

WOMEN AT GREATEST RISK OF POVERTY IN SENIOR YEARS

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Women at greatest risk of poverty in senior years

Policymakers must recognize the unique needs of women in retirement

Senior poverty is a looming crisis for Canada. As our population ages, too many senior Canadians will be left without an adequate income to carry them through their senior years. Research has consistently shown that as pension coverage in Canada recedes Canadians have been unable to save adequately for retirement.

The numbers paint a stark picture – the median value of retirement assets for Canadians aged 55-64 is just \$3,000, and 1 in 3 Canadians feels unprepared financially for retirement.ⁱ

In that landscape, Canadian women, in particular single women, will be disproportionately affected by poverty when they reach their senior years. Unfortunately, despite decades of gains in the workplace, women now face greater economic instability heading into retirement than do men – and they face a much steeper climb to financial security.

Why women are at risk

One of the top factors pushing women into poverty in later life is their role in the workplace and in families.

Women are much more likely to work part time than are men – in 2009, 2.2 million women worked part-time. They also earn approximately 70 cents to every dollar earned by men, which further exacerbates low-income rates for women, especially for those who live alone or for single mothers.ⁱⁱ

Women also experience more disruption in their careers as they take time off to have children and act as caregivers. In fact, women are more likely to spend more time per week on caregiving activities than do male caregivers.ⁱⁱⁱ

The preponderance of women living in poverty is also due, in part, to biology – women simply live longer than men (83 years on average vs. 79 for men). According to the latest census data, the ratio of women to men has been increasing with age and there are twice as many women over 85 as men.^{iv}

They are much more likely to outlive their spouse and their savings. That leaves them having to save more than men for their retirement years, at lower salaries and with less time spent in the workplace.

Canadians unprepared for retirement

- **\$3000** – The median value of retirement assets for Canadians aged 55-64 (The Broadbent Institute).
- **12.5%** - The percentage of Canadian seniors living in poverty today (Statistics Canada).
- **1 in 3** – Number of Canadian adults who are not prepared for retirement (2014 Financial Capability Survey)
- **2000 – 2013** – Years in which Canadian RRSP contributions have declined steadily (Statistics Canada)

Senior women and poverty

(Statistics Canada)

- **82.6** – Life expectancy for women in Canada versus 77.8 years for men
- **2X** – There are twice as many women over 85 as men.
- **50.9%** -- Percentage of the population that are women (women continue to outnumber men in Canada)
- **8,230** – Number of Canadians over 100 – there are 5 x more women in this age bracket
- **43%** - Percentage of low income seniors in Canada who are women
- **30%** - Percentage of senior women living in low income (versus 26.3% for men)

Women and pension coverage

As women struggle with poverty in retirement there is a bright spot: more tend to be covered by pensions at work than men. In 2012, a third of employed women were covered by a defined benefit (DB) pension plan, versus only one-quarter of men.^v This is largely because women are more likely to work in sectors with good pension coverage – educational services, healthcare and social assistance, and public administration.

Pension coverage can play a role in alleviating poverty for Canadian seniors – women in particular. However, as DB pension coverage shrinks in Canada, the financial picture for women in retirement will only darken.

Action is needed – now.

Recommendations for policymakers

The Canadian pension system needs attention and care. We stated this in our last paper on Senior Poverty in Canada and we restate it here. Canadian women in particular would benefit from a workplace pension safety net that recognizes and responds to the risks that leave women vulnerable to financial instability in retirement.

To that end, we reiterate our call for fundamental changes in pension coverage in Canada – and we call on policymakers to do the right thing:

Ensure adequate income replacement – Pension plan models that don't set an income replacement target won't work for Canadians and could contribute to senior poverty in future. Income replacement should be offered to workplace pension plan members based on a percentage of pre-retirement earnings. DB models are designed to do this and that model should be extended across all types of workplace pension plans.

Risk share – Plan members cannot be expected to bear 100% of market and longevity risk. It's simply not sustainable. A pension model must fairly spread the risk between the plan member and sponsor so that Canadians don't risk outliving their savings.

Make it automatic and mandatory - Workplace pension savings plans must be mandatory. Employers must offer them and employees must join and make automatic contributions at realistic levels.

Find ways to pool - When individual savings are pooled in one large fund and invested by professionals, investment risk is shared and reduced, and costs are much lower than they would be for retail mutual funds. A pooling solution could help make DB pensions available for more Canadians.

Make decumulation easier – Canadians should have access to a one-stop option to retirement savings that leads directly to decumulation, rather than leaving it up to individuals to decide how much to withdraw each year and how to invest the remaining money so it lasts. This is key to ensuring stable and consistent income in retirement.

ⁱhttps://d3n8a8pro7vnm.cloudfront.net/broadbent/pages/4904/attachments/original/1455216659/An_Analysis_of_the_Economic_Circumstances_of_Canadian_Seniors.pdf?145521665

ⁱⁱ <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2020102>

ⁱⁱⁱ <http://www.statcan.gc.ca/pub/89-652-x/89-652-x2013001-eng.pdf>

^{iv} <http://www.statcan.gc.ca/daily-quotidien/170503/dq170503a-eng.htm>

^v <http://www.statcan.gc.ca/pub/75-006-x/2014001/article/14120-eng.htm>