Social Services Project

The Safety Net and Seniors in Alberta

The Canada West Foundation *Social Services Project* research team set out in 1995 to:

(1) document the nature and magnitude of the need for social services;
(2) identify which needs are not being met by the existing social service infrastructure; and
(3) recommend ways to improve the delivery of social services.

We discovered, however, that a lack of information makes answering these questions extremely difficult. As a result, one of the recommendations put forward in the project's main report *(Issues and Options for Change: Social Services for the 21st Century)* is that we should gather more information and set benchmarks against which policy-makers and the public can evaluate the success or failure of our attempts to meet need.

Seniors (defined here as persons 65 years of age and over) are one of the many groups about which a lack of adequate information and benchmarks make it difficult to identify where the system falls short. Nonetheless, it is important to document what we do know about the needs of seniors and the services that try to help them. Without this information, we lack the context required to make informed decisions.

Seniors are generally regarded as a group with special needs and the social service system includes numerous programs that specifically target the elderly – from local non-profit agencies devoted to helping seniors to discounts at stores to national income support programs such as the Guaranteed Income Supplement. Together, these programs and services *institutionalize* the practice of caring for the elderly. In addition to this formal network of programs that assist seniors, there is the help provided by family, friends and neighbours. It is, however, difficult to measure the assistance provided by these informal sources. As a result, this report tends to focus on government programs and other relatively quantifiable aspects of attempts to meet the needs of the elderly. This reflects the availability of information rather than the importance of the institutionalized system compared to the informal one. In fact, the two forms of assistance work together and neither can be expected to replace the other and achieve the same results.

This report was written by Robert Roach and is part of the CWF *Social Services Project.* The Project was initiated and is being funded by the Kahanoff Foundation as one part of its program to expand the knowledge-base of Canadians about the non-profit sector.

Comments or questions can be made directly to the author by e-mail: roach@freenet.calgary.ab.ca

Canada West Foundation

Canada West Foundation
#550, 630 - 3rd Avenue SW Calgary, AB T2P 4L4
Ph: (403) 264-9535 Fax: (403) 269-4776 http://www.cwf.ca

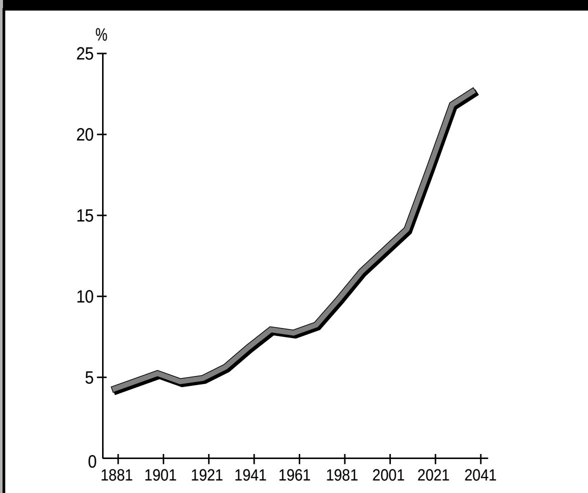
August 1997
ISBN #1-895992-38-9

I. An Aging Population

As is the case in other areas of social services, demographic factors have a significant influence on the need for services that assist seniors. Canada's senior population is growing rapidly both in number and as a proportion of the total population. In 1996, just over 12% of Canadians (3.7 million) were 65 years of age or older. This is projected to increase to about 16% (5.9 million) by 2016 and to over 22% by 2041 (see Figure 1). The median age of the population (the point in the age distribution where half of the population is older and the other half is younger) is projected to rise from 35.1 in 1996 to 40.4 in 2016 and 43.5 in 2041.

Figure 1

Proportion of the Population 65 Years of Age and Over, 1881 – 2041



The projections are based on a medium growth scenario.
Source: Statistics Canada, Cats. 91-520 and 91-533E

The combination of three factors explain this upward trend:

(1) Increased Longevity – Improved living conditions and health care have dramatically reduced the mortality rate and increased life expectancy.

(2) Lower Fertility – The fertility rate in Canada has fallen from 3.9 births per woman of childbearing age in 1959 to about 1.7 today.

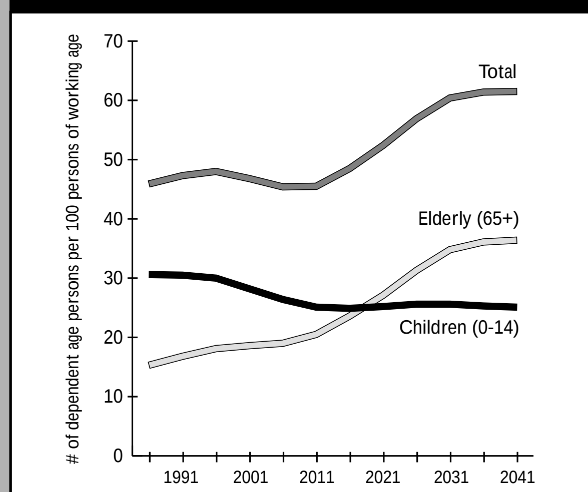
(3) The Baby Boom – The large increase in fertility that took place between 1946 and 1966 known as the baby boom is a demographic event with massive social policy implications. The baby boom *temporarily* reversed the downward trend in fertility rates evident before World War II. As a result, a bulge formed in the age distribution of the population. As this bulge ages, the "graying" of the Canadian population will intensify. If, on the other hand, the baby boom had not been followed by the baby bust, there would be an expanding base of young Canadians to help support the elderly.

The Battle of the Bulge

While the boomers are lodged in the 15 to 64 age group, there is a relatively large number of workers to help pay for programs for seniors. However, when the boomers start retiring in large numbers around 2011, the ratio of workers to seniors will drop.

Figure 2

Projected Dependency Ratios, 1986 – 2041



The projections are based on a medium growth scenario.
Source: Statistics Canada, Cat. 91-520

Figure 2 indicates that the overall dependency ratio (the number of persons under 15 and over 64 per 100 persons of working age) will remain fairly flat over the

next 20 years as increases in the ratio of elderly to persons of working age are compensated for by decreases in the ratio of children to persons of working age. After 2011, however, the overall dependency ratio is expected to rise sharply as the elderly dependency ratio continues its upward trend and the proportion of children becomes flat.

The aging of the population is sometimes referred to as a "crisis." However, unlike a currency or international crisis, the increase in the number of seniors and corresponding rise in the cost of public pensions and health care is not a "problem" to be "corrected." It is, rather, a demographic fact that will require adjustments on the part of Canadians – young and old – in order to ensure that the social institutions that assist seniors continue to perform their laudable tasks. So, yes, the working age population of today and tomorrow will likely have to contribute more than previous generations did to help pay for seniors' programs. But, if helping seniors is held to be a valid social goal, then the aging of the population is not a crisis to be "solved" but a challenge to be met.

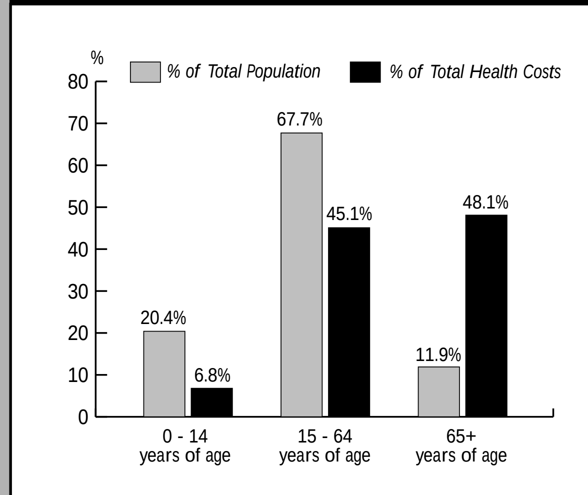
On the other hand, the word crisis is apt if it is used to convey the need to take action in the present to minimize the cost to future generations and ensure the future of social programs for seniors.

II. Health Care

Although the *Social Services Project* has not examined health care in detail, it recognizes the many connections between health care and social services. Access to quality health care is, while important to Canadians of all ages, of particular importance to the elderly. Seniors account for a disproportionate amount of public health expenditures – 48.1% of costs compared to 11.9% of the population (see Figure 3).

