

Canada Pension Plan

affected by the drop-out provision. Thus, it parallels the basic design of the CPP. This technical parallelism results in the assignment of differential CPP values and benefits to the child-raising function. Thus, the value of the CPP subsidy associated with raising a "low income" child is less than that attributed to the raising of a "high income" child. This point is interesting in relation to the concept, if not the technical design, of the CPP, a "contributory" social insurance program. No contributions are required for spouses' drop-out years regardless of the woman's income level. However, the value of the subsidy associated with those years varies with the woman's average lifetime earnings.

Given the preceding points, it is apparent that the implicit subsidy in the spouses' drop-out provision is of greatest potential value to women with higher earnings levels and women who, because of family circumstances, are able to exercise their full entitlement. Conversely, the proposal offers the lowest potential level of subsidy to women with low earnings levels and women who are restricted in their ability to use their entitlement. This raises a broad social policy issue. Is it equitable or appropriate to provide a special provision for some mothers which is not equally accessible to all of those who are eligible and assigns different values to the child-rearing function? I ask this question because I believe people should know what they are getting into if this bill is passed.

There is also the problem of compulsory contributions. The woman who stays in the home would receive pension credits, although no contribution would be required. On the other hand, the woman who must work is not only required to carry the dual role of homemaker and wage earner, but must also pay a compulsory tax by way of CPP contributions in order to obtain her pension credits. The woman who can afford to stay home receives the subsidies, without any requirement to contribute, regardless of her economic status. The mother who cannot stay at home is required to make compulsory contributions for the years which could otherwise be dropped out without regard to her ability to pay.

The preceding discussion has outlined apparent inequities created among contributors. By granting pension credits, for the first time, to one specific group of non-contributors, inequities are created between them and other groups of non-contributors who perform other socially valuable but unpaid services. Mothers who are never able to enter the labour market receive no credits for their child-rearing years. Examples of other persons would be mothers who remain in the home to care for older disabled or retarded children, and women who leave the work force to care for an ailing parent or spouse. I mentioned this before, and I shall do so again. Mothers who remain in the home to care for older disabled or retarded children get nothing, and women who leave the work force to care for an ailing parent or spouse get nothing. So what looks fine on the surface does, nevertheless, raise a number of questions. We shall have to ask those questions and get them answered, because the more I read about this matter, the more it appears to be unfair and discriminatory. I hope answers will be given when the bill reaches committee stage. As this

[Mr. Alexander.]

differential treatment is extremely difficult to justify in terms of social policy, leverage is created by which extension of CPP coverage to the various other groups of non-contributors would be created.

I must pay some attention to the funding problem which will arise as a result of any amendment to the Canada Pension Plan. We do not know what this is going to cost. The minister's draft papers spoke of a minimal cost. Surely that is not good enough at a time when all segments of society are registering concern about the funding of pensions. Current federal estimates indicate that in the medium run the cost of the spouses' drop-out provision will increase CPP expenditures by approximately 4 per cent, assuming no behavioural changes occur. However, if the anomalies which are created by the proposal lead to further extension of subsidized coverage, this figure could increase substantially.

There is increasing concern regarding the basic issue of pension funding in general and that of the CPP in particular. The CPP is not actuarially sound at present, but is currently operating on a modified "pay as you go" basis. The plan is predicated on intergenerational transfers. Current contributions are, in effect, paying for the pensions of those who are now retired. The degree of individual subsidization to all pensioners will decrease over time as the plan matures, other things being equal. That is, although current retirees receive extremely high rates of retirement subsidies, future retirees will receive lower subsidies. However, the plan will always be based on intergenerational transfers, and therefore the costs of any modifications are passed on to future generations. CPP is underfunded at present. Unless the current combined contribution rate of 3.6 per cent is increased, the CPP fund will be exhausted between 1995 and 2000. Further increases will also be necessary. It is estimated that with no changes to the present CPP, a combined contribution rate of approximately 8 per cent will be required by 2025 on a "pay as you go" basis.

The question of the future orientation of CPP and its funding must ultimately be faced. There is a limit to the financial burden which can be placed on future generations. It has long been obvious that the present rate of contribution to CPP will not cover the cost of maintaining the increasing number of retired people who will require pensions. The way the present plan is set up, we are leaving a crushing load as a legacy to our grandchildren in terms of vastly increased taxes. As Ontario treasurer Darcy McKeough pointed out:

In the first decades of the next century there will be more retired people relative to people employed in the labour pool than at any time in Canada's history. By guaranteeing the real value of retirement incomes for these people without appropriate funding, governments in Canada have subjected themselves to future liabilities which are staggering.

Geoffrey Calvert, author of the book "Pensions and Survival: the coming crisis of money and retirement", states: "We are passing the buck to future generations."

Mr. Hamilton (Qu'Appelle-Moose Mountain): That is why seven of us did not vote for it.