

*Canada Pension Plan*

remains at home to care for young children will not be penalized for that period during which he or she has low or zero earnings. The provision would protect eligibility for CPP benefits which the contributor had earned through contributions before, during and after the period devoted to raising young children. Again, this provision will provide a measure of real economic recognition and financial security to work in the home, and it will do so without compromising the basic contributory earnings-related structure of the plan.

The child-rearing drop-out would be applied to all periods back to 1966 in which a person had a child under age seven in his or her care and was receiving family allowance benefits in respect of that child. Any earnings during the period which will help to fulfil basic contributory requirements for benefits, or which serve to raise career average earnings, would be retained in the calculation of CPP benefits, but periods of zero earnings or of earnings below the person's career average would be dropped from the calculation of benefit amount. As the family allowance benefit is generally paid to the mother, there will have to be a special provision permitting an exception to this rule, and regulations will be made prescribing the circumstances under which the special drop-out could be assigned to the father if he is, in fact, looking after the child or children.

I should emphasize that the minimum contributory requirements of the current legislation will be retained, even with the special drop-out provisions. For example, at least 120 months of contributions will still be required in order to receive a full CPP retirement pension, regardless of how many years may have been spent at home caring for young children.

I should also point out to hon. members that the proposed drop-out provision is expected to lead to only a small cost increase to the CPP. It is estimated that as a result of the special drop-out provision, the future long-run contribution rate would rise by about one-third of 1 percentage point. Finally, I should make clear that the special drop-out provision will be available to those currently receiving CPP benefits as well as for new beneficiaries. Thus, where the provision would serve to increase the amount of a benefit currently being received, that benefit will be recalculated and the revised amount paid.

As most members are probably aware, amendments of this nature cannot be implemented without the consent of two-thirds of the provinces containing two-thirds of the Canadian population. Members may also be aware that the province of Ontario has expressed its intention to withhold consent on the drop-out amendment. Thus, if Ontario holds fast to its position, then this amendment, even though passed through this parliament, cannot be proclaimed in force.

● (1530)

Needless to say, I consider this stance by the government of our largest province most unfortunate. The eight other provinces have signified their firm agreement, and I am informed that the province of Quebec plans to move ahead with a parallel provision in the Quebec Pension Plan. I can assure the

[Mr. McRae.]

House that I will do all I can to convince the Ontario government of the wisdom of agreeing to these provisions.

Many hon. members will be aware that the two major amendments I have proposed were not the only courses of action which were considered. Two others which were considered at some length were voluntary CPP contributions by spouses who work at home, and the splitting of CPP credits between spouses during marriage. There was much discussion of both these proposals and much interest in them, but both were rejected by most of the people who eventually expressed firm points of view.

With regard to the first—voluntary contributions—both the CPP Advisory Committee and the Advisory Council on the Status of Women felt that the proposal should be rejected. It was felt that voluntary contributions would benefit most the relatively well-to-do who could afford the additional contributions. Also, those who are older would likely opt to contribute as the early maturity of the plan tends to heavily subsidize older contributors. Such a provision would be unfair to wage-earners whose earnings are less than the maximum; they would be unable to contribute at the maximum rate, while house spouses contributing voluntarily could cover themselves at the maximum rate. Finally, there would be a number of difficult administrative questions to resolve. Who would be eligible—legally married people or common-law spouses? Could they opt in and out of the plan at will? How would we treat house spouses with part-time earnings?

The second of these proposals, the splitting of pension credits during marriage, suffers from the adverse effects it would have on benefit levels for a family unit which is not dissolved. For a family which remains intact, should the major wage-earner die, become disabled or retire some years ahead of the spouse, the family unit would not only lose the employment earnings but would also suffer a further hardship in that the CPP benefits would be based upon only half the CPP pension credits. Splitting credits on marriage breakdown, on the other hand, would provide financial security and protection at a time when two family units have been created from one, and the potential or actual reduction in benefits for one unit enables the creation of potential or actual benefits for the other where no benefits might otherwise be available. Splitting pension credits during marriage is also administratively very complex since the monitoring and verification of all contributors with respect to their marital status would have to be conducted on a yearly basis. Finally, the concept of splitting pension credits on marriage dissolution was preferred because it does not alter the basic contributory, wage-related characteristics of the plan.

Mr. Speaker, thus far I have concentrated my remarks on those amendments to the CPP which serve to benefit spouses who work in the home. But I would also like to draw your attention to a number of other amendments included in this bill, some of which will be of importance to a significant number of people. The first of these amendments relates to the retroactive payment of retirement benefits to those contributors between 65 and 70 years of age who, for one reason or