

# **Addressing Present and Future Pension Needs of Canada's Informal Caregivers**

BRIEF TO THE GOVERNMENT OF CANADA ON  
ENSURING THE ONGOING STRENGTH OF  
CANADA'S RETIREMENT INCOME SYSTEM



**Canadian Healthcare Association**

**MAY 2010**

## Addressing Present and Future Pension Needs of Canada's Informal Caregivers

### EXECUTIVE SUMMARY

The Canadian Healthcare Association (CHA) is the only federation of provincial and territorial health associations and organizations representing the breadth of the health system. CHA has long advocated for a home and community care program that provides acute care replacement services and ongoing continuing/chronic care. Over the past decade, there has been an increase in the demand for home care due to changes in the Canadian environment including health reform and an aging population. As a result, more Canadians are taking time off work to fulfill informal and unpaid care giving responsibilities.

The issue of retirement security for Canadians who have taken or are currently taking absence from work to provide care for a sick family member or friend must be addressed. Informal and unpaid caring responsibilities put these individuals at a financial disadvantage. Thus from an economic point of view, it is essential to develop a pan-Canadian approach to support informal caregivers. Failure to move forward with appropriate support for the informal parts of the health system will negatively affect the formal parts of the health system. The consequences of ignoring the present and future needs of caregivers are significant.

***CHA recommends the creation of a provision in the Canada Pension Plan/Quebec Pension Plan (CPP/QPP) to allow for adjustment in pension calculation for Canadians who have taken time from the workforce to provide informal care or permit those who leave the labour force to provide care to continue to contribute to CPP/QPP.***

## **Addressing Present and Future Pension Needs of Canada's Informal Caregivers**

The Canadian Healthcare Association (CHA) is the only federation of provincial and territorial health associations and organizations representing the breadth of the health system across Canada. Through its members, CHA represents a broad continuum of care, including acute care, home and community care, long-term care, public health, mental health, palliative care, addiction services, children, youth and family services, and housing services. These services are provided through regional health authorities, hospitals and other facilities and agencies that serve all Canadians and are governed by trustees who act in the public interest.

CHA is a leader in developing, and advocating for, health policy solutions that meet the needs of Canadians. CHA believes that all health services must be adequately funded, effectively organized and appropriately interconnected in order to function optimally, thus providing the appropriate care in the appropriate setting at the appropriate time.

The Canadian Healthcare Association wishes to thank the Honourable Jim Flaherty, Minister of Finance for the opportunity to contribute to the discussion on retirement income adequacy and pension issues. In this brief CHA will address the issue of change in the CPP to further strengthen Canada's retirement income system. Specifically our brief addresses the issue of caregivers who are economically disadvantaged due to the need to take time off work to fulfill informal and unpaid care giving responsibilities. As a result, many are being faced with both present and future financial disadvantages. Thus from an economic point of view, it is essential to develop a pan-Canadian approach to support caregivers

It is undeniable that retirement security has recently become an important issue that needs to be addressed. Canadians are concerned about whether they will have sufficient retirement income.

### ***The changing demographic in Canada***

Canadians are living longer and the first members of the "boomer generation" are approaching retirement. This means that many Canadians are part of a "sandwich generation". In other words, they are providing care for elderly family and friends, all while raising their children. Other individuals in their midlife have already raised their children and are faced with the new challenge of caring for aging parents and relatives.

### ***Canada's changing health system***

Over the past decade, Canada's health system has undergone considerable change. Care once delivered in hospitals and other institutions is now delivered in the home or in communities, whenever resources are available. Health reform, coupled with an aging population, has led to an increase in the demand for home care. Often the burden of home care rests with an informal/unpaid caregiver. As a result, more Canadians are taking time off work to fulfill informal and unpaid care giving responsibilities. This often leaves these individuals with a financial burden/disadvantage. Thus from an economic point of view, it is essential to develop a pan-Canadian approach to support caregivers.

