent, and then multiplied by 100 (the CPI for 1986) to arrive at what the deduction would be worth in 1986 dollars. The

Figure 2-B
Basic Amount in 1986 Dollars by Year, 1980-1987.



government program is fully indexed it corrects each year (often quarterly) for changes in the CPI, so that the benefit in question retains its value. In other words, a fully indexed $500 tax break in 1986, would become a $522 tax break in 1987. As Figure 2-B shows,

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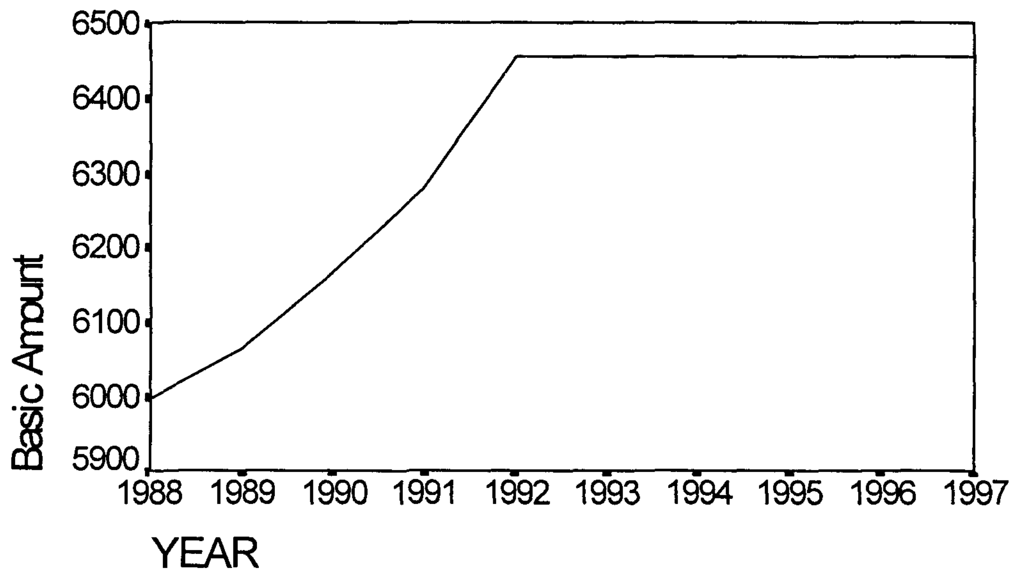
CPI figures were acquired at the CANSIM database via the CHASS datacentre. The CPI is a figure which measures changes in the buying power of the dollar over time. Whereas $1.00 might buy a loaf of bread in 1998, it may cost $1.10 for the same thing in 1999, meaning the dollar has lost value. For instance, the CPI, when set at 1986 prices (meaning it weighs the value of the dollar of a given year against the value of a dollar in 1986), is 100 in 1986, 104.4 in 1987 and 108.6 in 1988. In simple terms, by multiplying by the CPI (one dollar * CPI for 1987/CPI 1986), this means that in 1987 it takes $1.04 to but what a dollar would buy in 1986, and in 1988 it would take $1.08 to buy what a dollar was worth in 1986. Conversely, by dividing by the CPI (one dollar / CPI 1987 * CPI 1986) we see that a 1987 dollar would buy 96 cents worth of goods and services in 1986, and a 1988 dollar would be worth 92 cents in 1986.

the partial de-indexation of the basic amount in 1985 caused the value of this deduction to drop. In 1986 dollars, its value went from $4313 in 1985, to $4180 in 1986, to $4042 in 1987.

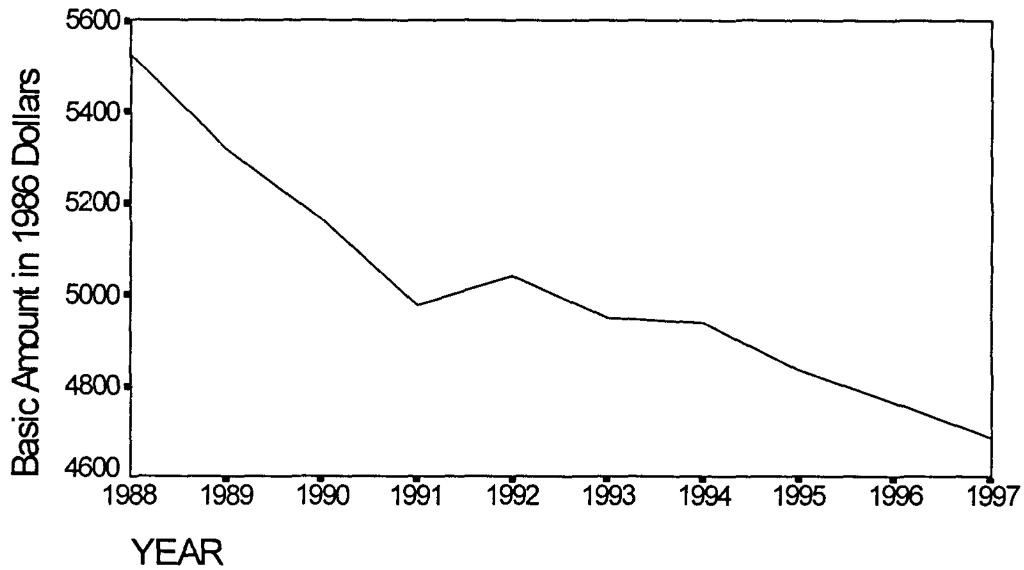
Figure 2-C shows the basic amount at market prices from 1988 to 1997. From 1992 to 1997 inflation did not increase more than 3% in any given year, so the basic

Figure 2-C
Basic Amount at Market Prices by Year



amount stayed the same at $6456. Figure 2-D shows the basic amount in 1986 dollars by year. In this chart, the effects of partial indexation become more visible. While there was no inflation after 1992 that exceeded 3%, prices still rose incrementally, and this had the effect of slowly eroding the value of the deduction. The drop in value prior to 1991 is very dramatic due to the fact that prices rose very quickly during those years, for instance, the CPI rose 5.4% between 1988 and 1989. The effect of this was that the basic amount was only indexed by 2.4% in 1989, and so it lost 3% of its value. In fact, for each year from 1988 to 1991, inflation was more than 3%, and so the basic amount lost 9% of

