

# **A SECURE FUTURE**

## **Summary**

Canada's public pensions help seniors enjoy greater financial freedom and security. In fact, since 1971, no group has experienced as significant an improvement in relative incomes as senior citizens. In 2000, all Old Age Security and Canada Pension Plan benefits and obligations were extended to same-sex, common-law relationships.

International organizations also rate the Canadian retirement income system highly in terms of its equity, benefits and affordability. In fact, spending on our public pensions for seniors is modest by international standards and is projected to peak at levels well below those of other Western countries. According to the Organization for Economic Co-operation and Development, one of the strengths of our retirement income system is that it spreads risks and responsibilities across its three parts: Old Age Security, the Canada Pension Plan and personal savings.

Canada's retirement income system is well prepared for the future. Adjustments to the system and the economic recovery of the late 1990s restored its financial well-being. Although seniors will make up an increasing proportion of our population, Canada's public pensions are secure and will continue to support many future generations.

## **Researcher's Summary**

Canada's public pensions have a long and colourful history that has intersected with many of the fundamental issues at the core of the country's development.

The Canadian pension system began in the shadow of the poor-relief systems of the Old World. This pattern continued in the decades following Confederation as Canada remained a largely pre-industrial society in which poverty, old age and disability were considered primarily the responsibility of individual families.

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With the onset of industrialization in the early 20<sup>th</sup> century, and the vast movements of people from farms into cities, the resulting break-down of traditional, large families and the experience of the First World War stimulated wide-spread interest in the creation of the first national public pension program in 1927. The Great Depression of 1929 demonstrated the fragility of industrial economies across the Western world and further galvanized support for the enlargement of Canada's social security network. This idea gained support upon the recovery of the economy with the outbreak of the Second World War.

The prosperity of the post-war years enabled governments to increase social spending dramatically. In keeping with the international growth of public pensions, and with the added pressures of newly created federal and provincial political parties and lobby groups, a far-reaching, multi-layered national pension system was gradually created in the second half of the 20<sup>th</sup> century. This contributed greatly to the decline in poverty levels among seniors, and today constitutes over 25 per cent of federal spending in Canada (\$42 billion in 2000).

Serious questions concerning the sustainability of Canada's public pensions were not voiced until the mid-1980s, but grew louder as the Canadian economy entered the worst economic recession since the Great Depression of 1929. By the end of the 1990s, the economy revived and performed among the world's best. The return to prosperity and concurrent adjustments to public pension programs essentially restored the pension system's financial well-being and provided evidence that it would be available for future generations.

However, are economic prosperity and sound financial management enough to ensure the survival of Canadian public pensions? Rapid technological advancements, shifts in the labour market, globalization and international pressures, and the continued aging of the population will likely all contribute to the changing composition of Canada's workforce, Canada's level of prosperity, and Canadian society as a whole.

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In addition, the pressures that have both propelled and limited developments in pension policy throughout Canada's past must not merely be consigned to history. The relationship between the federal and provincial governments, new national political parties, regional developments, demographics, immigration patterns and continued social change could all return in new ways to affect the pension debate. Even the threat of global phenomena such as economic uncertainty, environmental change, and war cannot be ruled out.

The degree to which these challenges will affect Canada's public pension system remain to be seen. However, the past 150 years have demonstrated that regardless of the nature of the forces affecting Canadian social policy-making, the interest and activism of Canadians have been crucial to the success of our public pensions. This key element will continue to be a guiding force as future Canadian societies come to terms with, and respond to, whatever developments await them.

It is interesting to note that the median life expectancy in 2050 in Canada is expected to be 85.26 years, according to a recent study by Shripad Tuljapurkar, Ph.D. The study, supported by the U.S. National Institute on Aging, "...suggests that mortality rates in G-7 countries will continue their historical decline, as science continues to alter the face of medicine and public health."<sup>1</sup> Dr. Tuljapurkar's report also found that, "...mortality at all ages in every country has declined at a steady, exponential rate for the past 50 years."<sup>2</sup>

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<sup>1</sup> National Institutes of Health news release, *Life Expectancy in G-7 Industrialized Nations May Exceed Past Predictions, Study Suggests* (Bethesda, MD, June 14, 2000).

<sup>2</sup> Ibid.