### ***Informal caregivers' contribution to the health system***

CHA has long advocated for a home and community care program that provides acute care replacement services and ongoing continuing/chronic care. Hollander (2001), in a

study of the cost effectiveness of chronic home care, found that over time, and for all levels of care needs, home care, on average, was significantly less costly than care in a long-term care facility.<sup>1</sup> However a substantial component of home care is provided by an estimated 2.1 million informal unpaid caregivers (usually family and friends). The economic value of unpaid care, should this care be replaced by a paid caregiver (facility based or home care), is estimated to be between \$5 billion<sup>2</sup> to \$26 billion.<sup>3</sup> However, failure to move forward with appropriate support for the informal parts of the health system will negatively affect the formal parts of the health system. The consequences to caregivers of ignoring their present and future needs are significant. In their longitudinal study, Wakabayashi and Donato (2006) showed how caring in early life increases the risk for poverty later in life.<sup>4</sup>

### **Costs to informal caregivers**

The General Social Survey (GSS) of 2007 conducted by Statistics Canada indicates that 43% of caregivers were aged between 45 and 54, when many are in the prime of their professional lives.<sup>5</sup> Many Canadians are forced to make the difficult decision to leave the workforce for an extended period of time due to care giving responsibilities; however pensions are only available to individuals who are employed in the labour market. In addition to the loss of income through foregone employment, there is also the loss or reduction of employer-sponsored benefits, Canada Pension Plan credits, training opportunities, experience in one's field and promotions<sup>6 7</sup>, possible career costs through foregone promotions and restricted opportunities.<sup>8</sup> In addition, the 2007 GSS indicated that approximately 33% of caregivers incur extra out-of-pocket expenses.

According to the 2007 POLLARA Survey, *Health Care in Canada*, 23% of respondents provided informal care to a family member or close friend with a serious health problem and 41% had to use personal savings to survive during this time.<sup>9</sup> As indicated in the 2002 GSS conducted by Statistics Canada, unpaid caregivers incur out-of-pocket

---

<sup>1</sup> Hollander, M. (2001) *final Report of the Study on the Comparative Cost Analysis of Home Care and Residential Care Services – Substudy 1*. Victoria BC: Hollander Analytical Services Ltd and the National Evaluation of the Cost-Effectiveness of Home Care

<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> Wakabayashi, C., & Donato, K. (2006). Does Caregiving Increase Poverty among Women in Later Life? Evidence from the Health and Retirement Survey. *Journal of Health and Social Behavior*, 47(3), 258-274 .

<sup>5</sup> Cranswick K. and Dosman D. (2008). Eldercare: What we know today. (Component of Statistics Canada Catalogue no 11-008-X). Canadian Social Trends

<sup>6</sup> Fast, Janet (1997) *Conceptualizing and Operationalizing the Costs of Informal Elder Care*. Final Technical Report to the National Health Research Development Program, March 17, 1997.

<sup>7</sup> Fast, Janet, Jacquie Eales and Norah Keating (2001) *Economic Impact of Health, Income Security and Labour Policies on Informal Caregivers of Frail Seniors*. Final Technical Report to Status of Women Canada, March, 2001.

<sup>8</sup> Gignac, Monique, Kevin Kelloway and Benjamin Gottlieb (1996) The Impact of Caregiving on Employment: A Mediation Model of Work-Family Conflict. *Canadian Journal of Aging* 15(4): 525-42.

<sup>9</sup> The 10<sup>th</sup> Annual Health Care in Canada Survey: A national survey of health care providers, managers, and the public (2007) –Summary of findings conducted by POLLARA

expenses averaging an estimated \$1569 annually, totaling \$2.287 –billion.<sup>10</sup> The survey identified the following information on the “hidden” costs of home care:

- 27% of women and 14% of men had to change work patterns (i.e. working split shifts, leaving early and making up time). (2002 General Social Survey)
- 16.7% of women and 15% of men reported reducing work hours.
- 11% of women and 9% of men reported lost income.
- 3.5% of individuals reported turning down a job or promotion.
- An estimated 1.2% of caregivers had to quit a paid job.
- 4.4% postponed education /training programs
- 18.7% cancelled holiday plans
- 16.3% spent less time with children
- 3.5 % moved in or had the recipient move in with them

### ***Additional external pressures***

In 2002 only one-half of all working Canadians had a single, full-time job that lasted six months or more; only one in two was eligible for employment insurance due to changes in the requirements and the nature of employment.<sup>11</sup> Factors such as globalization, workforce rationalization, layoffs and increases in temporary, part-time, casual, contract and self-employment have lessened Canadians’ ability to access Employment Insurance benefits and have reduced their future Canada Pension Plan benefit. In addition, the present global recession has worsened this with large scale bankruptcies and layoffs.