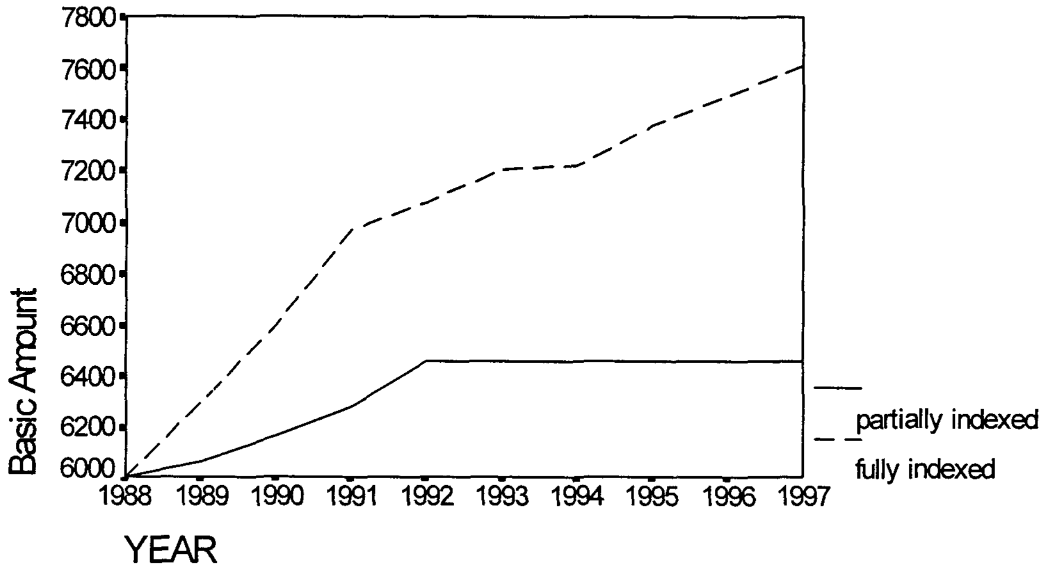
Figure 2-D
Basic Amount in 1986 Dollars by Year, 1988-1997



its value over those 3 years. There was a slight increase in 1992 because the deduction was arbitrarily raised that year, but as the chart shows, the increase was quickly absorbed. This is a testament to the power and political utility of partial indexation. While the government may raise a deduction to 'lower taxes', the deduction will be automatically reduced by inflation in the years that follow.

To view this from another perspective, Figure 2-E shows changes in the basic amount from 1988 to 1997 , both at market prices partially indexed, and then at market

Figure 2-E
Basic Amount: Fully Indexed Compared to Partially Indexed by Year



prices, had it been fully indexed[11]. One can see in years after 1992, where there was low inflation, that the basic amount was not indexed at all. In contrast, fully indexed, the basic amount would be at $7613 by now.

While the basic amount is not a deduction specifically designed for seniors, it is an important deduction for all Canadians, but perhaps most important to lower income Canadians, who are not able to invest their potentially taxable income. Since many seniors have fixed incomes, and many, especially widows, have low incomes, the basic amount is an important deduction for the elderly population.

11

The fully indexed figures were calculated by multiplying the 1988 basic amount ($6000) by the CPI for each given year, and then dividing it by the CPI for 1988.

Figure 3-A
Age Amount at Market Prices by Year, 1980-1987

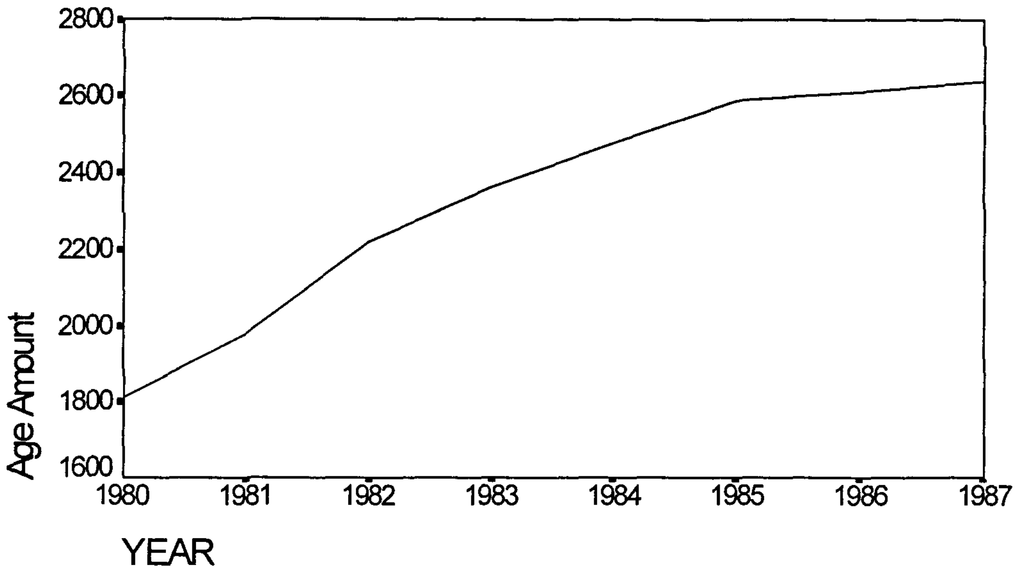
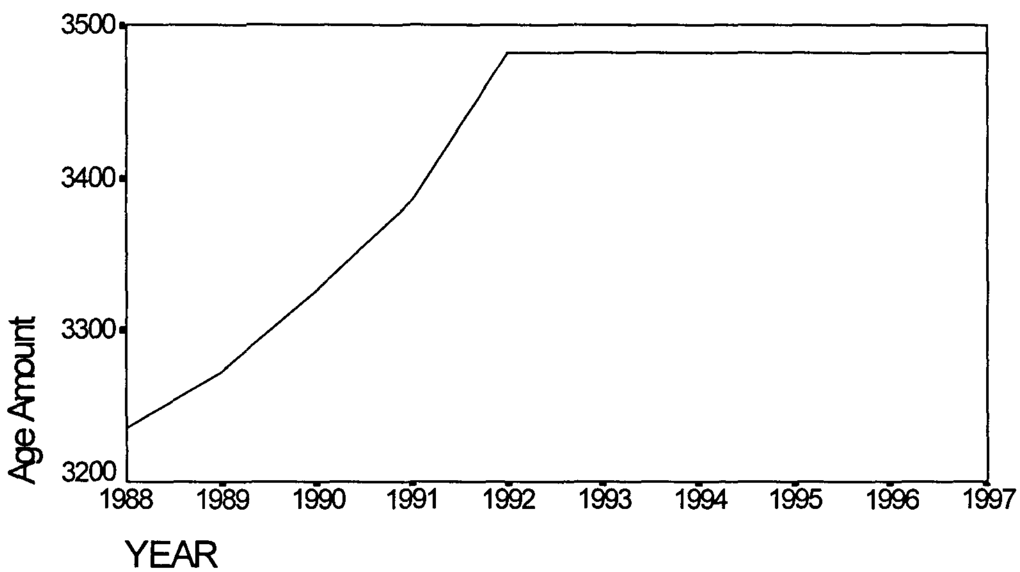


Figure 3-B
Age Amount at Market Prices by Year, 1988-1997



The Age Amount

Another income tax deduction seniors rely on is the age amount. Anyone 65 and over can claim it. Figure 3-A shows the age amount at market prices from 1980 to 1987 and Figure 3-B shows the age amount at market prices from 1988 to 1997[12]. One can see how the age amount rose steadily in the early 1980's , more dramatically during the years of high inflation at the end of the eighties, and then levelled off after 1992 during those years of low inflation.

