

Intelligence MEMOS



From: John Stapleton
To: Anti-poverty Observers
Date: October 4, 2024
Re: **THERE ARE BETTER WAYS TO SPEND \$3 BILLION ON SENIORS THAN BOOSTING OAS**

The Bloc Québécois push to expand Old Age Security payments to younger seniors has dominated much of the policy discussion in the House of Commons. Bill C-319 would increase OAS to 65–74-year-olds by 10 percent and allow low-income seniors to earn more money without loss of benefits.

As it stands, Liberal cabinet ministers have refused to give the private member's bill a royal recommendation; as such, it will not become law unless this changes.

They are doing the right thing.

The bill has many flaws. It fails as a serious attempt to address the major shortcomings of the retirement income system. And given the substantial amounts involved, there are much better ways of spending this money to improve the well-being of Canadian seniors.

Bill C-319 would pay Canadian seniors \$873.20 a year more in taxable benefits between age 65–74 to equalize payouts to seniors age 75 and over. And it would allow low-income seniors to earn \$1,500 more per year to a total of \$6,500 a year without clawbacks.

And why would we do that? The reasons given are to recognize that younger seniors have trouble paying their bills and to help lower income seniors to work more without penalty.

True, as noted in the National Institute on Ageing's 2023 [survey](#), one in four older adults in Canada report that their incomes are insufficient and that they are financially stretched. However, it is entirely inappropriate for the federal government to spend an estimated \$3 billion (net of taxes) annually. Increasing OAS is far too blunt an instrument to assist younger seniors who are having trouble making ends meet.

The vast majority of the new OAS expenditures will go to people who don't need it. For example, an individual with net income of \$90,000 per year would receive this OAS top-up.

And raising the amount of employment earnings that Canada's poorest seniors could keep without penalty from \$5,000 to \$6,500 is about one fifth of full-time minimum wages in most provinces. Not the type of a game changer one might expect for a multibillion-dollar expenditure, but a far more sensible step in the right direction.

In many ways, the changes look like an expensive down payment on half-way solutions to two second order problems experienced by a minority of Canada's seniors.

The main question we should be asking is this: If \$3 billion per year were spent on seniors, where would it be best spent: Income security, supports, services or residential and nursing care?

And if income security turns out to be the answer to that question, then why via OAS, which is paid to 7 million Canadian seniors?

Should it not instead be the Guaranteed Income Supplement (GIS), which is targeted towards to Canada's 2.2 million lowest income seniors almost all of whom really do struggle to make ends meet?

The costs of enhancing GIS would be dramatically lower while providing help to those who need it the most. One important move would see the federal government double the current GIS earning exemption to \$10,000 a year which would equalize the exemption it just made to the Canada Disability Benefit (CDB). The advantages to this include harmonizing the earnings thresholds in the two programs. For instance, an individual aged 64 who is receiving CDB would not face much higher clawbacks when they turn 65.

With the money left over – and there would be a lot – we could direct attention to the crucial problems experienced by Canada's seniors. The first is that senior women make less money than their male counterparts. Women tend to live longer than men on average and are therefore less well off for longer.

We could also take a serious look at seniors' housing. Although most of today's seniors own their own homes and they are often mortgage free, a significant number of seniors live alone in the private rental market, facing rising costs and the threat of renovations.

It's an unacceptable tragedy when an 80-year-old woman is forced out of her apartment. Targeting funds to prevent senior homelessness would be far better spent than on all 65-year-olds, many of whom are choosing to defer their OAS security to age 70 to get more money later and because they don't need it now.

But more than anything, the real possibility of implementing costly and ill-advised increases to OAS and piecemeal exemptions on earnings to the GIS represent an indictment of our political processes that permit such proposals to get this far in the first place. The members of Cabinet are right to hold their ground.

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