Figure 3

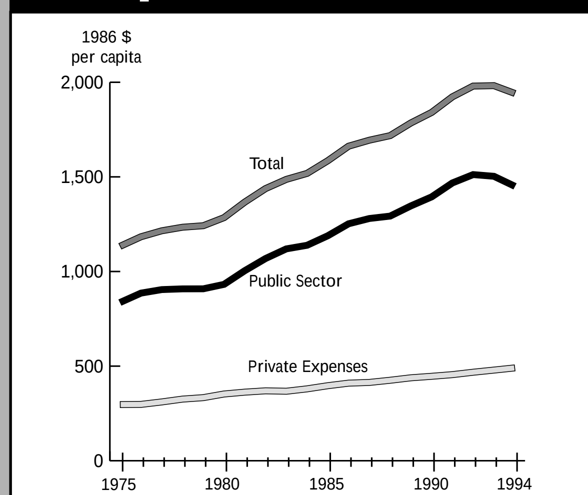
Public Health Expenditures by Age Cohort, 1994



Source: Health Canada, National Health Expenditures in Canada, 1975-1994, Summary Report, 1996

Figure 4

Real Per Capita Health Expenditures, 1975 – 1994



Source: Health Canada, National Health Expenditures in Canada, 1975-1994, Summary Report, 1996

Real per capita public health expenditures in Canada have, until recently, been on the rise (see Figure 4). One reason for this growth is the increase in the proportion of the population 65 years of age and over. We can expect, therefore, that the cost of health care will, despite efforts to reduce spending, continue its upward trend as the population ages.

Phillip G. Clark argues that aging is "a modern triumph of the maintenance and extension of life on a scale unparalleled in human history" ("The Moral Economy of Health and Aging in Canada and the

United States," *Canadian-American Public Policy*, November 1995, p. 33). If Clark's argument is accepted, future increases in the cost of providing public health care are not a burden, but an *opportunity* to help one another maintain a high quality of life as we age. A positive attitude toward the public policy challenges created by an aging population is, however, not a sufficient means of ensuring they will be met. A concerted effort to improve the delivery of health care and reduce the pressure that will be placed on the health system as the population ages is also necessary.

Alberta's health care system includes a number of programs that help seniors reduce the cost of meeting their health needs:

Premium Subsidy: seniors below a specified income level have all or part of their Alberta Health Care Insurance premiums paid on their behalf.

Alberta Blue Cross Plan: seniors, their spouses and dependents receive free Alberta Blue Cross coverage. The program provides partial coverage for the cost of prescription drugs, ambulance, home nursing care, and other basic services.

Extended Health Benefits Program: provides seniors with limited coverage for dental care and eyeglasses.

Aids to Daily Living Program: helps lower-income Albertans with a long-term disability or chronic/terminal illness with the purchase of basic medical equipment such as bathroom aids and wheelchairs. (Recipients do not have to be seniors.)

Home Care: Home Care helps individuals who are frail, ill, injured or recovering from a hospital stay to remain in their homes. Services include nursing, physiotherapy, occupational therapy, respiratory therapy, assistance with personal care and home making. (Recipients do not have to be seniors.)

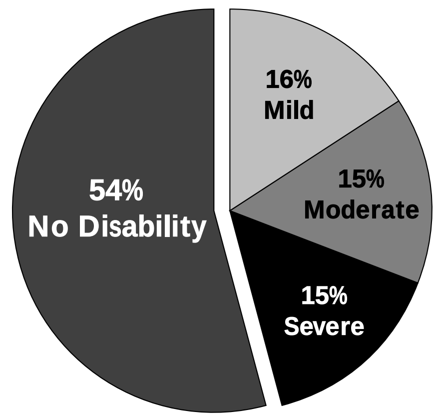
Health Needs

Canadian seniors are living longer than they did in the past. Life expectancy at age 65 was 13.3 years in 1921, 14.8 years in 1961 and 18 years in 1991. Almost 74% of seniors living in a private household describe their general health as "good," "very good," or "excellent" (Statistics Canada, National Population Health Survey, 1995). This drops to 43.2% for seniors living in institutions (8.1% of seniors live in an institution).

Although most seniors describe their general health in positive terms,, over 80% of seniors living in private households and 95% of seniors living in institutions report that they have a chronic health condition (Statistics Canada, National Population Health Survey, 1995). In addition, 46% of seniors report having a disability (see Figure 5).

Figure 5

Proportion of Seniors With Disabilities, 1991



Source: Statistics Canada, 1991 Health and Activity Limitations Survey

These statistics indicate that most seniors, while not necessarily "unhealthy," tend to have relatively high health needs. How well these needs are met by the health and social service systems is not well documented. For example, we know the number of seniors with disabilities, but we do not know how many of them receive the support they need.

III. Income of Seniors

Income is one of the key factors affecting the need for social services. It is therefore necessary to examine the data related to the income of seniors.

Employment Income

Most seniors are not part of the paid work force. Only 6.0% of seniors were employed in 1995 (down from 9.3%

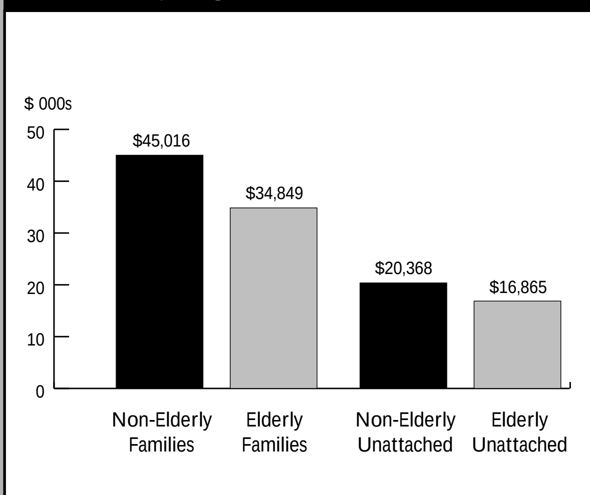
in 1976). In addition, 41.7% of employed seniors worked part-time. Not surprisingly, employment income forms only a small portion of the total income of seniors (7.0% in 1994). These statistics point to the high degree to which seniors rely on public and private pensions and personal savings to provide annual income.

After-Tax Income Levels

In 1994, the after-tax income of elderly families was 22.6% less than the after-tax income of non-elderly families and the after-tax income of single seniors was 17.2% less than their non senior counterparts (see Figure 6).

Figure 6

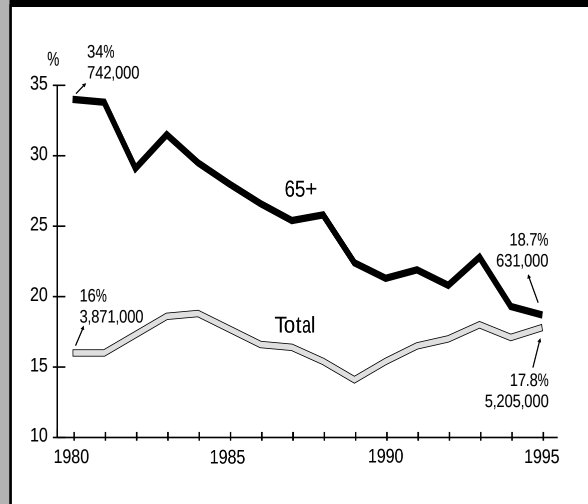
Average After-Tax Income by Age Cohort, 1994



Source: Statistics Canada, Survey of Consumer Finances, Cat. 13-210

Figure 7

Low Income Rates, 1980 – 1995

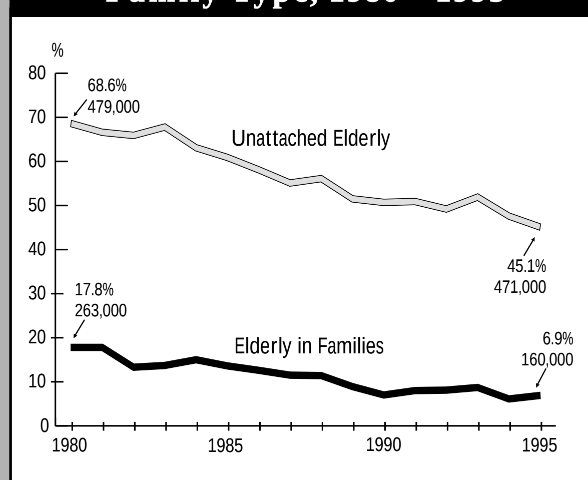


Source: Statistics Canada, Survey of Consumer Finances, Cat. 13-207 (rates based on pre-tax income)

The average after-tax income of seniors, however, has increased since 1980 whereas the average after-tax income of non-seniors has decreased. The after-tax income of elderly families and unattached seniors in constant 1994 dollars increased by 3.1% and 13.8% respectively between 1980 and 1994. The after-tax income of non-elderly families and unattached individuals decreased by 4.6% and 2.5% respectively over the same period. This rise in the average disposable income of seniors has been accompanied by a reduction in both the number and the proportion of seniors below Statistics Canada's low income cut-offs since 1980 (see Figures 7 and 8). This indicates that low income seniors have benefitted from the rise in income. (For 1995, the low income cut-off for an unattached individual living in a city of 500,000 or more was $16,874 and $21,092 for a two-person family living in a city of 500,000 or more.)