Like the basic amount, the age amount was partially de-indexed in 1985. The effect was that seniors would have less to claim against their income each year at tax time, as the real value of the deduction would slowly erode each year due to inflation. In 1994, the age amount became income tested. People with a taxable income over $25 921 would not receive the full tax credit. This threshold is still the same for 1998, and therefore has not been indexed for four years. The maximum credit is $3482, and so not only has the credit decreased in real value (it has not been indexed at all for four years), but the income threshold has also gone down in real dollars. For seniors with fixed low incomes, the threshold will eventually affect the amount they can claim against their income. The figures were recorded from yearly Revenue Canada income tax forms. One can observe how the Age Amount was not indexed after 1992 due to low inflation during those years. Never the less, prices rose each year and this means the devaluing of many

[12]The figures for both charts were taken from annual Revenue Canada tax forms.

tax credits seniors rely on when they calculate their income tax.

To observe how the age amount has lost value over time due to partial indexation, Figure 3-C shows the age amount from 1988 to 1997 in 1986 dollars[13]. The chart displays an obvious decrease in the value of this deduction. As with the basic amount, there was an arbitrary increase in 1992 in the age amount, but it was absorbed by inflation in the following year. In 1986 dollars, the age amount went from $2980 in 1988 to $2527 in 1997 - that is a $453 decrease in value over a span of nine years.

Figure 3-C
Age Amount in 1986 Dollars by Year

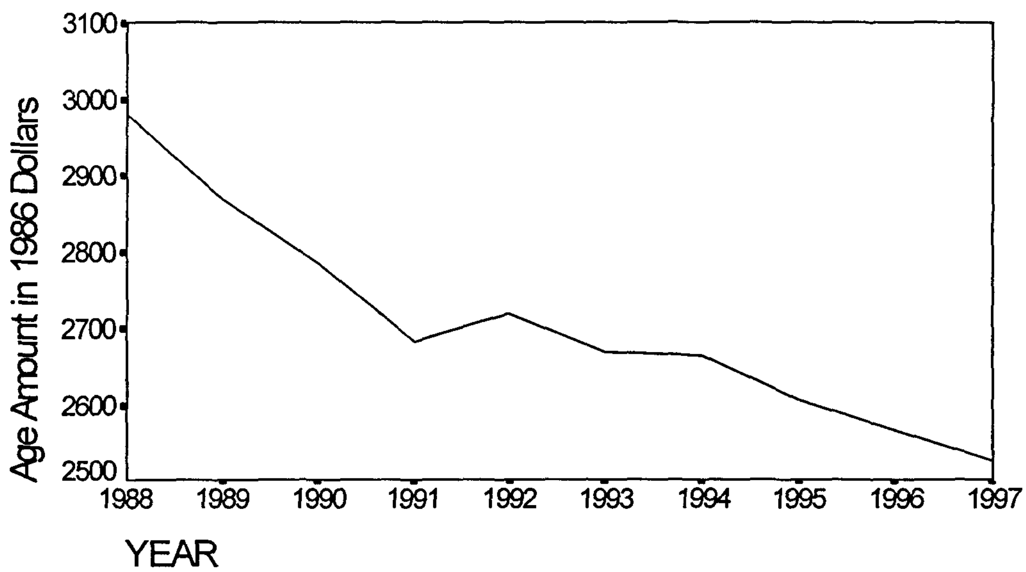
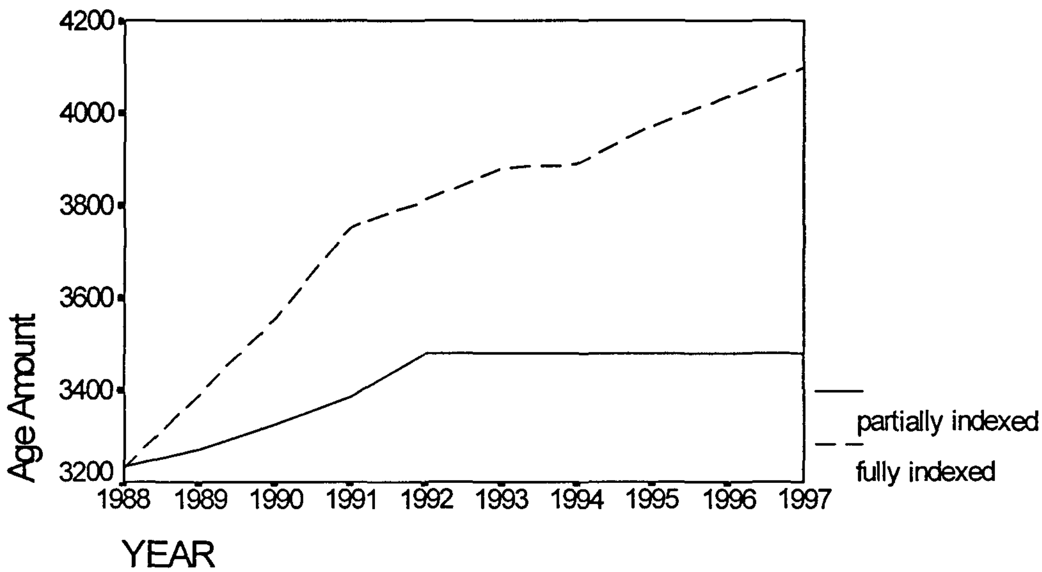


Figure 3-D shows the age amount at market prices from 1988 to 1997, and at the same time has plotted values for what level the age amount would have been had it been

13 The figures were calculated by dividing the age amount for each year by the CPI for that year, and then multiplying 100 (the CPI for 1986).

fully indexed over those years[14]. One can see that the 1992 increase from $3387 to $3482

Figure 3-D
Age Amount: Fully Indexed Compared to Partially Indexed by Year



did not even put the age amount to where it should have been at $3811 had the age amount been fully indexed. Again this is testament to the subtle and stealthy nature of partial indexation. The party in power (at that time the Conservatives) can issue a "good news" budget, proclaiming lower taxes, but be confident that tax revenue will continue to increase as the tax break will be absorbed by inflation. If one were to be very conservative and predict that inflation would be 1.5% per year over the next ten years, the 1997 age amount, at $2522 in 1986 dollars, would be worth $2168 by the year 2007. The

14

The fully indexed values were calculated by multiplying the age amount for 1988 ($3236) by the CPI for each year, and then dividing by the CPI for 1988 (108.6).

age amount was set at $3236 in 1992. Because inflation has not increased more that 3% since then, the age amount has not since been indexed. If we figure the 1997 basic amount ($3236) in 1992 dollars, it is worth $3008.2. If we then assume a low inflation rate of 1.5% for the next ten years, the age amount will be worth $2592 (in 1992 dollars) by the year 2007. While the Conservative government announced a "good news" budget in 1992, they did not announce that the $95 increase in the age amount in 1992 would be followed by a potential decrease of $524 over fifteen years.

As mentioned before, the age amount became income tested in 1994. This income test was set at $25 921 and was partially indexed in the less 3% fashion, so it has not increased since then. Recalculated to account for changes in inflation, the 1997 income threshold of $25 921 is $24 585 in 1994 dollars, that is a drop of $1336 over just three years. Not only has the deduction lost value, but now the income threshold for the deduction is cutting into lower income groups.

