REACHING MORE CANADIANS
1968-1989

Summary

Canada was a prosperous nation by the end of the 1960s. Over the next two decades, however, we experienced widespread economic uncertainty, and too many seniors continued to live in poverty.

Many changes to our public pension system were introduced to help women, low-income workers, disabled people and other groups most vulnerable to poverty.

Some important changes:

- Flexible retirement was introduced in 1987, allowing Canada Pension Plan (CPP) contributors the option of receiving a pension as early as the age of 60.
- The Guaranteed Income Supplement (GIS)[1], introduced in 1967, became permanent.
- The Spouse's Allowance[2] was introduced in 1975 and the Widowed Spouse's Allowance[3] was introduced in 1985.

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[1] **Guaranteed Income Supplement**:
The Guaranteed Income Supplement (GIS) was originally introduced in 1967 as a temporary measure to further reduce poverty among seniors.

Now a permanent program, the GIS:
- is part of the Old Age Security program,
- provides low-income, Old Age Security pensioners with additional money, and
- is income-tested; meaning that as the amount of income increases, the amount of the supplement decreases.

[2] **The Spouse's Allowance**:
The Spouse's Allowance, now called the "Allowance," is part of the Old Age Security program. It is a benefit paid to spouses or common-law partners of pensioners who receive the Guaranteed Income Supplement.

In order to receive the Allowance, recipients must:
- be 60 to 64 years old,
- have lived in Canada for a minimum of 10 years, and
- have a combined income below a specified maximum amount, which changes every year.

In 2001, spouses or common-law partners with a combined annual income of less than $23,568 were entitled to receive the Allowance. The maximum benefit was $785.33 per month.

[3] **The Widowed Spouse's Allowance**:
The Widowed Spouse's Allowance, now called the "Allowance for the survivor," is also part of the Old Age Security program.

It is a benefit paid to widowed spouses or common-law partners who:
- are 60 to 64 years old,
- have lived in Canada for a minimum of 10 years, and
- have an income below a specified maximum amount, which changes every year.

- Better inflation protection was put in place. From 1973, Old Age Security (OAS) benefits were indexed quarterly rather than annually and indexation was linked to the Consumer Price Index.
- Partial Old Age Security benefits were made available to people who could not meet the residency requirements for a full pension.
- The first of a series of international social security agreements became effective in 1979.
- The definition of "spouse" was added to the Canada Pension Plan and redefined under the Old Age Security program to include both legal and common-law spouses.
- Provisions were made for parents who left the workforce to raise their children.
- In 1988, Aboriginal people earning income on reserves were allowed to contribute to the Canada Pension Plan and receive benefits from it for the first time.

Researcher's Summary

Canada was a prosperous nation at the end of the 1960s, but an unacceptably high number of Canadian seniors continued to live in poverty. Over the 1970s and 1980s, there would be significant expansion and reform of the federal government's retirement income programs as policy increasingly focused on channeling resources to lower-income seniors. This era of reform culminated in 1987 with what were perhaps the most sweeping changes to the Canada Pension Plan since its introduction 21 years before. The amendments were an answer to a lengthy process of negotiation between the federal and provincial governments.

In the 1960s, Canadians were optimistic that the economy would continue to grow and that the financial health of the country meant any expansion of the retirement income system would not be overly onerous. However, over the next two decades, a number of economic recessions occurred. In addition, the federal government's annual spending steadily increased and its fiscal position deteriorated from surplus to deficit. Double-digit inflation, unemployment and slowed economic growth brought pressure on the country's social security system at the same time that the government's capacity to respond was being undermined by rising costs and lower revenues.

In 2001, survivors between 60 and 64 whose annual income was less than $17,304 were entitled to receive the Allowance for the survivor. The maximum benefit was $867.02 per month.

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Many of the initiatives undertaken in the pension programs in this period were efforts to offset the effects of inflation on the incomes of older people, as well as attempts to target groups that were most vulnerable to poverty, like single senior women, low-income workers, and the disabled. There were also reforms aimed at promoting the equality and inclusiveness that was being called for by groups such as women and Aboriginal people, who were marginalized by existing arrangements. Overall, the goal was greater income equality among Canadian seniors.

Efforts to combat poverty and inflation were addressed in the Old Age Security program when the "temporary" Guaranteed Income Supplement became permanent. A Spouse's Allowance and a Widowed Spouse's Allowance, both income-tested, were added for couples and near-seniors. Better inflation protection was put in place. From 1973, benefits were indexed quarterly as opposed to annually and indexation was linked to the Consumer Price Index.

In 1977, partial Old Age Security benefits were made available to people who could not meet the full residency requirements, provided they had lived a minimum of 10 years in Canada, or 20 years if they were currently residing abroad. Furthermore, Canada acquired the authority to enter into international social security agreements, in order to offer protection and pension portability to migrants.