Figure 8

Elderly Low Income Rates by Family Type, 1980 – 1995



Source: Statistics Canada, Survey of Consumer Finances, Cat. 13-207 (rates based on pre-tax income)

Table 1

Percentage Distribution of Families and Unattached Individuals, 1995				
Income Group ($ 000s)	All Families	Senior Families	All Unattached	Unattached Seniors
<10.0	1.9%	0.1%	18.3%	2.5%
10.0 - 14.9	4.1%	1.6%	22.1%	48.8%
15.0 - 19.9	5.6%	8.7%	12.7%	19.6%
20.0 - 24.9	7.6%	20.3%	9.9%	10.5%
25.0 - 29.9	6.1%	10.5%	8.2%	5.6%
30.0 - 39.9	14.0%	20.4%	13.0%	7.0%
40.0 - 49.9	13.0%	12.7%	7.3%	3.1%
50.0 and over	47.6%	25.7%	8.5%	2.9%

Source: Statistics Canada, Survey of Consumer Finances, Cat. 13-207

A major factor in the reduction of low income among the elderly is the increase in government transfer payments to seniors (especially Canada and Quebec Pension Plan payments). Average income from government transfers (in constant 1994 dollars) increased from $7,681 (46.8% of total income) in 1981 to $10,428 (54.7% of total income) in 1994. Over the same period, average annual Canada and Quebec Pension Plan payments increased from $1,592 (9.7% of total income) to $3,906 (20.4% of total income).

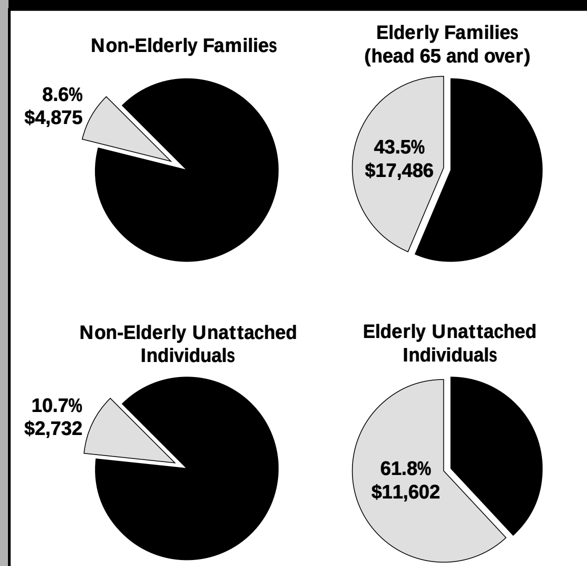
As Table 1 illustrates, relatively few unattached seniors have annual incomes under $10,000, but almost half have incomes between $10,000 and $14,999. Similarly, relatively few elderly families have annual incomes below $15,000, but significant proportions occupy the $15,000 to $19,999 and $20,000 to $24,999 income ranges. This indicates that, because seniors at the bottom of the income scale depend on government transfers to supply most of their income, the public pension system tends to move seniors with little or no private income out of the lowest income brackets, but does not move them very far up the income ladder.

Composition of Income

On average, seniors rely on government transfer payments for over half (54.7% in 1994) of their pre-tax income (see Figure 10). Moreover, according to the 1994 General Social Survey, **government transfer payments were the only source of income for 34% of seniors.**

Figure 9

Gov't Transfer Payments as a Proportion of Total Income, 1994

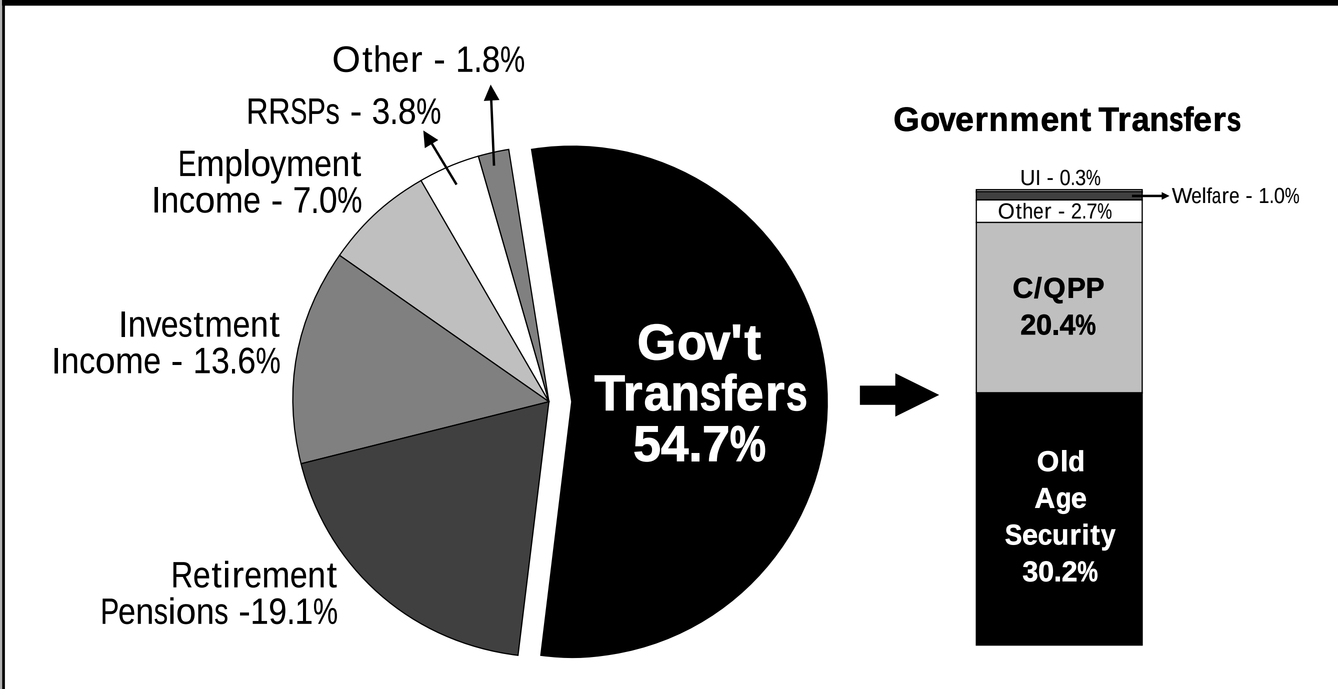


Source: Statistics Canada, Survey of Consumer Finances, Cat. 13-210

As Figure 9 illustrates, unattached seniors receive a larger portion of their annual income from government transfer payments than elderly couples, but both

Figure 10

Composition of the Income of Seniors, 1994



Source: Statistics Canada, Survey of Consumer Finances data reported in A Portrait of Seniors in Canada, Second Edition, Cat. 89-519

receive far more from government transfer payments than their non-elderly counterparts. Among unattached seniors, government transfer payments comprise a greater share of the average income of women (67.0% in 1994) than men (50.2% in 1994). Clearly, without government transfer payments, many seniors would not have enough income to meet their basic needs and 34% would have no income at all!

IV. Income Support for Seniors

The income support system for seniors has three major components:

(1) GOVERNMENT TRANSFER PROGRAMS such as the Old Age Security (OAS) pension, the Guaranteed Income Supplement (GIS), Spouse's/Widowed Spouse's Allowance, the Canada and Quebec Pension Plans (C/QPP), and provincial income supplements;

(2) TAX-ASSISTED EMPLOYER AND PERSONAL SAVINGS PROGRAMS such as registered pension plans (RPPs), deferred profit sharing plans (DPSPs) and registered retirement savings plans (RRSPs);

(3) TAX MEASURES such as the federal age and pension income tax credits.

Seniors also benefit from other income support programs for the elderly such as subsidized transportation and home maintenance as well as programs that assist seniors and non-seniors alike (eg., the Goods and Services Tax credit and subsidized housing). It is also important to stress the help that seniors receive from family, friends, the non-profit sector, and the private sector. Although this help is difficult to quantify, it is safe to say that it is significant.

