

well. There is, of course, need for periodic assessment of any approach with a view to determining its strengths, assessing and if possible resolving its weaknesses and, where desirable, considering alternatives. The public programs will be discussed first and the private programs second.

#### *Old Age Security and Public Assistance*

25. The Old Age Security and Old Age Assistance programs were established on the recommendation of the 1950 Parliamentary Committee. The programs had the support of all political parties and many other interested groups including the life insurance companies. The Old Age Security program was designed to provide everyone with a basic income at age 70—a floor on which the individual could build his own retirement program. The Old Age Assistance program provided benefits to needy persons aged 65 to 69. In recent years benefits have been extended to needy persons aged 70 and over through the Unemployment Assistance program.

26. The Old Age Security plan has many advantages. Because of its universal nature—\$75 a month to everyone—the plan is of greater relative help for those persons who when working had low earnings and hence the least chance to save for retirement. It is simple and inexpensive to administer and ensures the payment of the maximum benefit for each tax dollar collected for this purpose.

27. At the outset of the plan the benefit was \$40 a month. The present \$75 amount is 87½% greater than the original benefit when the program commenced in 1952. Prices (as measured by the implicit price index of the national accounts) have increased about 30% in the same period while consumer spending per person has increased about 50%. In other words, the benefit has more than kept pace with increasing living costs.

28. The \$75 monthly benefit is already more generous than that provided in most other countries. Specifically, in relation to per capita national income, the average benefits paid to the aged in the United States and United Kingdom are less than 80% of Canada's \$75 benefit.

29. Has the Old Age Security program some weaknesses? The comment has been made that the benefits of the Old Age Security program do not vary with the cost of living where the retired person lives. However, governments now deal directly with this problem through needs-tested supplementary assistance that is paid to an estimated 15% of Canadians 70 and over (as stated in paragraph 13, no accurate figure is available). A significant influence on the cost of living is the cost of shelter. Subsidized public housing is another means now used to meet the problem of regional differences in living costs. An earnings-related pension program would not meet this problem.

30. Another comment has been made that benefits do not vary with the earned income of the retired person when he was working. The 1950 Parliamentary Committee carefully considered this point and chose the "floor" approach to avoid the inequities, the higher administrative cost and other serious weaknesses of the earnings-related approach. Obviously, persons with higher earnings are usually in a better position to save than persons with low earnings. The vigorous growth of private resources, not only through private pensions but in all other forms of savings, would indicate that most Canadians are utilizing the savings instrument of their choice to build on the "floor" provided by the basic Old Age Security program.