

● (1520)

CANADA PENSION PLAN

AMENDMENT TO EXTEND DEFINITIONS

Hon. Allan J. MacEachen (for the Minister of National Health and Welfare) moved that Bill C-49, to amend the Canada Pension Plan, be read the second time and referred to the Standing Committee on Health, Welfare and Social Affairs.

Mr. Paul E. McRae (Parliamentary Secretary to Minister of National Health and Welfare): Mr. Speaker, before I initiate discussion on Bill C-49 I wish to express the minister's displeasure at not being able to be here. He has been unavoidably detained, but will be here for the debate later this evening. Therefore, I will initiate the debate.

For some time now various groups and governmental bodies have been putting forward proposals to provide Canada Pension Plan benefits for spouses who work in the home. During the course of the federal-provincial social security review a number of these proposals were examined in some depth. Our aim, and that of most of the groups to which I have just referred, was to provide, under the CPP, both recognition and financial security for spouses who work in the home while at the same time retaining the basic, compulsory earnings-related and contributory characteristics of the plan. Of course, there was a difficulty inherent in achieving these two aims. That difficulty arises because work in the home by one spouse is unpaid employment, and there are thus no earnings on which to base pension plan contributions and benefits. However, after analysing the many proposals put forward, two specific ones were identified which, I believe, will allow us to achieve in part the intended objectives while still retaining the basic nature of the plan. These are the two major amendments to the CPP which are proposed in the legislation before us today.

The first amendment will allow the splitting, upon divorce or annulment, of the CPP pension credits which were earned by both spouses during their marriage. In part, of course, the Canada Pension Plan already recognizes the economic partnership aspect of marriage by providing benefits to a surviving spouse where the death of the other spouse terminates the family's income from either employment or pension benefits. However, the protection offered by survivor benefits ceases to exist when the marriage is terminated by divorce or annulment. Thus, there is at present no further recognition of the fact that both spouses contributed to the accumulation of CPP pension credits during their marriage, either directly by virtue of their both earning credits in their own right or indirectly by one contributing through work in the home.

Of course, work in the home really does contribute to family income and, therefore, to the CPP credits accumulated by the spouse who is in the labour force. Thus, by permitting the splitting of these credits, this amendment will assure to each spouse a fair share of an asset to which they have both, in reality, contributed. Further, it will provide this recognition and some measure of financial security to the spouses and to

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their dependent children at no significant additional cost to the Plan.

In order for the spouses to be eligible, the marriage would have to have lasted at least three years and the spouses would have to have lived together for at least three consecutive years. This is to ensure that the financial effects of credit splitting will actually be significant. As well, the application for the split will have to be made within three years of the effective date of the divorce or annulment, otherwise the administration of the provision would be virtually impossible. Finally, the marriage will have to have been dissolved after the legislation comes into effect. The split would apply to all eligible years of the marriage as far back as 1966, but would, of course, not include any years during which one spouse was ineligible to contribute. You will recall that people are ineligible to contribute if they are under 18 or over 70 years of age or are in receipt of a retirement or disability benefit. If I may illustrate, Mr. Speaker, a typical case might involve a wife who has not worked for wages and has custody of the children when the divorce occurs. To such a person, the importance of this amendment is clear. As long as there are at least five years of credits to split, she and the children have immediate income protection against the possibility of her disability or death. Furthermore, she has at least a start on building a future retirement income.

The second major amendment we are proposing relates to contributors who stay at home or alter their regular work patterns in order to care for young children. Under current arrangements, any periods of low or zero earnings which result from their temporarily dropping out of the labour force will likely affect both eligibility for all types of benefits and the actual amount of those benefits. At present, the amount of CPP earnings-related benefits depends upon the career earnings of the contributor averaged over all the years that he or she could have contributed to the plan, while payment of survivor or disability benefits depends upon payment of contributions for a minimum length of time and also on the recency with which contributions were paid.

Currently, all contributors are able to drop out of the calculation of their average career earnings periods of low or zero earnings adding up to 15 percent of their total contributory period. This provision is designed to protect potential CPP benefits against the effects of periods of unemployment, illness, extended education or voluntary early retirement. At most, seven years of low earnings may currently be dropped out of the maximum contributory period of 47 years.

This generalized drop-out does not recognize the difficulties faced by those who take responsibility for the care and upbringing of the next generation of Canadians. When they are active in the labour force, these contributors face all the problems for which the 15 per cent drop-out provision was created, but in addition they must face the possibility of a reduction, or perhaps even the total loss of their CPP benefits as a result of their remaining at home to care for young children. The special drop-out provision proposed in the legislation currently before us would ensure that a contributor who