The income support system for seniors is under pressure from a number of fronts:

- because Canadians are living longer, pensions are paid out over longer periods than they were when the system was put in place;

- the aging of the population means there will be fewer working age Canadians to help pay for the public pension system;

- the economy has not grown as much as the creators of the public pension system assumed it would;

- concern over public deficits and debt has created pressure to reduce expenditures.

As a result, a number of changes to the system have been implemented or proposed. However, as David W. Slater points out, "the government of the day has opted for the strategy of fixing, tuning, and adapting the existing structure and rules rather than fundamentally redesigning the system" ("The Pension Squeeze: The Impact of the 1996 Federal Budget," *C.D. Howe Institute Commentary*, February, 1997, p. 5).

The income provided by government is intended to:

(1) help seniors with little or no private income meet their basic needs; or

(2) raise the standard of living of seniors who could get by without government assistance.

The need to reduce government spending has led to increased emphasis on the first goal at the expense of the second. In fact, **targeting** assistance is one of the dominant trends evident in the restructuring of the income support system. The assumption is that some programs provide assistance to people that can get by without it. For example, the proposed Federal Seniors Benefit (see Box 1) will decrease payments to middle- and upper-income seniors but increase payments to lower-income seniors.

The federal OAS pension and GIS are often identified as the core programs intended to help seniors with little or no private income meet their basic needs and the C/QPP as the core programs intended to raise the standard of living of seniors. The reality, however, is not this simple. For example, because the income level at which OAS pension benefits begin to be reduced is currently set at $53,215, OAS pensions are paid to seniors with more than enough income from other sources to meet their basic needs. For these seniors, the OAS pension improves their standard of living rather than help them meet their basic needs.

The Canada Pension Plan (CPP) is a second example. The main purpose of the CPP is to help replace income lost due to retirement but it also helps seniors with modest incomes (especially those with no income other than OAS payments) meet their basic needs. In keeping with this, the GIS was originally set up to act as a temporary income supplement during the ten-year phase-in period of the CPP. Seniors who receive CPP benefits generally do a little better than seniors that rely entirely on OAS/GIS. As of January 1, 1997, a single senior with no private income and eligible for the maximum CPP pension would receive about $1,245 ($400.71 OAS, 107.80 GIS, and $736.81 CPP) a month whereas a single senior receiving no CPP would get about $877 ($400.71 OAS, and $476.20 GIS). In this way, CPP achieves both objectives simultaneously.

Old Age Security

Often referred to as the first tier of the income support system for seniors, the Old Age Security program provides a basic income to seniors. The program has three components: (1) the basic OAS pension; (2) the GIS; and the Spouse's Allowance and Widowed Spouse's Allowance.

In 1994/95, OAS payments totalled $15.5 billion, GIS payments $4.6 billion, and Spouse's/Widowed Spouse's Allowance payments $0.4 billion. In 1993, about $345 million was recovered through the OAS claw back. General federal government revenues are used to finance all three components of the program. For more information, see Box 2 on page 11.

The number of OAS/GIS/SPA beneficiaries has increased from 4.6% of the population in 1951/52 to 11.6% in 1994/95 (see Figure 11). The cost of the Old Age Security Program in constant dollars has increased

Box 1

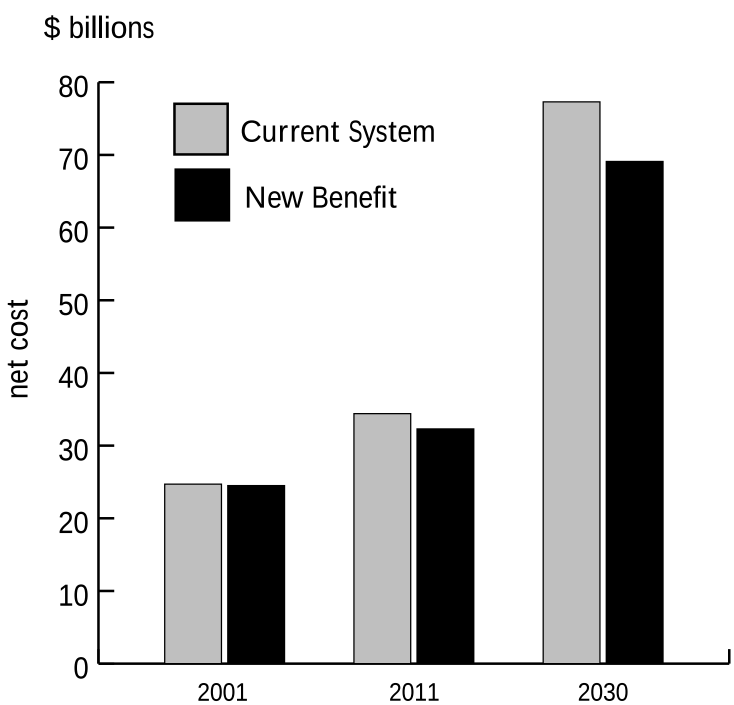
The Proposed Federal Seniors Benefit

In its 1996 budget, the federal government announced that it will combine the OAS pension, the GIS, and the non-refundable age and pension income tax credits into a new Federal Seniors Benefit beginning January 1, 2001. The main features of the new program are:

- the maximum benefit will increase by $10 per month per household (lower-income single seniors will get an extra $120 per year; lower-income couples will share an extra $120 per year);
- the modest OAS claw back will be replaced by a much lower benefit reduction threshold;
- benefits will be based on the combined income of spouses (the OAS pension claw back is based on individual income);
- 75% of single seniors and senior couples will receive the same or higher benefits;
- all benefits will be tax-free;
- benefit levels will continue to be indexed to inflation;
- the benefit reduction threshold will be fully indexed to inflation;
- everyone 60 years of age or over on December 31, 1995 and their spouses, no matter what age, are guaranteed no less than the current system would pay;
- current seniors will have the choice of moving to the new system or staying with the old one;
- seniors will only have to apply once rather than every year;
- the Spouse's Allowance and Widowed Spouse's Allowance will remain in place and will be increased by $10 per month per household.

Ottawa predicts that the changes will slow spending growth over the long-term. The new program is projected to cost 10.7% less in 2030 than the projected cost of current system.

Projected Net Costs of the Seniors Benefit Versus the Current System



Source: HRDC

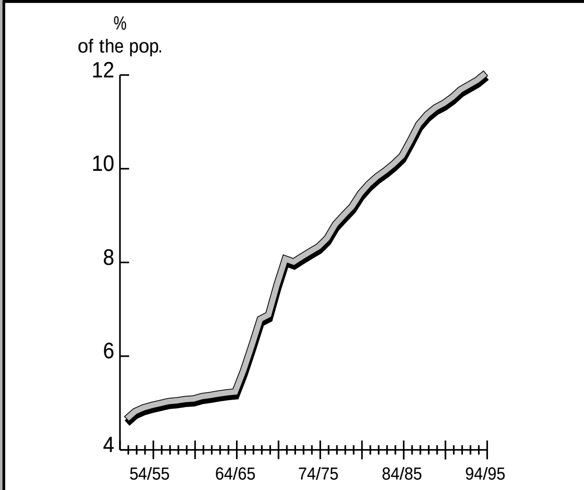
Projected Seniors Benefit Payments in 2001 ($ per year)

Income From Other Sources	Singles	Couples
0	11,420	18,440
5,000	8,920	15,940
10,000	6,420	13,440
15,000	5,160	10,940
20,000	5,160	10,320
25,000	5,160	10,320
30,000	4,350	9,510
35,000	3,350	8,510
40,000	2,350	7,510
45,000	1,350	6,510
50,000	350	5,510
60,000	0	3,510
70,000	0	1,510
80,000	0	0

Source: HRDC

Figure 11

Proportion of OAS Recipients in the Population, 1951/52 – 1994/95

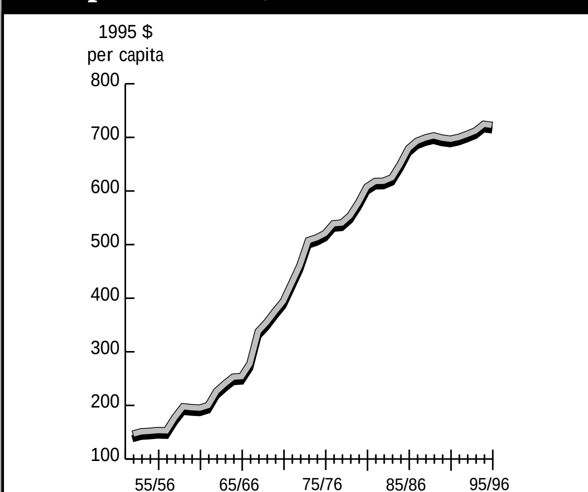


Source: HRDC and author's calculations
Includes OAS, GIS and Spouse's/Widowed Spouse's Allowance

from $138 per capita in 1952/53 to $714 in 1995/96 (see Figure 12). Three factors explain the increase in the per capita cost of the program: (1) as the proportion of seniors in the population has increased, so has the per capita cost of the program; (2) new programs (the GIS and Spouse's/Widowed Spouse's Allowance) were created; and (3) benefit levels were increased over and above indexing for inflation (see Figure 13).

