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[See table of contents](#)

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When we Grow Old

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Social security is one of the prime concerns of contemporary civilization. Its sphere of application is as wide in extent as all social risks it intends to cover.

Even here, in Canada, an important element of social security, namely old age insurance and assistance, has come into the limelight and, were it not for the Korean affair with its undeniable far-reaching implications and consequences, the question would rank among the first topics of the day.

We shall try to interest our readers with a retrospective study of the report of the Joint Committee of the Senate and House of Commons on old age security and a brief analysis of the findings of the Committee itself and the views expressed by the principal workers' and employers' organizations which have seen fit to appear before its members.

It is proper to define, here, the term "social security". Sir William Beveridge gives it the following meaning:

The term 'social security' denotes the securing of an income to take the place of earnings when they are interrupted by unemployment, sickness or accident, to provide for retirement through age, to provide against loss of support by the death of another person and to meet exceptional expenditures, such as those connected with birth, death and marriage."¹

(1) "Social Insurance and Allied Service"
Report by Sir William Beveridge,
The MacMillan Company, New York,
1942.

In a course of lectures we have given at the University, we have ourselves defined "social security" in a subjective manner as being a state of confidence and peace of mind of the masses made possible by the thought that they have no reason to fear, neither for the present nor the future, because of adequate social insurance or assistance measures, economic distress caused by social evils and risks which entail a loss or reduction of income, such as unemployment, illness, accidents, incapacity, old age, exceptional family charges and death.

It can also be summarily defined as being the guarantee of a means of subsistence lost because of incapacity to work or to find employment.

The report

We will limit our study to but one risk, that of "old age" which was of the jurisdiction of the Joint Committee of the Senate and House of Commons.

There was entrusted to the Committee a heavy responsibility, that of suggesting a system of old age pension which agreed most with our social conditions and with the national economic requirements. Briefs were submitted by the provinces and the principal employers', workers' and social organizations. Taking advantage of studies already made by competent administrative services, the Committee has been able, during three months, i.e. from the beginning of April to June 28, 1950, to go

through and study 1,300 pages of all kinds of reports, excluding the hearing of evidence. This is a huge achievement and it proves that our Canadian democracy, through serious study committees, is capable of doing good work.

We shall satisfy ourself with a summary of the findings of the Committee drawing our inspiration from the official report.²

Briefly, the Committee recommends the following plan which, as we know, has been submitted to the delegates at the Federal-Provincial Conference held last fall. This plan consists of a two-fold program, based on insurance and on assistance:

a) A universal pay-as-you-go program applicable to all persons 70 years of age and over, based on the contributory principle and administered by the federal government. The benefit should be a flat, uniform amount of \$40 a month for all eligible persons, and eligibility should be based solely on age and a suitable residence qualification.

b) For the age group 65 and over not eligible for the universal benefit, old age assistance at the rate of \$40 a month should be available, subject to an eligibility test in some respects similar to that which exists under the present old age assistance program, but modified to take account of the different characteristics of the age group to which this test applies, and adjusted in such a way as to recognize to a greater extent than at present the desirability of encouraging recipients to earn supplemental income.

Pay-as-you-go insurance plan

The special system under this plan would necessitate an annual disbursement of \$323,760,000. This

(2) Report of the Joint Committee of the Senate and House of Commons on old age pension.

figure is based on the admission that, in 1951, 674,500 persons of 70 years of age or over would receive monthly benefits of \$40. Under the insurance system, all citizens would be entitled to benefits without means test for the simple reason that they would have contributed to the general fund.

These contributions, in the case of employees, would be paid by themselves and their employers; for others, they would be taken out of their income. It is assumed that the Federal Government would make the necessary disbursements to compensate for those unable to pay their contribution.

This plan in no way implies the setting up of a reserve fund according to the data as observed by life insurance actuaries. We would have, with such a procedure, to maintain for years the actual assistance system for the aged persons with personal assets not sufficient to guarantee an annual income of \$480. According to the report, the estate required at 70 to assure payment of benefits should come to \$4,690 for a man, and to \$5,500 for a woman. As the statistics indicate that the population 70 and over is 674,500 in 1951, we can imagine the fantastic accumulation of funds this would require.

It is admitted, however, that the beneficiaries would not always be in a position to pay the premiums regularly and, consequently, that the reserve would be insufficient to assure payment of minimum benefits.