In the Canada Pension Plan, the earnings-related, contributory program that had been introduced in 1966 to form a second level to the government's retirement income system, greater-than-expected inflation and wage increases led to a new formula for determining the "Year's Maximum Pensionable Earnings". This was the maximum amount of wages on which a worker could contribute to the Canada Pension Plan. The new formula adjusted that amount upward gradually until it produced retirement benefits that more accurately reflected real industrial wage rates.

Canada Pension Plan reforms also benefited families and helped women to achieve greater financial independence. In 1978, the credit-splitting provision arrived, allowing for the equal division of Canada Pension Plan credits earned during a marriage upon the break-up of a couple. As well, a child-rearing drop-out provision was introduced that would allow parents to stay home and care for their young children without being penalized for these low-earning periods. The latter provision did not take effect until it was provincially ratified in 1983, but was applied retroactively to 1978.

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In 1987 federal and provincial governments agreed to major Canada Pension Plan reforms including:

- Flexible retirement between the ages of 60 and 70 years. The pension benefit would be reduced for each month it was taken before age 65, and increased for each month after 65;
- Improved disability protection through an increase in the flat rate portion from $91.06 to $242.95. The flat rate is one of the two components that make up the disability pension. The other component is based on a person's earnings;
- An increase in contributions to the Canada Pension Plan over a 25-year period. This was to be reviewed jointly by the federal and provincial governments every five years;
- The sharing of retirement pensions between spouses;
- The continuation of survivor benefits if the surviving spouse remarried; and
- Eligibility for Status Indians to participate fully in the Canada Pension Plan.

There was, as well, a new commitment to gender equality that brought positive change for both men and women. As of 1975, male survivors would be entitled to the same benefits that female survivors had been receiving since the beginning of the Plan. Common-law relationships were redefined and given full recognition in 1987.

By the end of this period, the sustainability of Canada's public pension system had become a major concern as Canada's senior population continued to increase. In 1989, the government reduced Old Age Security pension benefits paid to high-income earners in what has been referred to as the "clawback." As well, changes were made to Canada Pension Plan contribution rates to protect the long-term viability of the fund that paid the benefits.

The Canadian economy had improved by the end of the 1980s but problems remained, including a growing national debt. Concerns over the sustainability of the country's retirement income system would persist into the next decade.

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Daily Life

Canada was a proud nation at the end of the 1960s. The economy was booming and unemployment was low. Expo 1967, Canada's World's Fair which coincided with the 100th anniversary of Confederation, had just ended and had attracted 50 million visitors to Montreal from around the world.

The next two decades would be marked by a number of social changes: the "flower power" generation; the sexual revolution; the declining influence of the church on individuals; computerization; the greater acceptance of divorce, single-parent families, and gay rights; and women's liberation. Many of these changes had an impact on federal, provincial and municipal law-makers.

One of the most noteworthy developments saw women join the paid workforce in great numbers with pronounced effects on their traditional roles as homemakers and child-rearers. This changed the makeup of the conventional family unit and contributed in part to the decline of the national birth rate and the increase in unemployment.

The growth of Canada's retirement income system from the early 20th century gradually helped senior citizens to achieve a previously unknown level of financial independence.

The introduction of the Canada Pension Plan and the Quebec Pension Plan in 1966 greatly increased the scope of Canada's public pension system. As a result, the importance of public pensions grew in comparison to private pension plans offered by employers to their employees. In 1971, the Guaranteed Income Supplement had become a permanent program. By 1975, the Spouse's Allowance had been introduced, and by that time, Canadian senior citizens relied on public programs for close to half of their income. The rest came from employer pension plans and private savings and investments.

Inflation was severe in the 1970s and 1980s, caused at first by the Oil Crisis of 1973 and then by several waves of economic recession. However, unlike the period of high inflation following the Second World War when Old Age Pension benefits remained fixed at $40 per month, public pension benefits were now keeping pace with the cost of living.

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A significant administrative change was also initiated in this period. In 1988, the introduction of direct deposit — the electronic deposit of benefit payments directly into recipients' bank accounts — was proposed to reduce administrative costs and to make the process of receiving benefits easier for less-mobile people. Direct deposit for Old Age Security and Canada Pension Plan benefits was introduced in November 1990, and in 1994 an agreement was made with the American Bankers Association to provide direct deposit for people receiving their benefits in the United States. Today approximately 85 per cent of pension recipients use direct deposit.

The importance of public pensions to seniors contributed to a changing understanding of old age in Canadian society. The universal nature of Old Age Security and the large amount of attention paid to public pensions over the years helped remove any sense of shame associated with receiving pension benefits. At the same time, vast improvements in the health of Canada's older people enabled them to live longer and more fulfilling lives.