Figure 12

Old Age Security Program Expenditures, 1951/52 – 1995/96

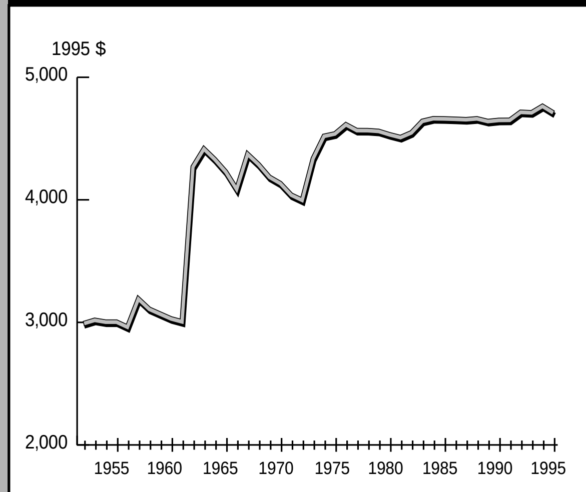


Source: HRDC and author's calculations
Includes OAS, GIS and Spouse's/Widowed Spouse's Allowance

As of January 1, 1997, the OAS program guarantees an income of at least $10,523 per year to single seniors and $17,061 to senior couples (see Table 2). These amounts are indexed to inflation.

Figure 13

Maximum Annual Basic OAS Pension Benefits*, 1952 – 1995



*Expressed in constant 1995 dollars.
Source: HRDC and author's calculations

Table 2

Monthly Old Age Security Rates (January – March 1997)

Type of Benefit	*Maximum Rate (Jan. – March 1997)*
Basic OAS Pension	$400.71
GIS – Single	$476.20
GIS – Married to a Non-Pensioner	$476.20
GIS – Married to a Pensioner	$310.18
GIS – Married to a Spouse's Allowance Recipient	$310.18
Spouse's Allowance	$710.18
Widowed Spouse's Allowance	$784.82

Source: HRDC

Box 2

The Old Age Security Program

SUB-PROGRAM	BACKGROUND	BENEFITS
BASIC OAS PENSION	The *Old Age Security Act* replaced the *Old Age Pensions Act* of 1927 on January 1, 1952. The new program paid a flat-rate benefit of $40 a month to Canadians who met the residency requirements at the age of 70. In 1966, the qualifying age for OAS was reduced to 69 and was further reduced by one year in each of the following years until it reached 65 in 1970.	As of January 1, 1997 the maximum basic OAS pension is $400.71 per month. Benefits are taxable and indexed quarterly. Figure 13 shows the increase in the maximum annual OAS pension in constant dollars since its inception in 1952 through 1995. In inflation adjusted 1995 dollars, the maximum OAS pension for 1995 ($4,690.29) is $1,718.59 more than it was in 1952 ($2971.70).
GIS	The GIS is an income-tested supplement paid to OAS pension recipients with limited income apart from the OAS pension. As of October 1996, 1.37 million seniors (39% of OAS pensioners) were receiving full or partial supplements. In 1980, 52.7% of OAS pensioners also received the GIS. The GIS was introduced in 1967 as a temporary program to help lower-income seniors through the ten-year phase-in period of the CPP. As the proportion of seniors receiving CPP has increased, the proportion of seniors receiving the GIS has decreased (highlighting the importance of CPP payments to lower-income seniors). Eligibility for the GIS is based on income rather than need. Personal assets such as a home or car are not considered. Income-producing assets such as bonds are considered to the extent that they provide annual income. If a person is receiving a partial OAS pension because they do not meet the residency requirements for a full pension, the maximum GIS is increased by the difference between the partial pension and the full one.	Benefits are tax-free and indexed quarterly. In the case of single, widowed, divorced or separated pensioners, the maximum monthly supplement is reduced by $1 for each $2 of other monthly income (excluding OAS pension payments and certain other sources of income – eg., death benefits under the C/QPP, provincial and territorial income supplements, and welfare). For example, a single senior with no income other than the OAS pension would receive the maximum supplement ($476.20 per month as of January 1997). If, however, the pensioner had $200 a month of other income (eg., CPP payments), the supplement would be reduced by $100. In the case of married couples where both spouses receive the basic OAS pension, the maximum monthly supplement of each pensioner is reduced by $1 for every $4 of their combined monthly income.
SPOUSE'S AND WIDOWED SPOUSE'S ALLOW-ANCE	The Spouse's Allowance (introduced in 1975) and Widowed Spouse's Allowance (introduced in 1985) provide income-tested benefits to persons 60 to 64 years of age who are married to a GIS recipient or widowed. As of October 1996, 103,242 Canadians were receiving Spouse's/ Widowed Spouse's Allowance payments.	Benefits are tax-free and indexed quarterly. The maximum amount payable to the spouse of a pensioner is equal to the combination of a full OAS pension plus the maximum GIS at the married rate (the maximum amount payable to a widowed person is somewhat higher – see Table 2).

Provincial and Territorial Programs

Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, the Yukon and the Northwest Territories provide lower-income seniors with cash supplements that "top-up" the benefits provided by the federal GIS program. Statistics Canada estimates that 250,000 seniors receive provincial and territorial top-up benefits totalling about $285 million per year (*A Pension Primer*, National Council of Welfare, 1996). (Nova Scotia has a program for low income seniors called Special Social Assistance but it is generally regarded as a welfare rather than a pension program because it is based on a needs-test rather than an income-test.) Eligibility criteria and benefit levels vary from province to province. Provinces and municipalities also assist seniors through tax relief and subsidized housing programs. A small number of seniors also receive benefits from provincial welfare programs (eg., 634 seniors were on Alberta's welfare caseload in February 1996).

The Alberta Seniors Benefit

As part of its expenditure reduction program, the Alberta government decided to restructure the assistance it provides to seniors. The goal was to target assistance to seniors with modest incomes. The result was the creation of the Alberta Seniors Benefit (ASB) administered by Alberta Community Development. The new program replaced the Alberta Assured Income Plan, the Senior Citizen Renters Assistance Program, and the Property Tax Reduction Program in 1994. The ASB also subsidizes the cost of Alberta Health Care Insurance Plan (AHCIP) premiums. Unlike the old system, all aspects of the new program are income-tested. (Under the old system, the Senior Citizen Renters Assistance and Property Tax Reduction Programs were not subject to an income-test and all seniors were exempt from paying AHCIP premiums.)

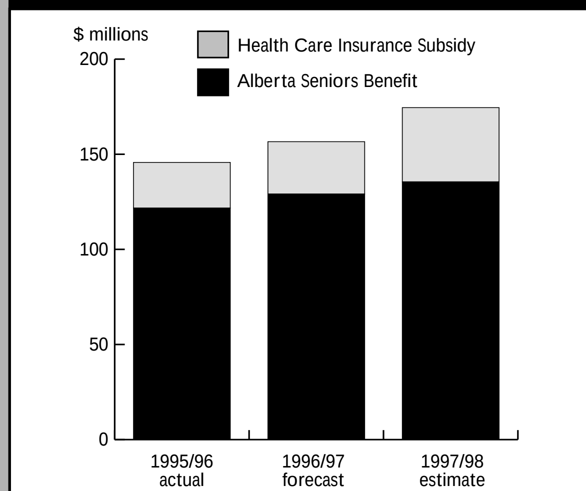
The Alberta Widows' Pension (administered by Alberta Family and Social Services) and Extended Health Benefits (administered by Alberta Health) were originally slated to be incorporated into the ASB but remain separate programs. Subsidized housing programs such as the Senior Citizens Lodge Program (administered by Alberta Municipal Affairs) were also not incorporated into the ASB.