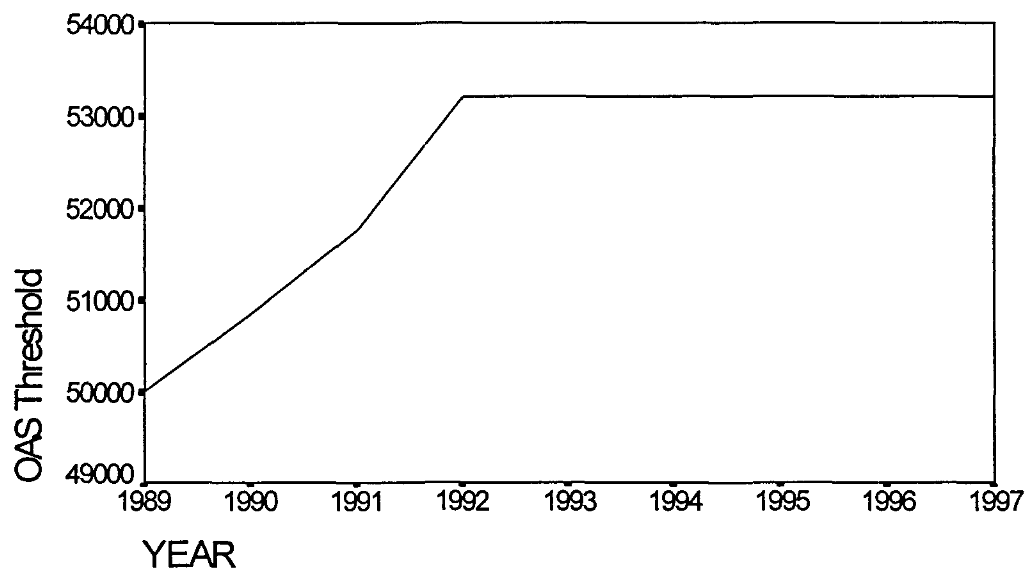
The Pension Income Deduction

Next, we turn to the pension income deduction. In 1985, the maximum deduction became fixed at $1000, and has not been indexed yet. Prices have increased by 35% since 1985, and so the real value of this deduction has decreased dramatically. Like the basic amount and the age amount, the pension income deduction went from being a taxable income deduction to a non-refundable credit. Unlike these other deductions, however, the pension income deduction was not increased in 1988, and so it has gone down in value most dramatically. If we calculate what a 1997 $1000 deduction was worth in 1985, by multiplying by the 1985 CPI and dividing by the 1997 CPI, the resulting figure is $697. Once again, this is a trend that puts an increased financial strain on lower income seniors.

Old Age Security

In 1989 Old Age Security became income tested so that those with a retirement income over $50 000 would have the benefit taxed back in an amount relative to how much their income was in excess of $50 000 dollars. This income test was partially indexed in the less 3% fashion. Figure 4-A shows the income test for OAS at market

Figure 4-A
Old Age Security Threshold at Market Prices by Year



prices from 1989, when it began, to 1997[15]. The graph shows that OAS increased until

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15

These data were provided by Antun Utovac at Human Resources and Development Canada.

1992, and stayed the same afterwards as inflation did not exceed 3% in the years that followed. In figure 4-B, I have taken the threshold for each year and calculated what it would be in 1989 dollars, so as to show how far the original income threshold has lowered in real dollars[16]. The chart shows that by 1997, the original $50000 threshold had dropped to $44024.

Figure 4-B
Old Age Security Threshold in 1989 Dollars by Year

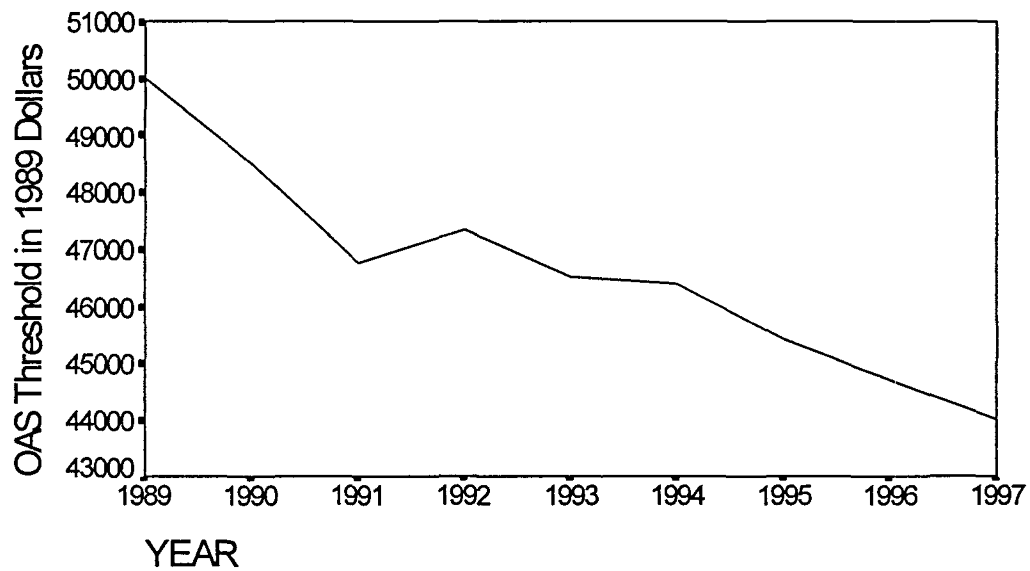

Figure 4-C shows the OAS income threshold at market prices from 1989 to 1997. It also compares these figures with what they would have been if the income threshold had been fully indexed[17]. Had the income threshold been fully indexed, it would have

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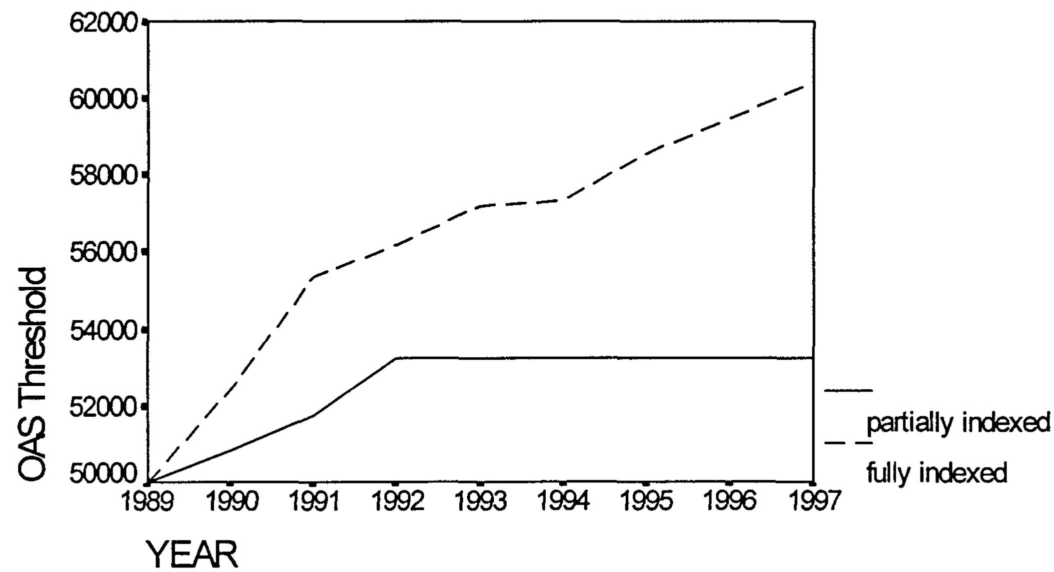
16

This was done by multiplying the threshold for each year by the CPI for 1989 and then dividing by the CPI for the respective year.

