

*Social Policy*

to apply this program to everyone over 65. Overall annual outlays for this program would be \$9.7 billion.

It has been suggested, Mr. Speaker, and I heard it again this afternoon from the hon. member for Rimouski (Mr. Allard), that benefits under the old age security program and the Canada Pension Plan be made available at the age of 60 for any person having left the labour force. This suggestion would mean a return to the old income test for all persons over the age of 65 and eligible for the Canada Pension Plan. It is now proposed to come back to that formula and apply it at age 60 without any income test.

[*English*]

As to how we could achieve any kind of fairness with a retirement test but no earnings test, I am not sure. Certainly there are many questions to be answered about this concept. It appears that a person with \$100,000 per year income from investment could state that he is not in the labour market, whereas a person who works part-time for a few dollars to eke out his income could be said to be still in the labour market. Persons such as housewives who are not in the labour force might be able to collect the full OAS benefit even though their spouse is working and making \$20,000 per year.

What would happen if someone in receipt of benefits found work and wished to re-enter the labour force? Would the benefits be suspended and overpayments recovered? What would be done for people who are unemployed but continuing to seek work, even though the prospects of finding employment may be slim? Would we force them to give up all hope of employment and permanently withdraw from the labour market before they could obtain benefits? Since unemployment insurance benefits are currently payable up to age 65, would double benefits be permitted, or would we perhaps lower the age limit on UIC eligibility to age 60?

I might note that one of the reasons the CPP retirement test, for persons over age 65, was abolished was to avoid some of the inequities which I have described above, as well as to remove the disincentive to work which such a restriction implied for persons aged 65 to 69. Some would suggest that such a retirement test be applied at age 60 for both the Canada Pension Plan and the Old Age Security Act. With such measures, the Government of Canada would be very strongly encouraging people to retire at an earlier age, and almost penalizing them if they did not. If past experience is any indication, the Government of Canada would also be encouraging employers to lower compulsory retirement ages, as happened when the eligible age was lowered from 70 to 65.

Because of the possible changes in retirement patterns that such an incentive to early retirement might have, it is not possible accurately to estimate the total cost of permitting voluntary retirement on full pension at age 60 under the Canada Pension Plan and the old age security program. We can, however, make observations and approximations which might prove useful in considering the possible effects of such a decision.

First, I might note that at present 13.3 per cent of the population of Canada is over 65 years of age, whereas 19.3 per cent is over 60 years of age. If we were to imagine for the moment that the entire population between 60 and 65 years of age were to retire, then clearly the cost of retirement programs would increase by at least 45 per cent. This would increase old age security costs which, as hon. members will recall, already have risen to \$9.7 billion, by another \$4 billion, making the total cost \$13.7 billion per year, or nearly three times the present total annual cost of the OAS program.

This speculation of mass retirement is not very far-fetched in the long view if we consider the possibility that lowering the retirement age to 60 for the federal government programs might eventually lead to its being adopted as the normal retirement age in Canada. If we suppose, however, that only the approximately one-half of the population between 60 and 65 who are not now in the labour force were to take advantage of this early retirement proposal, the cost of OAS would still rise by about \$1 billion annually at the current benefit rate, or \$2 billion at the proposed \$300 rate. This in itself is more than ten times the estimated amount currently spent on social assistance for persons aged 60 to 64, excluding the spouse's allowance. If this proposal also suggests that these people in the 60 to 64 age category receive full GIS as well, this would make the total annual program cost of old age security nearly \$12.2 billion more than the cost of the current OAS program.

In the Canada Pension Plan we find a similar pattern. If all eligible persons were to retire at age 60 instead of 65, then the CPP beneficiary population would jump by almost one half. In the long run, the contribution rate would also have to rise by almost one half to pay for these benefits. Since it is now projected that the CPP contribution rate will have to more than double in the next 50 years, we might wish to reflect whether we have the right to commit succeeding generations to such an additional burden.

If legislation were introduced to allow CPP retirement pensions to be payable at age 60 in 1979, and if we assume that only half the eligible population takes advantage of early CPP retirement, we find that benefit payments would rise by \$40 million in 1979 and would cost an extra \$640 million by 1985.

The tale of financial woe does not end, however, with increases in numbers of pensioners and the dollar amount of benefits paid. We must remember also that by increasing the number of pensioners, we decrease the number of people in the labour force who must pay the taxes and make the contributions to support the larger population of pensioners. In other words, we are not simply increasing by five the number of years for which the eventual pension must be paid; we are also lowering by five the number of years in which the individual contributes toward the benefits of others.

The effect might be made clearer if we think of the individual as "earning" his or her own eventual retirement through active participation in the economy and in Canadian society prior to retirement. A person who works from, say, age 20 to age 65, a total of 45 years, and then retires and lives a further