According to Community Development's 1995/96 Annual Report, almost half of Alberta's seniors (136,436) received cash benefits and full AHCIP premium subsidies from the program. Another 5.5% (15,044) received partial AHCIP subsidies for a total of 55% (151,480) of seniors receiving benefits from ASB.

In 1995/96 (the first full fiscal year of the program), $121.7 million was redistributed to seniors in the form of cash supplements and $24 million paid to Alberta Health to subsidize AHCIP premiums. These expenditures are expected to increase by $13.8 million and $15.0 million respectively in 1997/98 (see Figure 14).

Figure 14

Alberta Seniors Benefit Expenditures



Source: 1997/98 Government and Lottery Fund Estimates and Community Development 1995/96 Annual Report

Special Needs Assistance

The Special Needs Assistance Program was introduced in 1995 to provide assistance to seniors experiencing difficulty meeting their basic needs as a result of changes to government income support programs. In 1996/97, the Special Needs budget of $1 million was increased by $4 million as part of the Alberta govern-

ment's reinvestment strategy. A limit of $500 a year for singles and $1,000 for couples was increased to $5,000 a year for singles or couples. The purpose of the program was also changed from assisting seniors affected by changes to government programs to assisting seniors experiencing financial difficulties meeting their basic needs or coping with unexpected emergencies.

Up until 1996/97, the only measure of the effectiveness of these programs was the percentage of eligible seniors receiving benefits. This type of policy-side measure, while useful in some respects, says nothing about whether or not the needs the programs are intended to address are being met. In its 1997/98–1999/2000 business plan, Community Development vastly improved its performance measures in this area by adding a new one: "appropriateness of income support provided to lower-income seniors" (see Box 4).

The Canada and Quebec Pension Plans

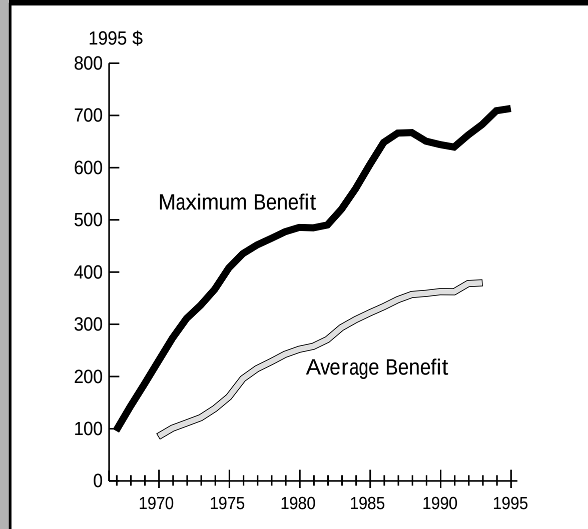
The Canada and Quebec Pension Plans (C/QPP) are compulsory social insurance programs intended to protect workers and their families against loss of income due to retirement, disability, or death. The Canada Pension Plan (CPP) operates throughout Canada except in Quebec where a parallel program, the Quebec Pension Plan (QPP), is in force. The two plans have the same contribution rates and similar benefit levels. The plans came into force in 1966 and the first pensions were paid in 1967. C/QPP expenditures were almost $21 billion in 1995. Benefits are taxable and indexed each January. Almost 4 million people (13.6% of the population) received C/QPP payments in 1994.

C/QPP benefits are based on each contributor's earnings – the more a contributor earns, the more he or she receives (up to a maximum). Retirement benefits are equal to 25% of a contributor's average monthly pensionable earnings (adjusted for inflation) up to a ceiling equivalent to 25% of the average Canadian wage.

Benefits are not, in other words, based on the theoretical "worth" of an individual's contributions (i.e., the estimated value of the contributions if they had been invested in an private savings plan). As of January 1, 1997, the maximum monthly retirement pension for recipients who retire at age 65 is $736.81. As real wages have increased, so have inflation-adjusted benefit levels (see Figure 15).

Figure 15

Monthly CPP Benefit Levels in Constant 1995 Dollars, 1967 – 1995



Source: HRDC, Statistics Canada and author's calculations (average benefit level figures not available prior to 1970)

The annual constant dollar per capita cost of the C/QPP has increased dramatically since 1966 (see Figure 16).

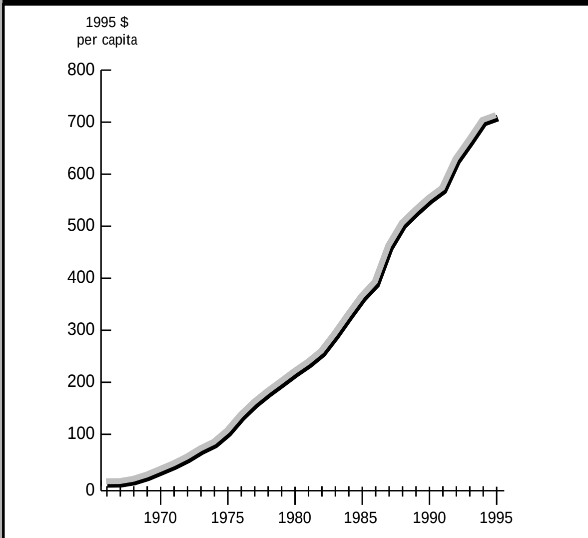
Three main factors explain this upward trend: (1) benefit levels have increased; (2) the number of people (especially women and persons with disabilities) covered by the plans has increased; and (3) the proportion of seniors in the population has increased.

C/QPP benefits are financed on a pay-as-you-go basis; current contributors (employees, employers, and self-employed persons) pay for the benefits of current recipients. In 1996, employees and employers each paid 2.8% of the income between the year's basic exemption ($3,500) and the year's maximum pensionable earnings ($35,400) for a maximum of $893.20 each.

Prior to the early 1990s, revenues exceeded expenditures and a small surplus accumulated. In recent years, this trend has reversed and expenditures have

Figure 16

C/QPP Expenditures in Constant 1995 Dollars Per Capita, 1966 – 1995



Source: HRDC and author's calculations

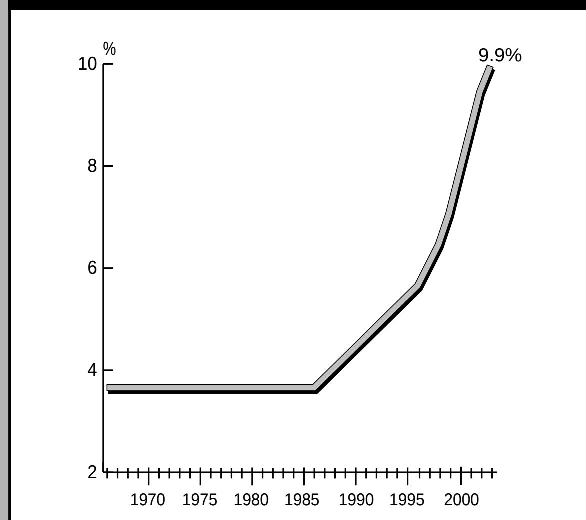
exceeded revenues. As a result, funds have been withdrawn from the accumulated surplus to make up the difference. It is a mistake, however, to see the accumulated surplus as a "pension fund" that is "going broke." A pay-as-you-go system only goes broke if workers stop contributing to the plans. The accumulated surplus was never intended to be the source out of which the majority of benefits are paid; it was designed, rather, "to provide a cushion to prevent sharp changes in the contribution rates from economic and demographic fluctuations." The real problem is that contribution rates need to increase in order to pay for the growing proportion of pensioners due to the aging of the population.

From 1966 to 1986, employees and employers contributed 3.6% (1.8% each) of earnings up to a ceiling based on the average Canadian wage and excluding a basic exemption. (Self-employed persons pay the combined employee/employer rate). The 3.6% rate is below what would have had to be contributed to a private plan to receive benefits equivalent to those provided by the C/QPP. This was possible because a pay-as-you-go system does not require that one contributor pay for one pensioner; because there are more workers than pensioners, one pension is paid for by several workers. If the ratio of workers to pensioners is large enough, relatively low contribution rates can pay for relatively large pensions. Because this has been the case, C/QPP recipients have, on average, received a better pension than they would have if they invested their contributions in private pension plans.

The problem is that the aging of the population has caused, and will continue to cause, the ratio of workers to pensioners to shrink. To compensate for this, contribution rates have been increased every year since 1987 (see Figure 17). Rates are scheduled to rise to 9.9% by 2003 and remain steady thereafter.

