

## HOW SECURE IS OUR OLD AGE SECURITY?

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The Harper government has now confirmed that it is planning changes to our Old Age Security system (OAS), and an increase in the eligible age from 65 to 67 is clearly being considered.

Canadians are indeed getting older. It is also true that as Canadians get older, and as we live longer, the costs of health care, OAS and other support systems will go up. But Harper's claim that the current OAS system is "unsustainable" is simply not true, and it is completely false to suggest that the only "solution" is to just pay less to seniors over time.

So what do we do? Canadian baby boomers aren't babies anymore. We're getting gray; we're getting sicker more often; our bodies are starting to creak and break down; we're able to work less; we're retiring; we are becoming increasingly dependent on health care and other support systems – and we're living longer. Seniors (65 and over) represented 8% of the population in 1971, by 2011 they were 14%, and that number is expected to be over 20% by 2030 – as many as 9 million people. Of those, as many as 3 million people will be 80 or over.

Yet far too many Canadians aren't ready, financially, to get old. Only a minority of Canadians have any pension other than the Canada Pension Plan (CPP). Many don't get much from CPP either, as it's based on contributions. Of the rest, only a minority have put nearly enough into RRSPs to sustain their retirement.

There's no question that somehow we must get Canadians to save better on their own for their retirement so as to be less dependent on government handouts. People will need to work longer, because they're living longer, and will need to be more responsible for themselves. That's a larger discussion, but one that we must have.

In the meantime, however, the only income for many Canadians is, and will be, some CPP, the Old Age Security (OAS) payments and, for the poorest, the additional Guaranteed Income Supplement (GIS). Even all together, they don't add up to much. Many Canadians, after working for a lifetime, after raising families, after paying their kids' tuitions, won't have enough savings for their own retirements. They will struggle to pay for rent and their food and the other necessities of life, let alone the small pleasures one should be able to enjoy in one's twilight years. Even now, many older people are already living in deplorable conditions -- especially older women alone. (If you are wealthy, there are some lovely retirement homes for you. But those are for the few. It's the rest that I worry about.) We need to make this problem better, not worse. Yet if we do as the Harper government is suggesting – spend even less on seniors – it could get much, much worse.

The challenge is that even maintaining the status quo will cost much more. Because of the increase in recipients and longer life spans, the cost of OAS is expected to almost triple to \$108

billion a year in 2030 from \$36.5 billion in 2010. All this will happen at the same time that there will be relatively fewer people actually working and paying the necessary taxes.

So yes, it will cost more – but that is not the same thing as “unsustainable”. The OAS is not a self-contained fund. OAS payments come out of general revenue, so whether Canada can afford the expected increased costs depends entirely on what the government’s priorities are. There are three basic solutions: (i) raise taxes to be able to spend the increased amounts; (ii) spend less on seniors; (iii) free up the necessary resources for seniors by cutting back on spending in other areas.

The idea of raising taxes is a non-starter for the Harper government, so that won’t be an option.

The second, spending less on seniors – which is clearly the choice of the Harper government – can’t just involve a knee-jerk raising of the eligibility age from 65 to 67. Some people who are 65 really need it; on the other hand, there are lots who are 67 who don’t. Yes, there are some ideas: We should consider reducing or eliminating payments to those who don’t need them (those with a net income of \$70,000 still get full OAS – only at close to \$115,000 is OAS fully clawed back). That would free up some cash for those who need it more -- and after all, this shouldn't be about an arbitrary number of 65, 67, 72 or 63. It must be about need. But that won’t be enough to answer the larger challenge. There IS poverty in this country, which is shameful given our overall affluence. We mustn’t make it worse.

That leaves the third option – cutting spending elsewhere. And with that, the questions are clear. Do we really need to spend \$30 billion (and counting) on 65 F-35 stealth fighter attack jets? Do we really need to spend \$ billions putting more people in more prisons, particularly when we know punishment doesn’t work to prevent crime? Do we really need to spend millions on 30 new MPs? Do we really need more jets, jails and politicians?

It’s a question of priorities – and in the Canada I want, all Canadians are able to live out their twilight years with dignity.