As the federal government attempted to reduce the cost of the public pension programs in the 1980s, the strength of seniors' organizations was revealed. In 1985 seniors successfully opposed a plan to limit inflation protection of Old Age Security after a protest on Parliament Hill received significant media coverage. Such persuasiveness became a hallmark of a new wave of activist seniors' organizations, and these groups (which have collectively come to be known as the "Grey Power" movement) continued to grow in influence as the proportion of seniors in Canadian society grew consistently larger.

It was not only senior citizens that became better organized and more outspoken in this period. As the recession of the early 1970s ended the very rapid economic growth that had characterized Canadian society since the end of the Second World War, many Canadians began to question their society's values.

Women's groups such as the National Action Committee on the Status of Women, people with disabilities, and Aboriginal groups such as the Assembly of First Nations were among the many socially marginalized groups that began to fight for greater attention to their needs. Their claims were strengthened on April 17, 1982 when the *Canadian Charter of Rights and Freedoms* was enacted, officially asserting the rights of Canadians to live free of discrimination.

This new social activism helped bring the problems faced by marginalized people into mainstream social and political debates. This in turn encouraged the improvements in public pension policy, made over the course of the 1970s and 1980s, which affected these groups.

Political Events

Beginning in the late 1960s, a series of government reports were released, all of which stressed that poverty was still a serious problem in Canada. Among these reports was a federal White Paper called *Income Security for Canadians* (1970), which argued that Canada's public pension system did not go far enough to eliminate poverty. This was because the universal nature and modest amounts of Old Age Security, combined with the fact that the Guaranteed Income Supplement was only a temporary measure at this time, prevented a redistribution of wealth — or the provision of substantially larger benefits to people with lower incomes — through existing public pension programs.

In response, the federal government attempted to make Canada's public pensions more fair by retaining universal Old Age Security benefits for all Canadian seniors, introducing the Spouse's Allowance and then raising Guaranteed Income Supplement benefits in order to help those with greatest need. In 1971 the Guaranteed Income Supplement was made permanent.

In the Throne Speech of January 1973, the Government of Canada responded to further demands that had come out of the 1971 Constitutional Conference. It stated that the federal and provincial governments should jointly review the nation's social security system — its policies and programs — and should develop reforms together. These reforms would provide individual Canadians with more effective programs, and find new ways to harmonize and integrate the federal and provincial elements of the system. All this was to be done within the existing constitutional framework.

The social security review was launched in April 1973 with the federal government's *Working Paper on Social Security in Canada* which contained propositions designed to outline the broad directions of policy that could lead to an improved, better-integrated system of social security. Some of the proposals were to increase the amount of Old Age Security and provide full indexation of both Old Age Security and the Guaranteed Income Supplement. These proposals were accepted.

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By the later 1970s, the federal government's approach to public pensions began to change as the severe inflation and recession sparked by the Oil Crisis of 1973 put a strain on government revenues.

This economic decline was accompanied by the re-emergence of an economic philosophy called monetarism. Monetarists placed great emphasis on cutting government spending in order to reduce debt, and on reducing the amount of government involvement in the economy by cutting funding to public programs such as pensions.

The growth of monetarist thought contributed to a move away from increasing spending on public pension programs in the late 1980s. By that time, policy makers continued to focus on achieving the principle of redistribution but also sought to reduce the overall scope of Canada's public pension programs.

The reluctance of the federal government to increase spending on public pensions began in the early 1980s, at which time inflation and interest rates peaked.

It is important to note that, originally, the Canada Pension Plan surplus was meant to grow substantially in order to provide loans to provincial governments. This was accomplished very quickly after its introduction. In contrast, since 1972, when the special Old Age Security Tax stopped being collected, Old Age Security and the Guaranteed Income Supplement have been funded annually out of the general tax revenues raised each year.

Equally important is the fact that, unlike the Old Age Security program, any changes made to the Canada Pension Plan require the consent of two-thirds of the provinces representing at least two-thirds of Canada's population. This means that the provinces play an important role in overseeing the Canada Pension Plan. Consequently, it is more difficult to make significant changes to it since so many different governments must agree to them.

The potential legislative "vulnerability" of the Old Age Security program and the Guaranteed Income Supplement in comparison to the Canada Pension Plan became clear in 1983 and 1985. In 1983, Old Age Security was made subject to indexation limits of six and five per cent introduced by the government to control inflation. The Canada Pension Plan was not subjected to this provision. In May of 1983 the newly elected federal government announced that Old Age

Security benefits would no longer be increased in accordance with inflation. In the end, however, this change was not put into effect because of strong resistance on the part of senior citizens' organizations and other groups supporting them.

Throughout the 1980s the federal government increasingly sought to reduce its expenditures. In 1989, Old Age Security benefits for senior citizens with annual incomes higher than $50,000 were reduced through taxation. Thus some seniors received little or no Old Age Security, and the universal nature of the program essentially disappeared.

