



Brief – 2022 Federal Budget

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Recommendations

- 1- Increase the Guaranteed Income Supplement by at least \$50 per month for all seniors.
- 2- Increase Old Age Security benefits by 10% for all seniors eligible for the program.
- 3- Extend the Old Age Security benefits of deceased individuals by three months for the surviving spouse.
- 4- Revise the Old Age Security indexing method to account for wage growth in Canada.
- 5- Increase the maximum weekly earnings threshold for caregiving benefits.
- 6- Extend the Employment Insurance benefit period to a maximum of 52 weeks for caregivers who must leave work temporarily to care for a family member.
- 7- Make the caregiver tax credit refundable.
- 8- Index the Canada Health Transfer by 6% annually.
- 9- In the formula for calculating the Canada Health Transfer, factor in population aging in the provinces and territories.
- 10- Introduce a tax credit for experienced workers.
- 11- Set up a pension fund insurance plan for federally regulated retirement plans.

Support for those most in need

The Réseau FADOQ believes that Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) need to be enhanced. As of June 2021, individuals receiving only OAS and the GIS will have an annual income of \$18,505.

Seniors in this situation have incomes that barely meet Canada's official poverty line, which is based on the Market Basket Measure (MBM). Calculated by Statistics Canada, this economic index sets the cost of a basket of goods and services required to meet basic needs. For 2021, MBM thresholds vary between \$19,564 and \$21,132 for a single person, depending on where the individual lives.

We also note that some items essential to a household's well-being, such as dental care, vision care and prescription drugs, are not included in the MBM calculation.

For the Réseau FADOQ, it is obvious that OAS and GIS benefits must at least cover the basic needs included in the MBM. Therefore, the Réseau FADOQ recommends that the Canadian government increase the GIS by at least \$50 per month for all seniors.

Furthermore, the federal government must enhance OAS by 10% for all seniors eligible for the program. Recently, an enhancement was proposed exclusively for individuals aged 75 and over. However, since many individuals face serious financial hardship when they turn 65 and given that it is crucial to not create two classes of seniors, our organization recommends implementing this enhancement at age 65.

Death and its financial implications

The death of a spouse is a very difficult ordeal for anyone. In addition to being bereaved, survivors are left to assume the household's financial responsibilities on their own.

Currently, when an OAS beneficiary dies, their benefits must be cancelled. Benefits are payable for the month in which the death occurs; benefits received after that will have to be repaid. Therefore, beginning in the month after the death, the bereaved person's financial resources are reduced, while their financial responsibilities remain essentially the same.

Our organization proposes that the OAS benefits that were paid to the deceased be extended to the surviving spouse for three months.

Index Old Age Security amounts accordingly

In 2013, the D'Amours Report highlighted some concerns about the foundations of Quebec's retirement system. The expert panel noted that within 40 years, the basic federal plan would play a gradually diminishing role in retirement income replacement because of the methods used to index the OAS pension and the GIS. The OAS pension and the GIS increase yearly in line with inflation, whereas salaries generally increase at a greater rate than inflation. Because of this gap, the OAS pension and the GIS will one day play an increasingly smaller role in retirement income replacement.

The panel therefore predicts that, by 2052, if salaries increase at a rate of 1% above inflation, the Quebec Pension Plan will still replace 25% of a pensioner's income. However, the federal pension programs (OAS and the GIS) will replace only 13% of a pensioner's income. The amount that seniors in Quebec and the rest of Canada receive from OAS and the GIS is already insufficient to meet their basic needs. It is inconceivable that the income replacement rate will decrease over time.

Therefore, the Réseau FADOQ asks that the federal government review the indexing method for the OAS program. Since the purpose of retirement security programs is to ensure an adequate income replacement rate, OAS must be indexed in accordance with Canada's income growth.

Support for caregivers

Approximately 1.5 million adults in Quebec provide care to seniors on a weekly basis. Currently, this involves 24% of Quebec's population. Being a caregiver results in considerable income loss. Across Canada, 20% of caregivers experience financial insecurity. Caregivers spend an average of \$7,600 a year to meet the needs of the person they are caring for, and they do their share every day to make up for the lack of health system resources. It is estimated that 1.2 million full-time professionals would have to be hired to compensate for the number of caregiver hours.

The Institut de la statistique du Québec notes that 57% of caregivers have a job and that many of them have to reduce their work hours, which results in approximately \$16,000 in lost income every year, according to the data provided by Janet Fast.

Currently, through Employment Insurance, caregivers receive financial support that covers up to 55% of their income. However, the maximum amount is \$595 per week, which represents an annual income of \$30,940. For this component of the Employment Insurance program, the Réseau FADOQ asks that the federal government increase the maximum weekly benefit threshold for caregivers so that the amount is more in line with the incomes of the program's beneficiaries.

Furthermore, this support is limited to a maximum of 15 weeks. If a person is seriously ill and there is a strong chance that they will die in the next 26 weeks, their caregiver may also receive up to 26 weeks of compassionate care benefits. However, the international statistics provided by MACIF show that caregivers provide care for an average of 4.1 years. Therefore, our organization asks that the Employment Insurance benefit period be extended to a maximum of 52 weeks for caregivers who must leave their job temporarily to care for a family member.

In addition, the Réseau FADOQ asks that the federal government make the caregiver tax credit refundable. That way, this tax measure would also be accessible to our society's disadvantaged groups.

Health transfers

In 2018–2019, federal health transfers amounted to \$38.5 billion; however, according to the Conference Board of Canada, total expenditures for Canada's provinces and territories were \$174.5 billion. Health care funding for the provinces and territories accounts for 40% of their budget, and the Canadian government funds only 22% of these expenditures.

The Conference Board's data also show that the current growth rate will see the federal share of health care funding fall below 20% by 2026.

In order to make up for underfunding in recent years, the Réseau FADOQ asks that the federal government index the Canada Health Transfer by 6% annually.

It is also important to highlight the impact that population aging has on public health care spending. The Conference Board estimates that it costs approximately \$12,000 a year to meet the needs of seniors, versus \$2,700 a year for the rest of the population. The Conference Board estimates that, in the next decade, provincial and territorial health care expenditures will increase by \$93 billion. This amount alone will represent 1.8% of their total expenditures.

The Conference Board points out that, in Canada, 5.1 million people will turn 65 in the next 10 years. However, in its current form, the Canada Health Transfer does not account for population aging. Its formula is based on an equal per capita amount. For this reason, the Réseau FADOQ believes that the Canadian government must change the formula for calculating the Canada Health Transfer by factoring in population aging in the provinces and territories in order to enhance the amounts where it is needed most.

Experienced workers

The Réseau FADOQ believes that the Government of Canada must encourage experienced workers who wish to remain in the job market by introducing a targeted tax credit. To this end, the Quebec government introduced the Tax Credit for Career Extension, which is for taxpayers aged 60 and over. Through this tax measure, beneficiaries can reduce their tax payable according to their employment income. The Réseau FADOQ asks that the Government of Canada introduce a similar tax credit in order to encourage knowledge sharing and to promote the intergenerational transfer of knowledge.

It is also important to better protect pension plans. The solution involves amending the *Bankruptcy and Insolvency Act* and the *Companies' Creditors Arrangement Act* so that pension funds become priority claims. Failing that, the federal government must at least introduce a pension fund insurance plan for retirement plans under its jurisdiction.