

A simple way to help Canada's poorest seniors*

Although Canada's poverty statistics are stubbornly high, there has been great progress against poverty among our growing population of seniors – until now.

The percentage of elderly Canadians living in poverty fell hugely from 29 percent in 1976 down to 4.7 percent in 2007, but rose to 5.8 percent in 2008. That increase is due largely to the deteriorating position of single elderly women, whose poverty rate jumped from 14.5 percent in 2007 to 17.1 percent in 2008.

Poverty among single aged men was down one percentage point, from 13.1 percent in 2007 to 12.1 percent in 2008, but remains high. By contrast, poverty among seniors in couples was only 2.6 percent in 2008.

Canada's retirement income system can take most of the credit for the success to date in reducing elderly poverty. The federal old age security (OAS) and guaranteed

income supplement (GIS) and provincial and territorial supplements together assure a basic income for seniors.

The Canada and Quebec Pension Plans play an important role as well, especially since the flood of women into the workforce means they are increasingly getting pensions in their own right. But as we saw from the latest poverty statistics, we cannot rest on our laurels.

The Harper government displays a bipolar approach to Canada's seniors. One of its policy changes has helped the poor, another the wealthy.

In their maiden 2005 budget, the Conservatives announced a modest but long-sought improvement to the guaranteed income supplement for low-income seniors, the first real (above inflation) increase in more than two decades.

* This commentary was published as an op ed in the *Toronto Star* on March 2, 2011.

Over 2006 and 2007, maximum payments rose by \$432 for single recipients and \$696 for couples.

But the very next year brought a 180-degree turn in Ottawa's treatment of the elderly, through a major change in the income tax system. Couples that previously paid tax on each spouse's individual income, like other taxpayer couples, could now split their income from private pensions and RRSPs so that each would pay tax on half of private pension income. Couples in which one spouse (typically the man) has all the private pension income – the traditional one-income couple – are the biggest winners since the higher-income spouse now pays tax at a lower rate.

Pension income-splitting does absolutely nothing to help single seniors or even the poorest elderly couples who pay no tax. Some senior couples have enjoyed a tax reduction, but the measure is regressive – the higher their income, the bigger the tax break.

Federal tax savings in 2007 from income-splitting for couples in which one spouse has all the private pension income

ranged from just \$310 for couples with \$20,000 from private pensions and RRSPs to \$7,280 for the privileged elite with \$100,000. And the tax break is costly – an estimated \$733 million in 2009, according to the Department of Finance's latest tax expenditure report.

There is a far fairer and more effective way to spend that \$733 million – use it to boost the guaranteed income supplement for the poorest seniors.

*Ken Battle, Sherri Torjman and
Michael Mendelson*

Copyright © 2011 by
Caledon Institute of Social Policy

401-1390 Prince of Wales Drive
Ottawa, ON K2C 3N6
CANADA

Tel/Fax: (613) 729-3340

E-mail: caledon@caledoninst.org

Website: www.caledoninst.org