It was in the late 1970s and early 1980s that concern began to be voiced publicly about the sustainability of the Canada Pension Plan. The economic decline of the 1980s, the growing realization that Canadian society was aging rapidly as the huge baby boom generation advanced in years, and the declining national birthrate led many people to question whether the Canada Pension Plan could survive into the twenty-first century.

Research at this time showed that 7.8 per cent of Canada's population was aged 65 or over in 1951, a figure that rose to 8.1 per cent in 1971. It was expected to peak at 19.6 per cent in 2031. This demographic shift added to the concern about the financial security of the Canadian public pension system.[4]

Plainly, the period between the late 1960s and the late 1980s included years of great change in Canadian public pension policy. The ability to expand and improve each program declined in the late 1980s when the federal government began to cut its expenditures because of the faltering economy and the need to reduce the debt. As the 1980s ended, the future of Canada's public pensions appeared uncertain to many.

World Events

Before the introduction of the Canada Pension Plan and Quebec Pension Plan in 1966, the proportionate amount of money Canada spent on public pension programs and the size of these programs were much smaller than was the case in most Western European countries. But when these contributory plans came into effect, the extent of the public pensions available to Canadians grew to a level that became comparable to many European pension systems.

[4] National Council of Welfare, *Sixty-Five and Older* (Ottawa, 1984), 4.

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In order for this public pension system to truly become the core of Canadians' income in retirement, the issue of portability — of being able to move from one job to another without losing one's benefits or ability to contribute to the plan — was very important. Numerous groups called on the government to work toward greater pension portability, in particular, labour unions and a number of women's groups such as those that testified before the Royal Commission on the Status of Women in 1970.

In response to these issues and pressures, and because Canada's public pensions were now comparable to those of so many other countries, the federal government initiated the first of a series of international social security agreements on pensions in 1977. This was an agreement between Canada and Italy, which came into force in 1979. One of the objectives of these agreements was to make it easier to become eligible for benefits by allowing people to add together the years they lived or worked in Canada and other countries in order to meet the requirements for their Canadian or foreign pensions.

By the spring of 1978 Canada had begun to negotiate agreements with the United States, the United Kingdom, France, Portugal, and Belgium, and was approached by numerous other interested countries. All except the United Kingdom subsequently signed agreements that have enabled more seniors to become eligible for benefits. Although a limited coverage agreement exists with the United Kingdom, the two countries have not yet been unable to conclude an agreement that would improve benefits to people who have worked in both. One of the results of such an agreement would be to pay out cost-of-living increases to pensioners in Canada, a condition that the United Kingdom has been unwilling to accept. Canada indexes all benefits paid abroad whether or not they are paid under an agreement.

The federal government's changing approach to social security, including public pensions, which began in the early 1980s was similar to approaches being adopted in a number of other countries at the same time, including the United States and Britain.

The economic decline of the 1970s, which worsened as recession set in at the beginning of the 1980s, affected most Western countries. Many economists and politicians began to argue that Keynesian economics, with its emphasis on high governmental involvement in the economy, was no longer manageable or appropriate. It was at this point that monetarist economic thought, which advocated sharp decreases in government spending and regulation, grew internationally.

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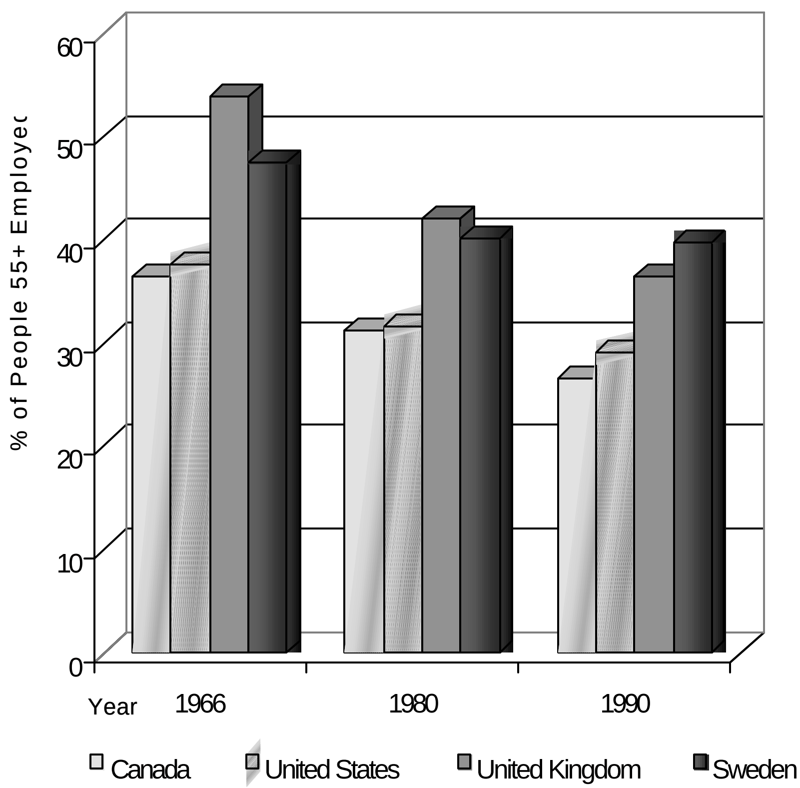
Monetarism originated in the United States and is attributed to American economist Milton Friedman. The United States was one of the first countries to officially adopt monetarist principles beginning in 1980 with the election of the Republican government led by President Ronald Reagan. A similar change occurred in Britain after 1979 when a Conservative government under Margaret Thatcher replaced the Labour government.