Figure 17

CPP Contribution Rates, 1966 – 2003



Source: HRDC

The C/QPP are hybrids in that they combine elements of private pension plans with elements of social welfare programs. Some of the social welfare aspects of the plans include:

- Participation by employees and employers is compulsory. This ensures that almost all workers are covered by an occupational pension plan (a small number of individuals in certain occupations do not participate in the C/QPP including certain agricultural workers, casual workers, and members of religious orders).

• Contributions are portable; changing jobs does affect an individual's participation in the C/QPP.

• A number of provisions are in place that allow an individual to exclude periods of low or zero earnings in the calculation of their benefit level.

• The pay-as-you-go system involves an intergenerational contract that is distinctly "social" in nature. Current workers pay for the pensions of current recipients. Current workers, in turn, will have their pensions paid by future workers. The system is not predicated on getting out what you pay in, but on a social exchange. When the population is relatively young, workers pay relatively less and vice versa. (An examination of the advantages and disadvantages of the pay-as-you-go system are outside the purview of this report and have been discussed in detail elsewhere. See, for example, *"Canada's Public Pensions in Crisis," Policy Options,* September 1995; Burbidge, *et. al., When We're 65: Reforming Canada's Retirement Income System*, Social Policy Challenge 13, C.D. Institute, 1996.)

V. The Non-Profit Sector

The non-profit sector delivers numerous services that assist seniors. The services are funded by various combinations of federal, provincial and municipal government grants and contracts, philanthropic donations, and fees. Another key element is the many volunteers that donate their time to help seniors. Unfortunately, there are no aggregate data on the amount of time and money spent in the non-profit sector to help seniors. Nor are there aggregate data on the number of seniors that receive help from non-profit agencies.

Based on rough estimates of total non-profit sector spending, it is safe to conclude that spending on services for seniors in the sector is only a fraction of the cost of providing seniors with income and health care. To put things in perspective, the budget of the Kerby Centre (one of the largest non-profit agencies helping seniors in Calgary) was under $500,000 in 1995 where-

Box 3

Canada Pension Plan Reform

The Chief Actuary of the CPP released a report in early 1995 that indicated that CPP contribution rates would rise from 5.6% to 14.2% by 2030 if nothing was done to reform the plan. This report combined with the 1996 five-year review of the CPP created a lot of interest in the CPP and its future. As a result, an array of ideas were put forward on how to reform the CPP ranging from scrapping it altogether to increasing benefit levels. The agreement reached between the federal government and Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, Quebec, Ontario, Manitoba, and Alberta* in early 1997 ignores the majority of these ideas. The gist of the agreement is that the current program will be maintained by increasing contributions rates. Other changes involve a slight tightening of the eligibility requirements, minor benefit reductions (eg., maximum death benefit reduced from $3,580 indexed to wages and frozen at $2,500), and a series of revenue enhancement reforms (eg., the year's basic exemption frozen at $3,500 rather than indexed to wages).

The main change is a new schedule of contribution rate increases. Rates will rise faster under the new schedule, but will plateau at 9.9% in 2003 rather than rise to 14.2% by 2030. The rate increase will also allow the reserve fund to grow from the equivalent of two years of benefits to five. Interest earned on the larger fund will be used to help pay for the pensions of the baby boomers. Because rates will rise faster under the new schedule, the baby boom cohort will contribute more to their own pensions than they would have under the old schedule.

** Changes to the CPP require the support of two-thirds of the provinces with two-thirds of the population. The opposition of British Columbia and Saskatchewan is not sufficient to block the reforms.*

Box 4

Measuring Need: A Practical Example

The Government of Alberta Strategic Business Plan for Alberta Seniors 1996/97 to 1998/99 states that the Alberta government "is committed to improving programs so they achieve the desired outcomes." A practical example of this is the attempt to measure the effectiveness of the Alberta Seniors Benefit program. The goal is to foster a link between information and policy rather than rely on assumptions and hearsay.

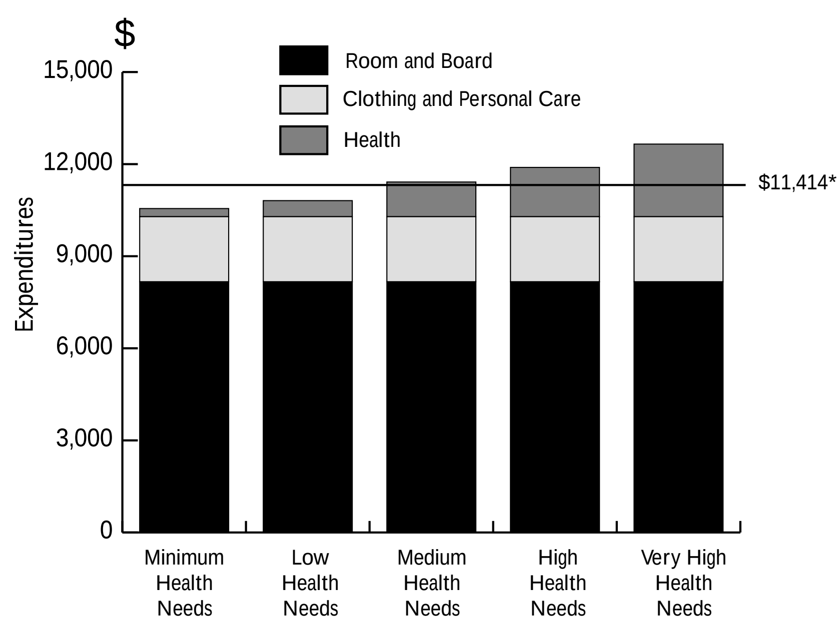
One of the reasons the state provides seniors with income is to ensure that they are able to meet their basic needs.* But is it enough? Until recently, no measure of need existed that could answer this question. Statistics Canada's low income figures, while useful, do not tell us how many seniors do not have enough money to pay for their basic needs. Although important, anecdotal stories about the hardship faced by some seniors are not a sound basis for changing public policy.

The Alberta Seniors Benefit has a clear goal: to ensure that Alberta's lower-income seniors meet their basic needs. To achieve this goal, the program "tops-up" federal income support transfers with a monthly cash supplement and health care premium subsidy. Only seniors below specified income levels receive benefits.

The department responsible for the Alberta Seniors Benefit (Alberta Community Development) has helped rectify this lack of information by conducting a study "to determine whether seniors have enough money to meet their basic needs* and to find out which groups of seniors are most at risk of financial hardship" (*Review of Cumulative Impact of Program and Service Changes on Seniors,* November 1996).

Instead of asking a representative sample of seniors if they have enough money to meet their basic needs, the department decided to examine a series of abstract scenarios (eg., a single senior with high health needs living in a lodge, a senior couple with minimum health needs living in subsidized housing, etc.). The cost of basic needs versus income was calculated for each scenario. For example, a single senior living in a lodge with no private income** received $11,414 from government programs (Old Age Security pension, Guaranteed Income Supplement, and Alberta Seniors Benefit). This figure was then compared to the cost of basic needs. It was found that sin-

Single Senior, Lodge Resident
Expenditures Compared to Minimum Income



*Minimum Income From OAS/GIS and Alberta Seniors Benefit

gle seniors living in a lodge with medium, high, and very high health needs and no private income have expenditures that exceed income.

This method enabled Community Development to identify *categories* of seniors that may not have enough income to meet their basic needs:

- lower-income senior couples in lodges and continuing care facilities;
- lower-income seniors with higher health needs;
- lower-income seniors with unexpected emergency expenses;
- lower-income single seniors in continuing care for short periods of time;
- lower-income senior couples with one spouse in continuing care for short periods of time;
- lower-income one-senior couples (one spouse under age 60).

These findings influenced the following changes:

- benefits to seniors living in lodges, continuing-care facilities and subsidized housing were increased by $5 million per year;
- the Special Needs Assistance budget was increased by $4 million to help seniors with unexpected emergency expenses;
- assistance to lower-income senior couples with one spouse under 60 was increased by $4.9 million per year (one-senior couples now receive the same benefits as two-senior couples).

The chief limitation of this method is that it cannot provide an estimate of the number of seniors in each risk group. A second limitation is that the expenditure figures are – out of necessity – based on a series of assumptions that may not apply equally to all cases. For example, the cost of transportation is based on using public transit. Seniors who need special transportation or who live in areas without public transit may have higher transportation costs. It is also not possible to determine the degree to which family and friends assist seniors and, by so doing, reduce the cost of their basic needs.