Therefore, a universal pay-as-you-go system is recommended. The assessments paid in the form of taxes, either by employees or by employers, or as an income tax, do not necessarily affect the payment of benefits. They are sufficient, however, with the Government's help, to assure payment from year to year. All persons aged 70 or over may expect to receive assistance. In a few years, all beneficiaries will have a right to say

that they have contributed to their retirement. It is one way of avoiding, from a psychological point of view, the odium of a means test and of a benefit having the appearance of public charity.

In view of the necessity of establishing such plan on a national basis, the Federal Government should be the one to set up the service entrusted with the collection and administration. Any citizen, then, will be able to pay his premiums and to receive his benefits in any part of the country. But this could not be done without amending the Canadian constitution in order to authorize the Federal Government to administer old age insurance as has been done for unemployment insurance.

The Committee does not recommend the application of the system to persons from 65 to 70 years of age for the reason that additional revenues amounting to \$204,000,000 would have to be collected from insured and taxpayers, increasing the cost of this particular form of insurance to \$528,000,000. The Committee doubts whether the country, for the sole purpose of old age assistance, would be willing to encumber the national revenue of thirteen billions to such an extent.

Assistance

There have been numerous requests from labour unions and social welfare organizations to have the benefits paid to persons aged 65 to 70. At that age, a great number of citizens cannot find employment, and those who have succeeded in accumulating personal assets are scarce. In the absence of family support, public charity is called upon to help.

The Committee recommends the establishment of an old age assistance system similar to the one in effect since 1927: Maximum monthly benefit of \$40 with means test. Many in

this age group are still capable of productive employment, at least on a part-time basis; a few others have accumulated an estate which brings in a small private income. The assistance system would take these revenues into account when determining the amount of benefit.

What will be the cost of this assistance plan? It is estimated at \$64,000,000 for 1951. Half would be paid by the Federal Government and half by the provinces. That of the actual system (benefit at the age of 70 with means test) for the fiscal year 1950-51, is estimated at \$136 million, the Federal Government's share being \$100 million and that of the Province \$36 million. This would mean that the financial burden on the Province would remain almost unchanged, dropping from \$36 million to \$32 million.

It is to be noted that the assistance plan for the needy ageing population is a complement of the universal insurance plan. In practice, it is applied sooner since the aged more or less in need of assistance are entitled to its benefits from the age of 65 to 70. They then become fully qualified under the national insurance plan, without means test, from the age of 70 to their death.

The combining of the assistance plan with that of insurance in two successive periods of enforcement is a solution which has required realism and psychology on the part of the members of the Committee. In a country like ours, mostly industrial, consideration had to be given to the fact that persons of 65 often are in want. Many others, however, are still able to do useful work, at least on a part-time basis, or have personal assets. From a psychological, and even from an economic point of view, the members had to avoid weakening the will to work or penalizing thrift as well as destroying the pride of those financially independent to a certain extent. It was

also of importance to encumber the national budget as little as possible.

If, on the other hand, a flat \$40 rate is payable to persons aged 70 or over under the insurance plan, we must not forget that, under the actual system, 73.6 percent of the persons in this age group already receive complete or partial benefits. The financial burden then suffers but a reasonable increase. The remaining 23.7% will undoubtedly be added to the actual number of beneficiaries but it must be kept in mind, first, that these beneficiaries will have contributed to the fund and, second, that the income tax will recover the benefits allowed to those who, considering their income, do not need them.

Residence qualifications

What residence qualifications were recommended by the Committee? Under the universal insurance system at 70, the beneficiaries, Canadian citizens or not, must have resided in Canada for at least 20 years; this is the requirement under the actual federal-provincial assistance system.

As for the old age assistance plan, the Committee is of the opinion that residence should be limited to 15 years. Why has this residence requirement been lowered from 20 to 15 years for this old age assistance system applying at 70 or over? It seems that the future needs of the numerous immigrants accepted into this country since the second world war have been taken into account. It is undeniably an added attraction to this country to guarantee our nationals a monthly pension of \$40 after only 15 years of residence.

Private initiative

We must not underestimate the achievements of private initiative in old age coverage. The report of the

Joint Committee gives precise relevant information. On a total of 5 million employees³, nearly one million receive some kind of retirement benefit.