17

The fully indexed figures were calculated by multiplying the 1989 threshold of $50000 by been at $60 439 by 1997. Instead it was at $53 215 in 1997.

Figure 4-C
Old Age Security Threshold: Fully Indexed Compared to Partially Indexed by Year



The Registered Retirement Savings Plan

There is a great deal of discussion today about why Canadians should be investing in RRSP's. Reasons range from a lack of faith in the public pension system, to finding a way to bring down one's taxable income, as RRSP's are a tax-deductable investment. Despite all of the discourse, little discussion takes place regarding which income groups can afford to invest in RRSP's. Figure 5-A shows the number of RRSP investors as a percentage of all taxpayers from 1980 to 1996[18]. The chart shows that the percent of

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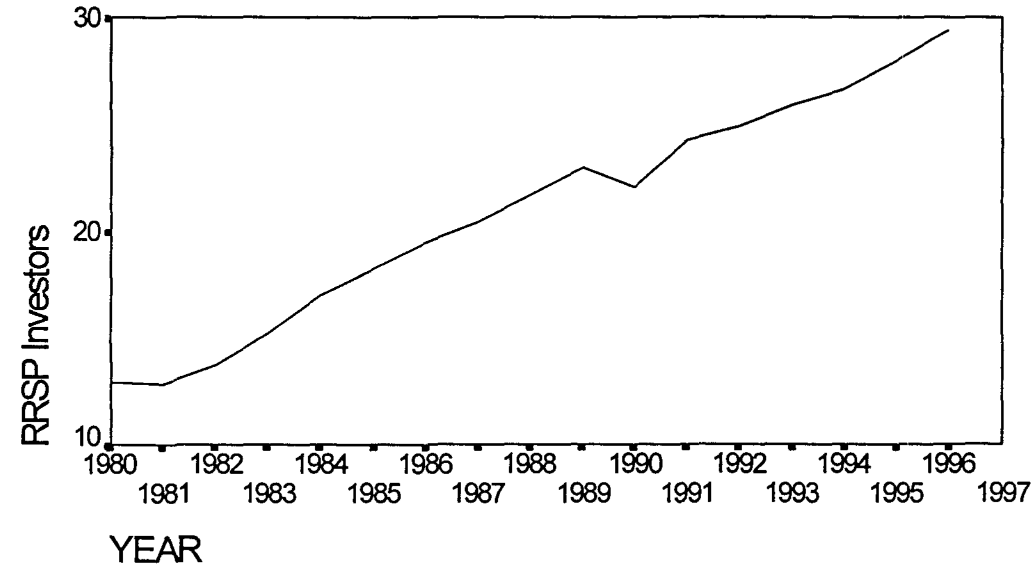
the CPI for each respective year and then dividing by the CPI for 1989.

[18] The data were taken from table 2 of Revenue Canada's yearly publication of Taxation

RRSP investors is on the rise. At the present time, roughly 30% of tax-payers are investing in RRSP's annually. While this figure is encouraging, showing that some people are taking advantage of the private pension market, it is doubtful that average income families and the 'working poor' have sufficient surplus income to invest. Still,

Figure 5-A
RRSP Investors as a Percentage of Taxpayers by Year

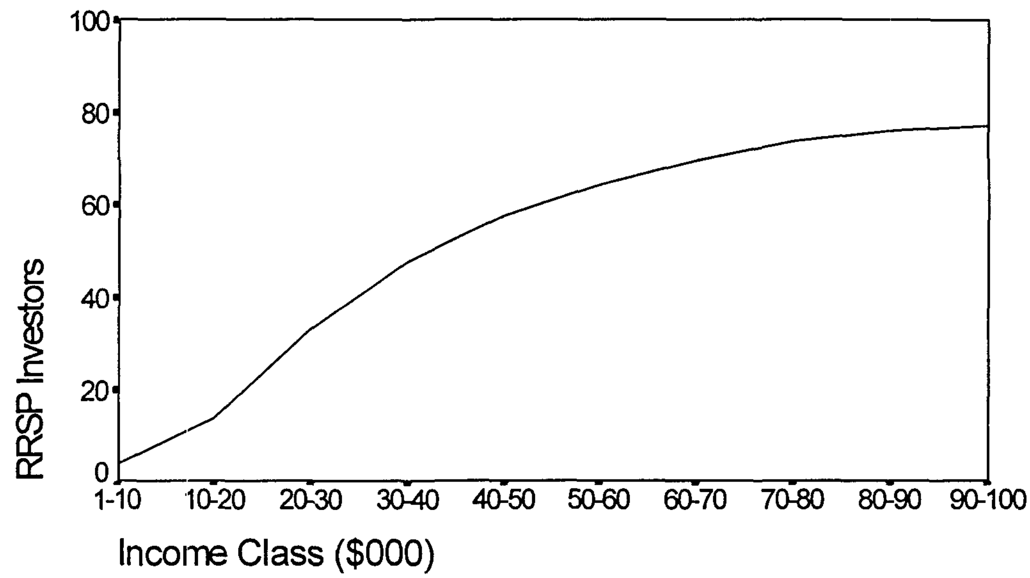


regardless of what percentage of the population is investing, there is the issue of how much one can afford to invest. For one to buy an RRSP, one must first have an income that produces a surplus. In light of this it is arguable that only Canadians in the upper income brackets take full advantage of RRSP's. The next chart substantiates this claim to some degree.

Statistics. The page number of this table varies from year to year due to formatting changes in the book.

Figure 5-B shows the percentage of people who invested in RRSP's by income class in 1996. As in the previous chart, the data were gathered from Table 2 in Revenue Canada's Taxation Statistics. It is clear that the higher income classes have a greater degree of participation in RRSP investment. While it is arguable that the higher age

Figure 5-B
RRSP Investors as Percentage of Tax Payers by Income Class



groups have a greater income and thus a greater rate of participation, I would suggest that the above trend could be observed across age categories[19]. In other words, were one to control for age, it is arguable the above trend would maintain within the income classes.

19 Unfortunately, I lack the data to substantiate this claim. There is a definite need for more research in this vein, and a need for a comprehensive time series database that captures national RRSP investment participation.

Were pensions to be privatized, the lower income groups would be at a definite disadvantage in preparing for old age. "To put the principle of self dependence into practice would mean that today, as in the past, retirement would be a prerogative of wealth" (Myles, 1984:23). Since the average personal income in Canada is approximately $30 000, it is plausible that the majority of Canadians would have difficulty in saving for retirement solely through the private pension market.[20]

20

While an analysis of the number of Canadians investing in RRSP's begs the analysis of how much they invested, national figures are skewed due to the high level of investment in the upper income groups. What is truly needed is a look at the mean investment by income class - that is to divide the amount invested in a given year by income class X by the number of investors in income class X. While such national data is available, the task would involve a third data set being constructed for this thesis - a measure time and resources have restricted this researcher from taking.

