

solve the situation. Well, we had World War II. What did it solve? We are now in the same situation, at the same point we were after world war II.

I am very seriously convinced we should follow the suggestion in the throne speech, that we should be looking for new ways. It would be a new way if we allowed our aged to live decently. This would give work to a number of young people, a positive, productive contribution toward prosperity. We could not do worse than we are now doing. For all these reasons, Mr. Speaker, I very seriously support the motion now before us and I wish the House would have the maturity to adopt it unanimously.

[English]

● (1732)

**Mr. F. A. Philbrook (Halton):** Mr. Speaker, I shall not go to the trouble this time of congratulating the hon. member for Winnipeg North Centre (Mr. Knowles) on his motion No. 14. We have done that many times before. If ever this House was entitled to have a feeling of *déjà vu*, it is now, with the hon. member's usual motion, well meaning as it is, to increase retirement pensions, to index them in this case, and to start them at an earlier age. However, there are some concerns about this proposal which the government side has to take very seriously. I hope the hon. member will listen to them very carefully and consider them sincerely.

The very sweeping changes in pensions suggested by this motion would clearly have an enormous immediate impact in terms of total government expenditures and of the taxes which would be required to pay for these benefits. In the long term the economic and social effects could be even more dramatic.

We should look very closely, then, at the costs these proposals would entail and the benefits to be derived by the Canadian population, and weigh them against the burden which that very same Canadian population would have to bear.

Let us first consider the proposed increase in Old Age Security benefits. The OAS program will expend about \$4.5 billion in 1977, roughly \$3.4 billion of which is spent on the basic OAS benefit payment, \$1 billion on the Guaranteed Income Supplement, and \$1 million on the spouse's allowance. Since there are at present almost exactly two million Old Age Security recipients in Canada, a \$1 increase in the OAS pension implies a cost increase of \$24 million annually.

The hon. member's motion proposes that the Old Age Security basic benefit be raised to \$300 per month from its present rate of \$150.43, virtually doubling the current rate. It is easily calculated that two million pensioners each receiving \$300 per month, or \$3,600 per year, would be paid \$7.2 billion per year altogether. This would represent a rise in total program expenditures of roughly \$3.8 billion, or 84 per cent greater than the present cost.

In addition, the hon. member proposes that the income test currently applied to the Guaranteed Income Supplement be removed, but when this same suggestion was debated in the last session he stated that the benefit itself should be retained. In other words, all OAS pensioners over 65 would be entitled

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to the full GIS benefit. If we assume that the ratio of single to married persons remains the same as for current GIS recipients, we can estimate that roughly 1.1 million persons over 65 would receive the GIS at the single rate and 900,000 at the married rate. This works out to a total expenditure of roughly \$2.4 billion at present rates, or \$1.4 billion more than current GIS expenditures.

● (1742)

The total Old Age Security program expenditures would therefore rise by about \$5.2 billion per year at current rates if the benefit increases suggested by the member for Winnipeg North Centre are applied to the over 65 population, bringing the total program cost to \$9.7 billion.

The hon. member suggests also that benefits under both the Old Age Security program and the Canada Pension Plan should be made available at age 60 to those not in the labour market. This is, in effect, the reinstatement of the retirement test which the Canada Pension Plan formerly applied at age 65. Now, however, it would apply at age 60, without an earnings test to mitigate costs.

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 of 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 or her 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 a 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 that 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. The hon. member suggests 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.