### ***Canada’s government pension initiatives***

With the various government pension initiatives such as Canada Pension Plan (CPP), Old Age Security (OAS) and Guaranteed Income Supplement (GIS), the percentage of senior citizens with low after tax incomes has decreased from 13% 20 years ago, to 5% in recent times. “The CPP and the Old Age Security and the Guaranteed Income Supplement, which are Canada’s first (OAS and GIS) and second (CPP) pillars of retirement, have the type of guarantee and risk shifting that are the hallmarks of true pensions built in.”<sup>12</sup> These programs are the envy of many countries since they are guaranteed throughout the lifetime of the recipient and have lifted many low- income workers from poverty in their retirement. The Organization for Economic Cooperation and Development (OECD) in a 2009 study titled “Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries” stated that Canadian seniors were ranked third in the world with regard to their income prospects in retirement – less than 5 percent of Canada’s seniors were living below the poverty line in the OECD’s 2009 study.<sup>13</sup> With the shifting demographics in Canada and without changes to the CPP, this situation is at risk of changing significantly, leaving increasing numbers of informal caregivers to face the possibility of living in poverty in their retirement years..

---

<sup>10</sup> Economic Security for Caregivers: A Policy Development Process to Better Support Unpaid Caregivers –Summary Report from the Unpaid Caregiving Forum convened by The Canadian Association for Community Living and the Canadian Caregiver Coalition

<sup>11</sup> Tremblay D-G. (2002). *Unemployment and Transformation of the Labour Market: Issues of Security and Insecurity*. Paper given at The Social Determinants of Health Across the Life-Span Conference, Toronto, November 2002.

<sup>12</sup> Milevski ,M.A and Macqueen, A.C. Policy Options, March 2010, p42

<sup>13</sup> OECD(2009), *Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries* ([www.oecd.org/els/social/pensions/PAG](http://www.oecd.org/els/social/pensions/PAG))

### ***A solution to caregiver pension issues***

Some OECD countries have recognized the impact of care-giving responsibilities on eligibility for public pensions. For example, in some of the countries which provide caregiver allowances, the state also pays pension credits towards the public pension plans of caregivers. A Canadian solution could be that the Canadian government use CPP/QPP to benefit informal caregivers. The rules of CPP/QPP currently allow working parents to exclude from the calculation of pension benefits the years in which earnings were lowest. This results in higher average earnings and higher pension benefits. No provision exists for other types of caregivers. Witnesses to the Senate Committee on Aging have suggested that Canada consider extending the CPP/QPP Child Rearing Provision to other caregivers. Such a measure would also be beneficial to those who have had less time to accrue benefits. As a result, the Committee recommended that the federal government consider introducing a drop-out provision for caregivers in the Canada Pension Plan.

### ***Potential impact of adjustment to CPP***

Between September and December of 2008, just over 5 million Canadians received CPP benefits, and almost 1.7 million received QPP benefits.<sup>14</sup> The 2008 Caring for Seniors Study found that 75% of those providing care were between 45 and 64 (in their highest earning years).<sup>15</sup> Of these informal caregivers, an estimated 2.3% had to quit or lost their job. Thus, potentially 115 thousand individuals have been significantly disadvantaged by our current system, and would potentially be eligible for this adjustment in publicly funded benefits if they withdrew from the labour force or reduced their working hours to be a caregiver.

Working part-time and leaving the work force because of caring responsibilities leave individuals at a disadvantage economically, because pensions are tied to the extent of labour market employment.

Pension is meant to be retirement security, a payment for contributions provided by the individual during their working life. However, the issue of retirement security for Canadians who either reduced their hours, or have taken or are currently taking absence from work to provide care for a sick family member or friend must be addressed.

### **Recommendation:**

**CHA recommends the creation of a provision in the Canada Pension Plan/Quebec Pension Plan (CPP/QPP) to allow for adjustment in pension calculation for Canadians who have taken time from the workforce to provide informal care or permit those who leave the labour force to provide care to continue to contribute to CPP/QPP.**

---

<sup>14</sup> Service Canada. (2009). *Income Security Programs Information Card*. Retrieved from <http://www.hrsdc.gc.ca/eng/isp/statistics/rates/julsep08.shtml>

<sup>15</sup> Statistics Canada. (2008, October 21). Study: Caring for seniors. *The Daily*.