Chapter 4: Discussion

What is important in the analysis presented in chapter 3 of the various benefits and deductions, is that the trends continue downward in all cases, and these are deductions upon which seniors rely. As long as the tax system remains partially indexed, the devaluation of social security benefits will continue. While the income tax system has been changed to allow people to place more income in investments and avoid taxes on that income, only those in higher income groups have the surplus income to make such investments.

The analysis shows that while the population is aging, the percent of the population between the age of 18 and 64 has stayed roughly the same since 1990. Though it is predicted that this will put an increased burden on the social welfare system, some research (Denton and Spencer 1995) shows that because there are less children, and hence less public money going into such programs as education and child healthcare, government expenditures will rise relative to population growth. In other words, there will be increases in some programs and decreases in others, and so the overall expenditure rate will stay roughly the same. These findings were similar to predictions Denton, Feaver and Spencer (1986) made in an earlier study; that expenditure changes would be compositional.

The examination of the tax system revealed that the partial de-indexation of the basic amount, age amount and pension income deduction led to a real decrease in the values of those deductions over time. The figures are dramatic, and because they are not heard or seen in the public forum is evidence of the subtlety of this process of policy reform. In light of all the changes to the income tax system one could argue that the lower income groups will become increasingly disadvantaged in preparing for old age. In addition, changes in the tax system that directly affect seniors (the partial indexation of the pension deduction, and the age amount) will spell harder times in retirement for lower income seniors, as the tax breaks they rely on are becoming slowly eroded away.

The Old Age Security income threshold takes the "reform by stealth" approach to a new level. By partially de-indexing the income threshold rather than the benefit, a program has been targeted, but not directly. It would take a reporter 30 minutes to ask a politician about this program in a way the public could digest, and even then, if such an amount of time was ever possible in the media, the politician could pretend to misunderstand and say "the OAS has always been fully indexed". The issue is virtually unapproachable in this world of media sound-bytes.

What is observed in Figures 4-A through 4-C is the true fruition of policy reform by stealth. While the threshold was $50000 in 1989, by the dollar value of that year the threshold dropped to $44024 by 1997, with no budget speeches or electoral dissatisfaction involved. "The power of partial indexation as a cost-cutting mechanism is that it harnesses inflation to erode not only the original payment but also each successive annual rate (ie the cut is cumulative)" (Battle 1997:529). The threshold dropped in real value each year automatically, and apolitically, denying assistance to ever lower income groups each year. While voters may say that it is fair because the threshold has stayed the same for the last 5 years and not gone down, the effect of inflation is not taken into account.

> Few people have the time, inclination or knowledge to unmask the the politics of stealth: Governments count on this, especially at a time when years of overt tax hikes are not politically possible - though hidden tax hikes have proven to be easily imposed through stealth. (Battle, 1997:531).

While the $50000 threshold is still "$50000", that amount does not have the same buying power that it did in 1989, and hence, in practical terms, the threshold has dropped. If there is one political issue towards which Canadians and seniors in particular should turn their attention, it is the partial indexation of the tax system and OAS threshold, for it has a direct effect on their financial security at present, and for the future.

Registered Retirement Savings Plans do offer an affordable means of saving for retirement, and allow Canadians to reduce their income tax as they are deductible investments. Unfortunately, all Canadians are not in a position to invest as can be seen in Figure 5-B. Research by Burbidge, Fretz and Veall (1998) shows that while the RRSP investment rate has been on the rise since the 1970's, overall Canadian savings rates have fell since the early 1980's. Financial assets as a percentage of personal disposable income have also fallen. In short, while people are investing in RRSP's, they are not investing elsewhere - where they may have invested before, and furthermore, there is an overall decrease in investment activity. While the goal of Burbidge, Fretz and Veall was to show that RRSP investment variation does not explain variation in Canadian Savings, their finding reinforce (to some extent) Myles (1984) argument that the private pension market is beneficial for only the more wealthy members of a society.

It is also the case that RRSP's are fully taxable when they are used, and so individuals who claim them as income when they retire will have to pay taxes on them then, and given the gradual tightening of the income tax system, income from RRSP's may be taxed at a heavier rate when its withdrawn than it would be now. Even if they have relatively low incomes, because of the partial de-indexation of income thresholds for benefits, individuals' incomes may still be too high for OAS by the time they retire and the taxes they had hoped to avoid may be there to greet them upon retirement.

While it would be ideal to show how public monies have been re-routed from welfare programs to the hands of certain corporate entities, government records are not kept (or are not available) in the kind of detail that would allow such an analysis. There is also the point that welfare programs "targeted" in the interest of deficit reduction benefit the entire population, in the sense that this would benefit the economy, and hence the population, at large. While there is some abstract merit to this position, due to the nature of capital, it is arguable that the benefits would be more prone to climb upwards rather than downwards in terms of distribution, as an improved economy would be of greatest benefit to those who are able to capitalize on it via investments. Only those with sufficient income would be in a position to secure a retirement income. The dismantling of welfare programs, and therefore, a return to a more laissez-faire economy is historically the equation for a more intense polarization of the classes. Those who are able to invest make the largest profits and can enjoy more lucrative opportunities. Unfortunately, a large portion of Canadians are not in such a position, and with no social safety net, would experience an ever increasing income gap between themselves and upper income Canadians.

If we take a hypothetical individual, perhaps 50 years old, that person, in each successive year will get taxed a little more due to the partial indexation of the tax system. As that person looks ahead to retirement, it will appear each year that there will be fewer government benefits available, with the shrinking OAS threshold. Combined with the mass paranoia, enabled and assisted by the private pension industry that the CPP will go bankrupt in the near future, we have the recipe for an individual who will have less faith in the government, and more faith in the private pension industry. We also have a political milieu primed for reforms that enable personal investment, while at the same time silently eroding the social welfare programs upon which many lower income Canadians are dependent in old age. If everyone could afford to prepare privately for retirement, interest groups would not have fought so hard to put these public programs in place. Preparation for old age is silently being shifted back into the hands of private industry, and while this will not threaten some, those who lack the surplus income for investment will be in a tough position. If the voting public were fully aware of the "structural enhancements" that have been made to the income tax system and social welfare systems, this covert process of "policy reform by stealth" would get the political attention that democracy demands. Because of this new language of stealth, voters are not fully aware of decisions made by political actors that have direct implications for the course of their lives.

If a modern society demands that workers retire at a specific point in the life course (at 65 years of age), there will be those who are not in a financial position to do so. While it seems plausible that people could save for this time and secure their own financial stability in later life, this notion is naive at best, as history shows us there are always those who have the resources, and there are always those who do not. Historically again, while the "have nots" are often viewed as a burden to the system, it is they who provide a cheap source of labour, thus enabling those with capital to gain more capital, and those without to remain as such.

If an equitable social benefit system is to remain in place for seniors, the partial de-indexation of the OAS threshold and tax system should end or be restructured before these programs are eroded into the vestigial limbs of a once powerful and still very important safety-net. Figures 2-D 3-C and 4-B have shown that arbitrary increases in funding or credits are quickly absorbed by inflation, and hence are more useful to politicians as political tools than to the public as fiscal relief. They treat the symptoms very temporarily, but the problem continues like a juggernaut.