It is interesting to note that an important exception to this international movement towards reducing government expenditures occurred in France. The economic policies of President François Mitterand, following his election in 1983, involved significantly increasing the cost of the French public pension system by increasing benefits and lowering the official retirement age to 55 for many industries. France continues to have one of the most extensive social security networks in the world. However, the problem of sustaining such a large system has recently brought its future into question and the French government continues to seek ways of maintaining it.

Employment Rates For Persons 55 And Over In 4 Countries



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By the 1980s, the early retirement workers was straining many European public pension systems.
(G. Schellenberg, *The Road to Retirement: Demographic and Economic Changes in the 90s*. (Centre for International Statistics, Ottawa, 1994) p.17)

Influential People

The late 1970s and early 1980s was a period in which many important reforms were made to Canada's public pension system. Monique Bégin, Minister of National Health and Welfare between 1977 and 1984, oversaw many of these reforms, including the signing of the first international social security agreement, the introduction of partial Old Age Security pensions and numerous increases in the Guaranteed Income Supplement in an attempt to make Canadian public pensions more fair.

Monique Bégin (b. 1936), representing the ridings of Saint-Michel and Saint-Léonard-Anjou, was also the first woman from Quebec elected to the House of Commons when she became a Liberal Member of Parliament in 1972. Before becoming Minister of National Health and Welfare, Bégin served as Executive Secretary to the Royal Commission on the Status of Women from 1969 to 1970. Her interest in women's issues can be seen in other changes to the public pension system, which she oversaw. These included the splitting of Canada Pension Plan pension credits upon the break-up of a couple (implemented in 1978), and the addition of the Child-Rearing Drop-Out provision to the Canada Pension Plan in 1983.

Interest in reforming and improving Canada's public pension programs grew over the late 1960s and 1970s as people from many different governmental and private sector organizations began to study the issue of aging more generally.

In 1966, experts from a number of countries met at the Canadian Conference on Aging in Toronto. Among them were Reverend André-Marie Guillemette from the Université de Montréal and Reuben C. Baetz from the Canadian Council of Welfare (now the Canadian Council on Social Development), both of whom emphasized the need for younger Canadians to become more aware of the problems faced by seniors.

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Reverend André-Marie Guillemette (1907-1986), former Director, Institute of Gerontology, Université de Montréal:

> "If through a policy and an attitude which belittles the elderly we are depreciating in advance the youth which will someday grow old, our whole society will suffer as a result … Old age should become, for all who are affected by it, a call to greatness, an occasion for meditation and for lending a hand. Far from being a winter, it should be a mellow season of light and fruitfulness".[5]

Reuben C. Baetz (1923-1996), former Executive Director of the Canadian Welfare Council:

> "I cannot but believe that much more can and should be done to bring younger people to a fuller realization of their own stake in old age – and consequently to taking a more active part in planning and action for the elderly. Perhaps in our PR-minded society what is needed … is a massive advertising campaign …" [6]

In 1985, **Solange Denis** (b. 1922), a 63-year-old Ottawa woman, made national media headlines during a protest by seniors of the Conservative government's plan to limit the inflation protection on Old Age Security pensions. Denis called Prime Minister Brian Mulroney a snake and a liar. "You made promises that you wouldn't touch anything…you lied to us. I was made to vote for you and then it's Goodbye Charlie Brown," [7] said Denis. The government later backed down on the proposal.

What Canadians Received

By the late 1960s, the essential structure of Canada's current retirement income system was in place. At its base was the universal, flat-rate Old Age Security pension. Complementing the Old Age Security pension was the Guaranteed Income Supplement, originally designed to be a temporary program available only for those born before 1910 (who had no chance to build a full

[5] Reverend André-Marie Guillemette, "Future Action on Behalf of the Aging," in *Proceedings of the Canadian Conference on Aging* (Toronto, 1966), 62.
[6] Reuben C. Baetz, "The Significance of the Conference for Canada," in *Proceedings of the Canadian Conference on Aging* (Toronto, 1966), 80.

[7] "You 'lied' on pensions, Mulroney told," *Toronto Star* (June 20, 1985).

