

Opinion: Women shortchanged in retirement: Our inadequate child care system forces parents to stay home with kids, reducing ability to earn pension benefits ^[1]

Author: Kershaw, Paul

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EXCERPTS:

Media coverage in recent weeks confirms that when Canadians devote time to talking about social policy, we invariably focus on medical care and pensions - policies on which we depend disproportionately in our later decades. These are vital policies because they safeguard our standard of living, especially as we age. But when will Canadians devote the same number of TV hours, radio waves, newsprint and blog posts to policy issues that benefit younger generations?

At least recent pension discussions give some attention to intergenerational dynamics. More media acknowledge that private pension coverage is declining for generations that follow the boomers. Planning for this problem now makes good sense. But such planning should not treat only the symptoms without addressing the root causes.

We all know that income in retirement reflects our earnings and employment decades before we turn 65. If we want to support Canadians in their efforts to save enough for retirement, then we need to address the barriers to earning and saving that people face far, far earlier. Regrettably, Canada's failing grade for family policy is a major barrier, especially for women.

UNICEF reports that Canadian family policy falls among the worst industrialized countries because it invests little in families with children under age six. The OECD agrees when measuring public investments in child care services. Similarly, a U.K. Fairness in Families Index ranks Canada 15th out of 20 countries because our policy is weak in supporting men and women to equally share parenting and breadwinning.

Poor family policy rankings have tangible consequences in the day-to-day lives of Canadians, which result in lower retirement incomes for women.

Current parental leave policy provides the typical two-parent family with nearly \$5,000 in incentives for the lower-earning spouse to withdraw from employment to care for a newborn, rather than share a year of leave between parents. Given that Canadian women age 25-44 continue to earn about 70 cents on the dollar compared to men's earnings, the lower earner is most often the mother. The result is that Canadian leave policy encourages women to take on primary responsibility for child care, and discourages dads' involvement.

Some may think this is "natural" because women breastfeed. But the disincentive for men to share responsibility for newborns sets in motion a gender division of labour that continues throughout their kids' lives, well beyond breastfeeding. The latest Statistics Canada data show that fathers still work longer hours than mothers, even in homes where both work full-time. Men are far less likely than women to work shorter or part-time hours to accommodate child care. Diverging employment patterns for mothers and fathers in turn explain why the glass ceiling persists in Canada (just 32 per cent of senior managers are women), and why there remains so much occupational segregation with women in "pink collar" sectors.

Fewer years of employment as adults, fewer employment hours per year, employment in occupations that pay lower wages, and in positions below senior management levels, all contribute directly to higher rates of economic insecurity for women in retirement compared to men. While it is imperative to remember that poverty rates for seniors are half that of families with children, we must not ignore the fact that senior women are more likely to be poor than senior men. In particular, women over 65 who live alone have a low-income rate that is 40-per-cent higher than men who live alone.

Inadequate parental leave isn't the only family policy barrier to women's earnings and retirement security. The fact that Canadian provinces typically have child care spaces for just one in five preschoolers is an equally significant obstacle, as is the high cost of the limited services that are available.

When a two-parent family with a toddler considers whether one parent (typically the mother) should stay home full-time, it is the cost of child care that is the major economic disincentive to a return to work. Child care costs dwarf the extra taxes the parent will pay on additional earnings.

In B.C., Alberta or Ontario, child care services will cost more than \$7,200 annually, even after deducting child care fees from income taxes owed. This is 50-per-cent higher than combined federal and provincial income taxes, EI and CPP premiums (around \$4,800). Plus, when the family swallows high child care fees to enable both parents to pursue employment, the family will forgo federal and provincial tax breaks for one-earner couples that tally up to nearly \$2,000 a year.

Forgone tax breaks and high child care fees exacerbate the poor design of parental leave policy. And as a package, our family policies interact with cultural expectations about gender roles in Canada to pressure women to shoulder the lion's share of responsibility for child care at the expense of earning and saving for retirement.

A New Deal for Families could change all this. Redesigning parental leave to add six months of benefits for dads would ensure that young families don't see their after-tax incomes drop by the equivalent of a second mortgage when parents split 18 months at home with a newborn. Child care services at \$10/day will ensure young families don't spend the equivalent of a third mortgage when moms and dads devote enough time to employment to compensate for stagnant wages, pay for higher housing prices and save for retirement. The outcomes will include a more secure retirement for both sexes.

These changes are particularly important for women. New Mom and New Dad benefits and \$10/day child care in tandem with flextime revisions to employment standards will disrupt the gender division of labour more than Canadians have done in decades. Indeed, these three policy proposals align closely with recommendations made in the 1970 Report of the Royal Commission on the Status of Women. Canada's failure to make much progress on these recommendations helps to explain why the World Economic Forum ranks Canada 18th on its international gender equality index - despite our formal commitments in Canada's Charter of Rights and Freedoms.

It is no coincidence that our family policy and gender equality rankings converge near the bottom of OECD countries. They emerge from a common cultural reality: Canadians are content to ask young women to sacrifice their earnings, career ambitions and future retirement security to compensate for our national failure to prioritize family policy investments.

Given that almost 40 per cent of Canadian marriages end in divorce, what we ask of young women is very risky for their future retirement. Adequate retirement policy must therefore broaden beyond narrow pension debates to address the root causes of insufficient retirement income. For women, a major root cause remains Canada's bad policy deal for the gender.

-reprinted from the Vancouver Sun

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