

RESPONSE OF THE STANDING COMMITTEE TO THE CONSULTATION PAPER ASSUMPTIONS

While the Committee agrees that there has been dramatic increases in the labour force participation rate of Canadian women, and increased dependence of families on the earnings of women, the Committee agrees with witnesses who indicated that other factors must be considered in the redesign of survivors' benefits under the Canada Pension Plan.

With most women entering the labour force and, in consequence, earning their own CPP credits and with many widows, especially younger widows, either in the labour or able to re-enter the labour force on the death of a spouse, the CPP should not operate on the assumption of lifelong dependency for women. The Committee is concerned, however, about the apparent assumption that *all* survivors are equally able to enter (or re-enter) the work force and adjust to the death of a spouse. In this regard, the Committee agrees with the Canadian Institute of Actuaries who observed:

Initially, back in 1965, the CPP philosophy perceived that survivor benefits were by and large paid only to widows, and they worked on the assumption that all widows over a certain age were permanently out of the work force and hence they would need a lifetime pension... It certainly is not true today.

The Consultation Paper philosophically perceives that all surviving, spouses... will ultimately re-enter the work force, so would need only a temporary income until they have either acquired or re-acquired work skills. Equally, this is not true today...

While the basic concept of a relatively high bridging benefit to assist survivors' to adjust to the death of a spouse is sound, there were concerns raised by several witnesses about the specific proposals contained in the Consultation Paper. These concerns tended to focus on the difficulty of labour force re-integration for two specific groups; older widows, and younger widows with dependent children.

Robert Baldwin of the Canadian Labour Congress, for example, addressed the difficulty that would be faced by older widows.

...in principle we can accept the idea that is central to the proposal that benefits to survivors be temporary in nature; namely, that survivors can change their participation in the labour force to adjust for the earnings and retirement income that is lost due to the death of a spouse.

We do not believe that older survivors who are under 65 can be expected to change their labour force participation to adjust for the death of a spouse. In 1986, only 38.4% of women aged 55 to 64 were in the paid labour force, as were 73% of men. In short, there are large numbers of older men and women who are not yet 65 for whom it is not reasonable to expect that labour force adjustments will be made after the death of a spouse.

This view finds added support when the changes in labour force participation rates of women in the past two decades are compared for women of varying ages (see table 4). While younger women are *far* more likely to be in the paid labour force, the rate of participation for older women has changed only modestly. Thus, there is no reason to expect that dependency by older women will quickly change.