In a sense, "pension by stealth" is no longer necessary, as this process paved the way for an even more subtle, yet powerful reform mechanism. That is to say, it is now the case in Canada, that we have a language of self preparation for old age, whereas before, the role of the state was focal. Fewer people are eligible, and hence, fewer people support the necessity of taxes, and fewer people hold the state responsible. Taxes have increased for the middle classes, and yet the middle class has become less eligible for deductions and benefits. State assisted retirement is no longer an expected part of the life course, and in a sense, because of this, the very meaning of aging has changed. Even though history shows us the private sector does not provide equitable forms of maintenance for the aged, the state has craftily shifted public perception back to that ethos.

Child Welfare Policy: A Lesson to be Learned

It is perhaps best to end our discussion with a look at the child welfare system, as an indicator of what can happen to a welfare program if reforms are not met with strong opposition. This will also serve to show that the partial indexation strategy for reducing social transfers occurs in realms other than old age policy; that it is a process aimed at reducing the use and benefit levels of welfare spending. In 1985, while the attempt to partially index OAS benefits failed, Family Allowance was partially indexed. In 1989, it was given an income threshold of $50000. It was hit both ways, and so both the benefit and the number of Canadian Families that were eligible began to decrease in real value each year. Both of these changes were attempted on the OAS, but only the partially indexed income test was successful.

In 1993, Family Allowance and the Child Tax Credit (an income tested tax relief for families with dependent children) were amalgamated into the Child Tax Benefit, and program which offers financial assistance to families under a set income threshold. The income threshold and benefit levels for this program are partially indexed and so every year there are fewer people eligible, and there is less money going out to those that are. This is the problem of partial indexation. It is difficult to understand, and even more difficult to recognize likely long term effects. Partial indexation has a slow, gradual effect - but the effect is inevitable. Its political beauty is that it lowers benefits, tax cuts, and eligibility for assistance automatically, and apolitically each year. A benefit can be raised, or a tax credit increased periodically for political reasons - in the end, the benefit raise or tax credit increase falls far short of where it might be were it fully indexed, and its continuing partial indexation guarantees that it will slowly continue to devalue each year. The new Child Tax Benefit does not offer the same coverage as the combined allowance and credit programs that ran before. Impoverished families get roughly the same as they did before (though these amount are incrementally shrinking), but lower and middle income families are the new targets. Every year a lower income group (in real dollars) gets some or all of the benefit taxed back. The lesson to be learned is that without continued political action, that same fate could befall old age policy. The timing for the changes made to the child welfare system was perfect. Fertility was at an all time low, and there was a large baby-boom population entering the work force. The Family was not in the forefront of political debate, and hence if subtle changes were made, they would go largely unnoticed. As Evans states, the political changes, though significant, were made in small, incremental steps (1994:107). If old age security is to be maintained, it is these small steps that activists, interest groups and their political representatives should watch, for it is their outcome which is far more damaging than the initial step. In the span of one or two years, partial indexation does not appear to be a threat. It is the cumulative effect over a decade which reveals the true nature and threat if this type of reform strategy.

While one might argue that Canada has a fair and equitable social welfare system, the 'structural enhancements' Paul Martin speaks of do not operate in this spirit. Over time, if the present system of social welfare prevails, many of our 'sacred trusts' (to quote Mulroney) will erode in the same fashion as Family Allowance.

> The gradual demise of the Canadian Family Allowance illustrates the way that the objectives of solidarity and citizenship, which have traditionally been associated with universal programs, can so easily recede in favour of the more explicitly redistributive goals of targeted programs. The low levels of the new child tax benefit indicate that universality can disappear without any increased commitment to redistribution if the changes are incremental, couched in a language of reform, and poorly understood. (Evans, 1994:115).

Conclusion

The pension debate in Canada can be seen as an issue which swings on a pendulum, between the interests of citizens, and private industry. In the late 1960's and early 1970's, the pendulum swung to the left , with broad social programs and universal plans, both for the old and for the young. Today the pendulum is swinging back to the right, with the responsibility being shifted back to the market place and the individual. The question, then, is one of momentum. How far will welfare state retrenchment go?

The purpose of this thesis is to reveal the silent shifting of the governmental role in financial preparation for old age into the hands of the market place. In this sense, while certain political actors speak of 'moving to the future' and 'preparing for the new millennium' and at the same time, call for tax cuts which would better allow the public to make their own preparations for old age, we have begun a return to the state things were in before the 1920's. We are not moving forward, but returning to the past. In an age of 'apocalyptic demography', half truths constructed for the promotion of RRSP investments, and 'doom and gloom' economic forecasts set up to soften the blows of pension reform, one becomes concerned with which account is correct, and whose interests are being served.

Hopefully, research such as I have presented above will prevent the essential elements of our public pension system from going the way of the child welfare system. The evidence above shows a dramatic and systematic process of (a) lowering payments to seniors through the partial indexation of the income test for old age security system; (b) increasing the taxation of seniors through partially indexing the old age amount and the pension income deduction; and (c) allowing lower income groups (which includes seniors, especially widows) to be taxed more heavily each year through the partial indexation of the basic amount.

Despite the trends this thesis has revealed, my research has only scratched the surface of the full ramifications of the partial de-indexation strategy of policy reform and retrenchment. The extent to which other welfare policies have been affected needs to be addressed. Seniors are but one dimension of the social welfare question. Moreover, research is needed to explicitly predict how all of these changes in both the income tax and welfare system will affect seniors in the future. A closer look at RRSP investment trends is also needed, especially in terms of class analysis, by age, over time. Due to the fact that women comprise such a large majority of the aged, more research is needed on how partial de-indexation will affect them specifically. A limitation of this thesis is that it focuses only on Canada, and hence the degree to which the findings have implications for welfare state theory in general are questionable. My goal was simply to place the Canadian welfare state within the context of the current theoretical approaches in order to see how our present system could best be explored. In light of this, there is a definite need for research into the question of to what extent other countries are using partial indexation as a means of dismantling welfare programs.

Based on my research of the changes that have taken place over the last ten years, it is reasonable to assume that tax relief and social benefits will begin to lose their practical utility over the next twenty years unless something is done to change the structure of these programs - either by means of a return to full indexation, or something more dramatic such as a government run, inflation protected, tax generated mandatory

"RRSP" type program that accompanies the Canada Pension Plan. If partial indexation must continue, then perhaps the "less 3%" technique could be traded for some other less damaging system, such as indexing tax credits and income thresholds to a maximum of 3%. Of course, much discussion is needed before anything can occur, but this will only happen if political pressure is exerted on public officials - and that would require the voting public to be informed about the issue at hand. The tax system and social welfare are topics which touch all Canadians, and as such, approached in the manner I have used in this thesis, has the potential for a powerful campaign venue. Hopefully more research in this vein will prompt such an occurrence.