Canada Pension Plan benefit before retirement). It was to be a transitional measure until the Canada Pension Plan and Quebec Pension Plan matured in 1976. Instead, the Guaranteed Income Supplement became a permanent, integral and necessary part of the Old Age Security system in 1971.

The Guaranteed Income Supplement originally was designed for Canadians whose working lives, and saving potential, had been affected by war and the Great Depression, and who would have little or no income beyond Old Age Security when they retired. Nearly 1.3 million people were receiving the Old Age Security pension in 1968, with almost half that number also receiving the Guaranteed Income Supplement.

F. H. Leacy, ed., *Historical Statistics of Canada*, 2nd Edition (Ottawa, 1983) Series C92-104

The Canada Pension Plan, a contributory, earnings-related social insurance program, constituted the second tier of the government's retirement income structure. It was designed to ensure a measure of protection to a contributor and his or her family against the loss of income due to retirement, disability, and death. The qualifying age for both the Old Age Security pension and Canada Pension Plan retirement benefits was reduced one year at a time after 1965 so that it would be 65 by 1970.

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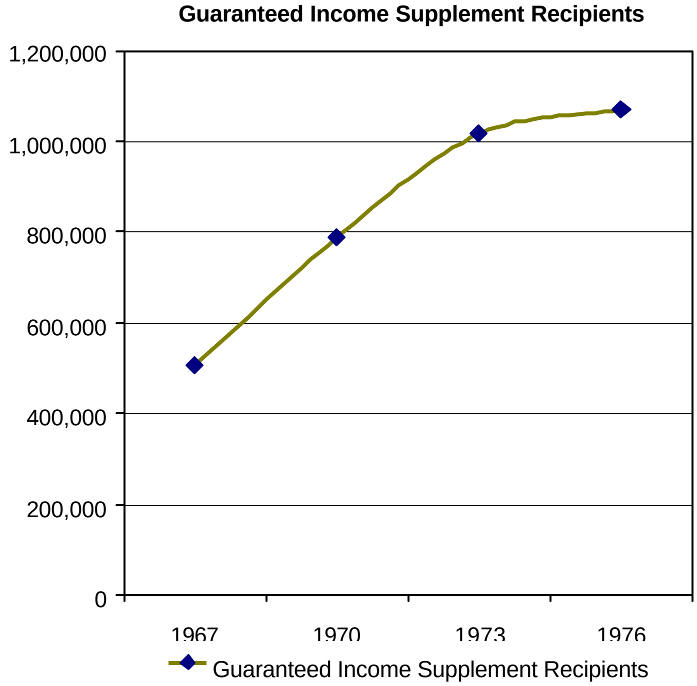

In the 1970s and 1980s there was considerable expansion and reform in Canada's public pension programs, as the federal government's retirement income system increasingly became a tool to promote greater income equality among Canadian seniors. The massive pension reform effort resulted in resources such as the National Pensions Conference, the Economic Council of Canada's *One in Three* report, the Senate's *Retirement Without Tears* report, Ontario's *Haley Report on Pensions*, the federal study entitled *The Retirement Income System In Canada: Problems and Alternative Policies for Reform* (also known as the Lazar report), the 1982 federal Green Paper *Better Pensions for Canadians*, and the Frith Committee report which led up to major Canada Pension Plan reforms in 1987 and the introduction of the Widowed Spouse's Allowance.

Many of the initiatives were undertaken in cooperation with the provinces, business, women's groups, labour and the general public. The goal was to combat the effects of rising inflation and assist those groups most vulnerable to poverty. Over the next two decades numerous reforms to Old Age Security and Canada Pension Plan were enacted.

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1971

Initiatives to combat poverty and inflation were introduced in the Old Age Security program. In 1971, the Guaranteed Income Supplement that augmented the basic Old Age Security pension was converted from a temporary to a permanent program, and combined Old Age Security and Guaranteed Income Supplement benefits were indexed to inflation.

1972

The next year, the two per cent ceiling on increases to Old Age Security benefits was replaced by the linking of benefits to full increases in the Consumer Price Index. From 1973, indexation was applied every three months.

1974

Workers make Canada Pension Plan contributions on earnings between a basic exempted amount, called the Year's Basic Exemption, and a maximum or ceiling, called the Year's Maximum Pensionable Earnings. The amount of those earnings, as well as the number of years worked, determine the amount of benefits that a worker will ultimately receive.

In 1974, with wages rising more quickly than had been anticipated and inflation eating away at the value of pensions, legislation was passed that would raise the Year's Maximum Pensionable Earnings (YMPE) figure. There was an ad-hoc $1000 increase of the YMPE from 1973 to 1974, then an agreement to raise the ceiling by 12.5 per cent per year until it caught up to the average wage as measured by the Statistics Canada Industrial Composite. It took until 1986.