Alberta Community Development's decision to monitor the degree to which its program is achieving its goal is an example of the benchmarking recommended by the *Social Services Project*. A benchmark or goal was set and clearly articulated, information was gathered to determine if the benchmark was being met, and policy was changed based on the results. The results of this process enable policy-makers and the public to evaluate the goals and outcome of the Alberta Seniors Benefit.

* Community Development defines basic needs as food, clothing, public transportation, personal care, and discretionary expenses (including recreation, gifts, basic cable television and emergency expenses), shelter (including room and board or rent; renter's insurance or home owner's insurance; maintenance costs and property taxes; telephone; heating; water and sewer and power), and health care expenses (including health care insurance premiums, dental and eye care, over-the-counter medications, appliances or supplies from the Aids to Daily Living program, and home care).

** Private income includes payments from the Canada and Quebec Pension Plans.

as almost $110,000,000 was transferred to Calgary seniors through the GIS. The type of services delivered by the non-profit sector cannot replace income support programs and public health care. This does not, however, detract from the importance of the help provided by non-profit sector agencies. For example, visiting a lonely senior can be done by a volunteer. A monthly pension cheque, on the other hand, requires transfers of wealth through the tax system.

The non-profit sector is being called upon to "do more" in two different ways: (1) in the areas that government has reduced its support of social programs, the non-profit sector is expected by some to "pick up the slack" and plug the holes that have formed in the public safety net; and (2) some governments are turning to non-profit agencies to deliver public programs on a contract basis. How seniors have been affected by recent changes to public policy and the degree to which the non-profit sector has been able to "pick up the slack" in this area are not known because we lack adequate benchmarks of need and information on the non profit sector. Similarly, the costs and benefits of using the non-profit sector to deliver services for seniors formerly delivered by government are not fully understood. What needs exist, where the system is falling short, what the non-profit sector is doing and can do, and where the non-profit sector is heading are all areas that will benefit from a concerted effort to gather information and use it to inform decisions regarding the sector and its interaction with government, people in need, and the general public.

VI. Conclusion

Canada's social service system mobilizes a tremendous amount of social capital to assist seniors. As the population grows older, the parts of the system that assist seniors will experience a rise in demand. As a result, the per capita cost of assisting seniors will increase. The need to reduce public expenditures has led to a number of changes to the social service system for seniors (eg., the shift away from universalism toward targeting) but has not fundamentally altered it. Most seniors, for example, will still receive a cheque under the new Seniors Benefit and the C/QPP will be maintained by increasing contribution rates.

The statistics quoted in this report indicate that without government income support programs, a large number of seniors would have little or no income, would not have enough income to meet their basic needs, or, although able to get by on their own, would see their standard of living fall. However, because we do not know how many seniors are unable to meet their basic needs, it is not possible to say whether or not the billions of dollars transferred to seniors each year is reaching the seniors who need it most. We are aware of a number of risk groups (see Box 4 on pages 16 and 17 for some examples), but have very little information on the *number* of seniors involved.

Finally, complexity is one of the main characteristics of the system of social programs for seniors. For example, multiple departments at three levels of government deliver income support to seniors. A more efficient, better co-ordinated, and less confusing system would likely reduce costs, increase accountability, and allow for better assessments of whether or not the system is achieving its goals. ■

The Social Services Project

This report is only one of a number of publications prepared by the Canada West Foundation as part of its *Social Services Project.* Other reports released to date include:

Income Support in Canada: A Statistical Profile, by Todd Hirsch and Robert Roach, December 1996.

Issues and Options for Change: Social Services for the 21st Century, by Jackie Sieppert, March 1997.

Making Ends Meet: Income Support in Alberta, by Robert Roach, March 1997.

Case Study Reports, by Cherry Bowhay, March 1997.

Social Services for Persons With Disabilities in Alberta, Darko Kulas, August 1997.

Alberta's Children: Issues, Programs and Restructuring, by Jason Azmier, August 1997

The Restructuring of Social Services: The Impact on Women in Alberta, by Jason Azmier, August 1997.

To receive a copy of these reports or for more information on the project, or the Canada West Foundation, visit our web site (http://www.cwf.ca) or contact us by phone, fax, letter mail, or e-mail.

Box 5

The Non-Profit Sector

Although each community has its own particular set of non-profit agencies and services that assist seniors, the help provided to seniors by Calgary's non-profit sector is typical of the assistance available in other jurisdictions. The following list is a *sample* of the agencies that assist seniors in Calgary.

The Alzheimer Society of Calgary

Services: personal support; support groups, care giver survival training, day programs, wandering person registry, resource centre, education/training, speakers.

Bowmont Seniors Assistance Association

Services: outreach (including information, referrals, advocacy, counselling, aid in filling out forms, pre-retirement information, education), seniors assisting seniors (including home repair, telephone assurance, visiting, shopping, letter writing, mending, transportation, special activities for the frail).

Calgary Chinese Elderly Citizens Association

Services: education (including english classes, citizenship classes), recreation (including drop-in activities, Tai Chi classes, music classes), support/outreach (including information, counselling, referral, interpretation/translation, help with forms, escort/transportation, home visit).

Calgary Seniors' Resource Society

Services: information referral and advice, outreach services, alcohol abuse counselling, escorted transportation, friendly visiting, telephone reassurance, advocacy, free Commissioner for Oaths, companion sitting.

Confederation Park Senior Citizens Centre

Services: outreach, health care, education, recreation, carpentry shop, library, dark room, games room, boutique, etc.

Distress Centre/Drug Centre (in cooperation with Kerby Centre)

Seniors' Help Line: telephone counselling and next day follow-up.

Kerby Centre

Services: education, recreation, information, counselling, support groups, assessment and referral to community services, workshops, crisis help, home visits, housing registry.

Meals on Wheels

Provides nutritious low-cost meals to the elderly, the disabled, and convalescents.

Metropolitan Calgary Foundation

Provides subsidized lodge housing for seniors.

Stroke Recovery Association of Calgary

Provides after care support for stroke survivors and their families.

Sources and Suggestions for Further Reading

Alvi, Shahid, "Eldercare in the Workplace," The Conference Board of Canada, Report 150-95, 1995.

Burbidge, John B., *et. al., When We're 65: Reforming Canada's Retirement Income System,* Social Policy Challenge 13, C.D. Howe Institute, 1996.

Calgary Directory of Services for Senior Citizens, Kerby Centre and the City of Calgary, 1996.

"Canada's Public Pensions in Crisis," *Policy Options,* September 1995.

Canada's Retirement Income Programs: A Statistical Overview, Statistics Canada, Catalogue 74-507-XPB, 1996.

Clark, Phillip G., "The Moral Economy of Health and Aging in Canada and United States," *Canadian-American Public Policy,* Number 23, November 1995.

Frenken, Hubert, "Tax Assistance for Pensions and RRSPs," *Perspectives*, Winter 1995.

A Guide to the Proposed Seniors Benefit, National Council of Welfare, 1996.

Henripin, Jacques, "The Financial Consequences of Population Aging," *Canadian Public Policy,* March 1994.

Improving the Canada Pension Plan, National Council of Welfare, 1996.

An Information Paper for Consultations on the Canada Pension Plan, Federal/Provincial/Territorial CPP Consultations Secretariat, Feb. 1996.

Oreopoulos, Philip, *Bad Tasting Medicine: Removing Intergenerational Inequity from the CPP,* Institute for Research on Public Policy, 1996.

Paye, Jean-Claude, "Ageing Populations Will Strain Public Finances," *Policy Options*, Institute for Research on Public Policy, Summer 1995.

A Pension Primer, National Council of Welfare, 1996.

Podnieks, E.K., *et. al., National Survey of Elder Abuse in Canada*, Office of Research and Innovation, Ryerson Polytechnical Institute, 1989.

A Portrait of Seniors in Canada, Second Edition, 1997, Statistics Canada, Catalogue 89-519-XPE.

Programs for Seniors 1996-1997, Alberta Community Development, 1996.

Report on the Canada Pension Plan Consultations, Federal/ Provincial/Territorial CPP Consultations Secretariat, June 1996.

Ruggeri, G.C., R. Howard, and K. Bluck, "The Incidence of Low Income Among the Elderly," *Canadian Public Policy*, June 1994.

The Seniors Benefit: Securing the Future, 1996 Federal Budget Supplement, Government of Canada, 1996.

Seniors Guide to Federal Programs, Health Canada 1996.

Slater, David W., "The Pension Squeeze: The Impact of the March 1996 Federal Budget," *C.D. Institute Commentary,* No. 87, Feb. 1997.