The following is a statistical summary on the subject⁴. In March 1950, 258,600 persons had bought annuities under the Government Annuities Act of 1908. For the fiscal year 1949-50, premium payments totalled about \$63.1 million while benefit payments came to \$23.4 million. The maximum individual annuity is \$1200 a year.

As of March 1950, 122,000 union members were annuitants under 846 group contracts and 8,000 employees were participating in 300 pension plans under personal contracts.

Employee pension plans accepted by the Department of National Revenue totalled, at that date, 4,215 covering 627,000 employees.

There are, then, 1,015,600 beneficiaries in all.

This is an excellent initiative which must be maintained, but actuaries find it lacking on two counts. It may cause employers to hire mostly young people and consequently impede man-power mobility. Competent organizations should find means to meet these difficulties, both for the individuals and for the national economy.

Consideration must be given also to the millions insured under individual life insurance plans: whole life, limited payment, endowment, etc., who have provided for the future long before personal security was dealt with under a social security program.⁵

(3) Circular No. 2230. Canadian Manufacturers' Association.

(4) See Report of the Committee, page 12.

(5) The Canadian Life Insurance Officers Association has reported that 61 affiliated companies held 14 billion and a half in life insurance on 5 million Canadians and this does not include life insurance sold by all kinds of brotherhood societies, vide p. 65, Idem.

Canadian and Catholic Confederation of Labour plan⁶

We have seen fit to summarize, in this study, the briefs submitted to the Joint Committee by the labour unions. The Canadian and Catholic Confederation of Labour (C.C.C.L.) recommendations are as follows:

- 1—A monthly benefit of \$50 paid at the age of 60 for women and 65 for men under an old age security system universal in scope. Three fifths of the cost of the program would be paid by the Federal Government and two fifths by the provincial governments;
- 2—The determining of a reasonable period of residence in Canada;
- 3—The abolition of the means test;
- 4—The establishing of contributory insurance for employees, with reserve fund, with a view to the payment of a monthly \$50 retirement pension at the age of 60 for women and 65 for men. 2% of the employees' wages would go to the fund; employers would pay the balance required to assure solvency of the fund; the governments' share would be the administration expenses and the covering of deficits;
- 5—The protection of existing retirement pension collective agreements and, through collective bargaining, the setting up of other plans as complementary measures.
- 6—The creation of competent services to administer the Act and assure the payment of benefits to the right persons.

It is important to have an idea as to the cost of the plan. A \$50 assistance pension paid every month to 490,000 women aged 60 and over and to 400,000 men of 65 and over would amount to \$900 million.

Insurance pension intended to increase from \$50 to \$100 the total monthly income of a woman of 60,

(6) Annual brief of the CCCL to the Provincial Government, 1951. Report of the president on Social Security to the CCCL Congress, Sherbrooke, 1950.

and of a man of 65 would come to a total premium of about 10% (employee 2%, employer 6%, State 2%). On the weak basis of an average yearly wage of \$1,500. for 5 million employees, we must contemplate tripartite additional contributions that will bring in close to \$900 million, which is the reserve fund to be attained.

Added to that is the cost of continuing existing collective systems which involve the accumulation of about \$150 million.

All this comes to a grand total, in annual commitments, close to \$2 billion on the ground of retirement alone, without any provision for the other elements of social security and with a national revenue of \$13 billion.

Trades and Labour Congress plan (American Federation of Labour)

The Trades and Labour Congress submits, in its brief, that the actual old age pension system should be improved. It refers to a recommendation made by the Congress in March 1950 with a view to increase the monthly \$40 benefit to \$60 and to lower the age requirement of 70 to 65 for men and to 60 for women.

The approximate cost of the plan set forth would be \$975 million. In its special recommendation to the Committee, however, the Congress requests a monthly \$60 benefit payable to all male and female persons of 65 or over (the recommendation for a pension at 60 for women is left aside). The cost of the plan would come to \$793 million. A 15-year residence would be sufficient for eligibility and there would be no means test.