Legislation enacting this change and, as well, reducing the Year's Basic Exemption from 12 per cent to 10 per cent of the Year's Maximum Pensionable Earnings took effect two years later, on January 1, 1976. The level of the Year's Basic Exemption, the amount of earnings at which a person starts contributing to the Plan, was adjusted so that it could be maintained at a lower level than before. This meant that more people could participate in the Plan. The Year's Basic Exemption was $700.

In 1974, too, benefit levels became linked to increases in the Consumer Price Index, rather than the old Pension Index with its two per cent ceiling. Indexation of Canada Pension Plan benefits on other than an annual basis was said not to be compatible in a number of ways with the design and operation of the Plan. For example, the contributory period was measured in years, pensionable earnings were recorded by the year in the Record of Earning and when a benefit was calculated, the annual earnings in each of these years was adjusted upwards in line with average wages and salaries for the year in which the benefit would be paid, along with the two previous years. While these points were debatable, it was clear that quarterly indexation of CPP credits would have required a major reconstruction of the benefit calculation to avoid serious anomalies.

1975

In 1975, senior couples struggling to manage on one pension were given assistance when an income-tested Spouse's Allowance for 60 to 64 year-old spouses of Guaranteed Income Supplement recipients was added, to be indexed quarterly.

In the Canada Pension Plan, measures were taken to end sex discrimination in the area of survivor and children's benefits which, incidentally, benefited men as much as women. For instance, from 1975 on, widowers were no longer required to show that they were disabled or had been economically dependent on their contributor spouse in order to be eligible for survivor benefits.

Reforms in the Canada Pension Plan that helped provide greater income protection for women and families were also implemented:

- Extended benefits to surviving spouses where the marriage followed the contributor's retirement or disability, and to children born or adopted after disability.
- A change in the definition of "dependent child" to include disabled children between the ages of 18 and 25 who were in full attendance at school or university.

Moreover, in 1975, the earnings test requirement for the payment of a retirement pension was eliminated.

1976

When the first full retirement pensions became available in 1976, a general "drop-out" provision came into effect that would eliminate up to 15 per cent of a worker's total contributory months. In this way, low earning periods would be removed from the contributory period and not penalize those who had been out of the work force from time to time.

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1977

Starting in 1977, Old Age Security and the Canada Pension Plan were included in international social security agreements. Social security agreements co-ordinate the operation of the Old Age Security program and the Canada Pension Plan with the comparable programs of other countries that provide pensions for retirement, old age, disability and survivors. Agreements have four objectives:

- To allow a person who has lived or worked in another country to be eligible for social security benefits, either from that country or from Canada;
- To reduce or eliminate restrictions, based on citizenship, that may prevent Canadians from receiving pensions from other countries;
- To reduce or eliminate restrictions on the payment of pensions abroad; and
- To permit continuity of social security coverage when a person is working temporarily in another country, and to prevent situations where a person would have to contribute to two countries' social security programs.

Also in 1977, partial Old Age Security benefits became available based on a formula that granted 1/40 of the Old Age Security rate for every year of residence in Canada as an adult. A full pension would be granted to persons with 40 years residence. Those who, at the time, were 25 and had lived in Canada as an adult, however, could continue to qualify for a full pension under the previous residence rules.

1978

The splitting of Canada Pension Plan credits upon divorce or separation was introduced in 1978. The provision was mainly designed to protect women who did not participate or who had limited participation in the paid workforce because they worked in the home. For marriages legally dissolved after January 1, 1978, Canada Pension Plan credits accumulated by both spouses during a marriage could be split equally between them. Either spouse could apply for this provision.

The splitting of credits earned during marriage became mandatory for divorcing couples in 1987, except where otherwise provided for by provincial law and agreement of the parties. Credit-splitting would also apply to legally separated spouses or common-law partners from that year on, if an application was made.

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1979

Since 1975, near-seniors receiving a Spouse's Allowance had their benefits stopped when their spouses died. In 1979, these "extended" payments were continued for six months following the pensioner's death or until the age of 65, if death occurred earlier.

1980

In the 1980s, the landscape for disability issues as a whole was in the process of transformation. The International Year of Disabled Persons in 1981 was a catalyst for action on disability issues. Federal actions in this period aimed to increase the economic and social participation of Canadians with disabilities in their communities.

During this decade, several changes were made to the Canada Pension Plan disability program, generated in part by the creation of the Special House of Commons Committee on the Disabled and the Handicapped, formed in 1980 to identify the key obstacles faced by disabled persons in Canada. The Committee's report identified twenty key areas of concern, ranging from human and civil rights to data-base development, and made 130 recommendations for improvements.

As a first step towards comprehensive reform, the Committee proposed several improvements to the CPP disability benefit. It recommended that the amount of the benefit be increased and more people should be covered. The inadequacy of the benefit was confirmed by a survey of Canada Pension Plan disability beneficiaries in 1980, which concluded that the financial situation of this population was deplorable, not only in terms of average income of Canadians, but also in terms of poverty levels in Canada.