Concerns over whether the public pension system is sustainable are heavily in error. The system is sustainable, but not because of a new found surplus, but rather because it is designed to pay out less each year[21]. The taxation system will hit seniors harder each year, and the tax transfer system will give them less each year. Lobby groups need to push public officials to bring these programs back to a state of full indexation, and to re-index the tax system. While income tests are in essence a fair idea, it is unfair to partially index them to the point that they begin to affect lower income groups. At the very least, steps should be taken to ensure that the OAS income threshold has a 'floor'; that it is not de-indexed into nothingness, and that the various tax credits available to seniors are re-indexed. After a lifetime of contributing to the economy and tax base,

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Relative, of course, to the size and composition of the population and the rate of inflation.

through recessions and booms, shouldering the burden of child rearing, and purchasing Canadian goods and services, seniors deserve better.

Appendix 1 - Variable Index

Variable Name	Definition	Source
1. YEAR	Year	
2. TOTPOP	Total population	CANSIM*
3. POP65UP	Population aged 65 and over	CANSIM
4. CPP	CPP expenditures	CANSIM
5. POPAGE	POP65UP/TOTPOP*100	CANSIM
6. CPI	Consumer price index	CANSIM
7. NUMRRSP	Number of RRSP Investors	Taxation Statistics**
8. PRRSP	NUMRRSP/NUMTAX	Taxation Statistics
9. POP1864	Population aged 18 to 64	CANSIM
10. POP1869	Population aged 18 to 69	CANSIM
11. BASIC	Basic amount from 1980 to 1987	Annual Income Tax Returns
12. BASIC88	Basic amount from 1988	Annual Income Tax Returns
13. AGEAMT	Age amount	Annual Income Tax Returns
14. B1	Basic amount in 1986 dollars from 1988	Annual Income Tax Returns
15. PP1864	Percentage of the population aged 18 to 64	CANSIM
16. AGE	AGEAMT*100/CPI	
17. FIBAS88	BASIC88*CPI/108.5	

18. AGECON	AGEAMT*100/CPI	
19. AGEINDEX	AGEAMT*CPI/108.5	
20. OASTHRESH	OAS threshold	Human Resources Canada***
21. OATHRCON	OASTHRESH*114/CPI	
22. OASTHIND	OASTHRESH*CPI/108.5	
23. PERRRSP	NUMRRSP/NUMTAX	
24. NUMTAX	Number of taxpayers	Taxation Statistics

* Canadian Socio-economic Information and Management - via the CHASS (Computing in the Social Sciences) data centre web site (http://datacentre.epas.utoronto.ca) at the university of Toronto.

** Revenue Canada, Taxation, Ottawa, Canada: Annual.

*** Anton Utovac at Revenue Canada.

Appendix 2: Dataset

CASE	YEAR	TOTPOP	POP65UP	CPP	POPAGE	CPI
1	1980	24593300	2308290	1.90E+09	9.39	67.20
2	1981	24900000	2379560	2.32E+09	9.56	75.50
3	1982	25201900	2444560	2.87E+09	9.70	83.70
4	1983	25456300	2502820	3.49E+09	9.83	88.50
5	1984	25701800	2568910	4.05E+09	10.00	92.40
6	1985	25941600	2654260	4.68E+09	10.23	96.00
7	1986	26203800	2742270	5.35E+09	10.47	100.00
8	1987	26549700	2842600	6.95E+09	10.71	104.40
9	1988	26894800	2929060	8.10E+09	10.89	108.60
10	1989	27379300	3024590	9.14E+09	11.05	114.00
11	1990	27790600	3116960	1.02E+10	11.22	119.50
12	1991	28120100	3211010	1.13E+10	11.42	126.20
13	1992	28542200	3301070	1.29E+10	11.57	128.10
14	1993	28946800	3389120	1.42E+10	11.71	130.40
15	1994	29255600	3472220	1.52E+10	11.87	130.70
16	1995	29617400	3558160	1.59E+10	12.01	133.50
17	1996	29969200	3643720	120000.0	12.16	135.60
18	1997	30286600	3725830	.	12.30	137.80

Case	NUMRRSP	PRRSP	POP1864	POP1869	BASIC	BASIC88	AGEAMNT	B1
1	1916372	.13	15262700	16094633	2.9E+03		.	1810
2	1954002	.13	15591400	16441299	3.2E+03		.	1980
3	2100333	.14	15914000	16775721	3.6E+03		.	2220
4	2329201	.15	16191700	17055700	3.8E+03		.	2360
5	2645080	.17	16420800	17288855	4.0E+03		.	2480
6	2892892	.18	16598700	17490593	4.1E+03		.	2590
7	3216350	.19	16781700	17708967	4.2E+03		.	2610
8	3483650	.20	16996200	17966410	4.2E+03		.	2640
9	3802260	.22	17223200	18232600	.	6000	3236	
10	4161450	.22	17778200	18847010	.	6169	3327	
12	4617640	.24	17940200	19024790	.	6280	3387	
13	4836410	.25	18201900	19293310	.	6456	3482	
14	5132280	.26	18461900	19564580	.	6456	3482	
15	5367570	.27	18650600	19759870	.	6456	3482	
16	5727650	.28	18890000	20010150	.	6456	3482	
17	5994830	.29	19127400	20257740	.	6456	3482	
18	.	.	19344500	20485840	.	6456	3482	

CASE	AGE	PP1864	FIBAS88	AGECON	AGEINDEX	OASTHRESH
1	.	2693.45	62.06	.	2693.45	1999.29
2	.	2622.52	62.62	.	2622.52	2246.23
3	.	2652.33	63.15	.	2652.33	2490.19
4	.	2666.67	63.61	.	2666.67	2633.00
5	.	2683.98	63.89	.	2683.98	2749.03
6	.	2697.92	63.98	.	2697.92	2856.13
7	.	2610.00	64.04	.	2610.00	2975.14
8	.	2528.74	64.02	.	2528.74	3106.04
9	5524.86	2979.74	64.04	6000.00	2979.74	3231.00
10	5321.05	2870.18	64.10	6298.34	2870.18	3391.66
11	5162.34	2784.10	63.97	6602.21	2784.10	3555.29
12	4976.23	2683.84	63.80	6972.38	2683.84	3754.62
13	5039.81	2718.19	63.77	7077.35	2718.19	3811.15
14	4950.92	2670.25	63.78	7204.42	2670.25	3879.58
15	4939.56	.	63.75	7220.99	2664.12	3888.51
16	4835.96	.	63.78	7375.69	2608.24	3971.81
17	4761.06	.	63.82	7491.71	2567.85	4034.29
18	4685.05	.	63.87	7613.26	2526.85	4099.74

CASE	OATHRCON	OASTHIND	PERRRSP	NUMTAX
1	.	29473.68	12.98	14764900
2	.	33114.04	12.87	15179100
3	.	36710.53	13.80	15220900
4	.	38815.79	15.22	15302900
5	.	40526.32	17.01	15552200
6	.	42105.26	18.24	15864500
7	.	43859.65	19.45	16538100
8	.	45789.47	20.41	17071400
9	.	47631.58	21.63	17579900
10	50000.00	50000.00	22.95	18132100
11	48509.62	52412.28	22.07	18758700
12	46760.78	55350.88	24.24	19050800
13	47357.61	56184.21	24.88	19437100
14	46522.32	57192.98	25.88	19829200
15	46415.53	57324.56	26.63	20153500
16	45442.02	58552.63	27.92	20514600
17	44738.27	59473.68	29.41	20385100
18	44024.02	60438.60	.	

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