The views expressed by the Congress are interesting in that they openly favour a universal contributory social security system which

would cover the following risks: unemployment, old age, illness and needy mothers. ⁷

Canadian Congress of Labour plan (Congress of Industrial Organizations)

As for the Canadian Congress of Labour, it also recommends the complete organization of social security. Its brief to the Committee suggests that the \$40 monthly pension be raised to \$50 and that the age requirement be lowered to 65, without means test. The annual cost of the plan would attain \$660 million, and be financed on a pay-as-you-go basis through a readjustment of the income tax, the restoration of corporation income tax, a 25% increase in personal income tax and the lowering of exemption levels for the specific purpose of financing old age pensions.

Like the Canadian and Catholic Confederation of Labour, the Canadian Congress of Labour favours the establishment of a supplementary insurance scheme, a characteristic of which is the provision for graduated contributions and benefits according to the income. The benefit should not exceed \$50 per month so that both assistance and insurance pensions will not bring in more than \$100 per month.

An original feature of the Canadian Congress of Labour recommendation is that there should be a two per cent cumulative annual increase in the basic \$50 pension, the reason for that being the continuous increase in national productivity. It would mean that, in ten years, the basic pension would be raised to \$60 per month as a consequence of its corresponding increase of 20% during the same period.

(7) Trades and Labour Congress of Canada, 65th Annual Convention, Montreal, 1950.

Canadian Manufacturers' Association plan

What are the views of the employers on the matter? The most interesting ones were expressed by the Canadian Manufacturers' Association. It recommends the establishment of a tripartite contributory insurance scheme, equal contributions being paid by both employer and employee, and the cost of administration met by the federal government. Pensionable age should be between 65 and 70 considering the fact that many, in this age group, are still able to do some productive work.

As for the amount of benefit, the Association expressed the view that it should vary according to contributions made with the guarantee of a reasonable minimum to those who could not contribute sufficiently. Of course the actual federal-provincial system would be maintained for persons too old or otherwise unable to participate financially in the plan. The burden of assistance would lessen proportionately to the development of the insurance scheme.

It is to be noted that the Association recommends that persons with too low or too high income be exempted from the plan.

Conclusions

It seems certain that the Federal Government will introduce, this year, a bill to give effect to the recommendations of the Joint Committee of the Senate and House of Commons. Also, the Premier of this Province has just announced that a bill will be submitted to the Legislature for the purpose of authorizing the negotiation of agreements with the Canadian Government towards the establishing of a modified system of old age security. There is also the question of a possible amendment to the constitution for the enforcement of

a pay-as-you-go insurance plan. In this respect, we remember that the Committee has recommended universal insurance and eligibility to benefits for all persons aged 70 or over. As for the complementary system of assistance to needy persons aged 65 to 70, it is but a transposition of the one actually in effect for the ageing population of 70 and over and requires no amendment to the constitution. A revision of the federal-provincial agreements will suffice.

Is the proposed system the most desirable? We do not think so. We would rather be in favour of the essential points in the briefs submitted by the Canadian Congress of Labour and the Canadian Manufacturers' Association. Contributory insurance pension with graduated contributions and benefits. No plan could be fairer. A skilled worker and an ordinary employee are capable of paying, out of their wages, a higher contribution. Why should they not receive a benefit which is proportionally higher? It would create an incentive for all citizens to place themselves in a category for which retirement would guarantee more comfort and a more complete security.

Furthermore, the Canadian Congress of Labour as well as the Canadian Manufacturers' Association favour, with undeniable realism, the continuance of minimum assistance to all aged persons.

The Committee objected to graduated insurance because of the complicated records that will have to be kept. We do not consider this as a solid argument when we have in mind the achievements in this field of the income tax collectors.

As a conclusion, let us say that the coming months as well as the experience of the next few years will tell us what we may expect to receive when old age comes. We will not end this article without warning our legislators against the tendency to level the benefits and graduate the direct or indirect contributions. Social security is excellent only in so far as the condition of the average citizen is not lowered to the state of indigence.

We must fear, also, the gradual control of a powerful government over the life of the citizens. We might realize, but too late, that we have obtained an indigent security at the cost of priceless liberty.

There are many political philosophies today: there are many schemes for the regeneration of society. None can accomplish the goal that all seek — peace in this world — unless there is recognition of the fundamental principles of the love of justice and freedom, the sanctity of the inalienable rights of all.

J. Howard McGrath

No man can sincerely try to help another without helping himself.

J.P. Webster

* * *

Hate never builds anything; it can only blast. Every beautiful thing has been loved into being.

Joseph Fort Newton