1983

On January 1, 1983 a child-rearing drop-out provision came into force. It allowed parents to eliminate from their contributory period the amount of time they stopped working or reduced their work to look after children under the age of seven. The provision ensured that they were not penalized for these periods of low earnings when their CPP benefits were calculated. It took effect when it was provincially ratified in 1983, but was applied retroactively to 1978.

1984

In 1984, the rate for single Guaranteed Income Supplement and Extended Spouse's Allowance beneficiaries was raised, and low-income pensioners who received partial Old Age Security pensions were given increased Guaranteed Income Supplements that would bring them to the level of a full pension. The residence requirement for full Spouse's Allowance benefits was reduced to 10 years, and single Guaranteed Income Supplement rates, which were higher than the married rate, could be acquired more quickly for separated low-income seniors.

1985

A Widowed Spouse's Allowance was introduced in 1985 so that all widows or widowers between 60 and 64 who met the income and residence requirements could receive assistance. This benefit was identical to the Spouse's Allowance benefit aside from the difference in marital status and the income used for calculation purposes (the former is paid to married people based on their combined income and the latter is paid to widows or widowers based on their individual income). The rate and payment rules were the same for the Extended Spouse's Allowance that had been created in 1979 and increased in 1984.

1987

Canada Pension Plan provisions expanded considerably in 1987 due to the passing of Bill C-116. The amendments were an answer to a lengthy process of negotiation between the federal and provincial governments.

The improvements included a flexible retirement pension that provided qualified contributors with retirement benefits as early as at the age of 60. Payment amounts would be reduced by 0.5 per cent for every month before age 65 that the retirement pension was taken, and increased by the same amount for every month after age 65 it was taken, up to age 70. As such, the maximum increase or decrease was 30 per cent.

New financing arrangements for the Canada Pension Plan were also part of these changes. This meant a gradual yearly increase in the current employer and employee rate of 3.6 per cent of contributory earnings, which had been in place since 1966. There would be a review of the financing arrangements by the Finance Minister and a re-setting of the rate schedule at least every five years to again cover 25 future years. The increases over the first five years were to be 0.2 per cent per year, with smaller increases planned in later years according to a 25-year rate schedule. As well, on-hand monies from the Canada Pension Plan Fund were to be targeted at two years' worth of benefits. This meant that the Fund, which at the time held about six years of benefits, would eventually be intended to have an amount equal to two times the yearly amount of benefits paid.

Another major change was to disability benefits. The flat-rate portion of the benefit was increased dramatically, matching the higher rate that had been in place in the Quebec Pension Plan since the early 1970s. Furthermore, the minimum contributory requirements were eased, providing earlier income protection in case of disability.

Other major amendments included:

- the continuation of survivor benefits on remarriage;
- the simplification of combined benefit calculation (a person could receive both a survivor benefit as well as a disability or retirement benefit, subject to a maximum amount);
- the improvement to children's benefits, permitting a child to receive up to two benefits in the event that both contributor parents were either deceased or disabled (children's benefits were payable even if the child married); and
- the division of Canada Pension Plan retirement payments, called "pension sharing" or "assignment", for still-married people who applied for retirement benefits. This helped women who had a relatively shorter work history and lower contributions to the Canada Pension Plan. One of the spouses would have to apply for pension-sharing, which resulted in tax savings for many couples. Pension-sharing would end on separation or at the death of either spouse.

1989

The most visible austerity measure came in 1989 when a "clawback" of the basic Old Age Security pension was introduced. In future, Old Age Security recipients would have their benefits taxed back at a rate of 15 cents on the dollar if their income was over a specified limit. In 1990, that limit was a net income of $50,800. About five per cent of recipients were initially affected, although the impact was expected to increase over time.

Old Age Security benefits in 1970 were $79 per month and were paid to about 1.6 million pensioners at a cost of $1.6 billion. Average payments of the Guaranteed Income Supplement in that year were $29 per month, with an annual federal expenditure of over $274 million. The maximum Canada Pension Plan retirement benefit was $53; in 1976, when full retirement pensions became available, that figure was $154. The average yearly wage in 1970 was $6,592.

Conversely, by 1989, the monthly Old Age Security payment was $337, the average monthly Guaranteed Income Supplement was $240, and the maximum monthly Canada Pension Plan retirement benefit was $556. The average Spouse's Allowance payment (including the Widowed

Spouse's Allowance) was $302 per month and was being paid to about 128,000 people, the overwhelming majority of them women.

At the beginning of this period, Canadians had been optimistic that the country could support the expansion of its retirement income system. As the period was coming to a close, however, an aging population, declining government revenues and a mounting national debt brought a search for ways to reduce costs and safeguard the long-term sustainability of the system.