OUR FIRST OLD AGE PENSION
1915-1927

Summary

Canada was a changed nation by the end of the First World War (1914-1918). War-time demand led to more industrial production. The urban labour force grew, so that by the 1920s most people lived in the city rather than the country.

New factories favoured the young, and jobs that were traditionally done by older people began to disappear. Seniors could look forward to living longer, but many lived in severe poverty. Workers who supported aging parents had a hard time saving for their own old age.

Survivor and disability pensions were created for war veterans and their families, but there was still a strong and growing need for a national old age pension system. The Government Annuities plan of 1908[1] was not the answer since few people could afford them. So in the 1920s, the issue of government assistance for the elderly was back on the political agenda. In 1924, Parliament appointed a special committee to study the question of pensions.

Political advocates like James S. Woodsworth and Abraham A. Heaps argued for a national pension scheme. When his government finally won a majority in 1926, Mackenzie King followed up on his promise to Woodsworth and Heaps by introducing legislation that became the Old Age Pensions Act in 1927.

In 1927, Canada's first Old Age Pensions Act was passed:

- The maximum pension was $20 per month or $240 per year.
- It was available to British subjects aged 70 or over who had lived in Canada for 20 years.

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[1] **Government Annuities**:
The *Canadian Government Annuities Act* of 1908 was one of the earliest significant pieces of social legislation in Canada. Its purpose was to encourage Canadians to prepare financially for their retirement through the purchase of a government annuity.

The Act allowed for the purchase of various annuities for different amounts and lengths of time. At a specified age, the recipient would begin to receive fixed yearly benefits. The government guaranteed these benefits and assumed all the costs to administer them.

The first annuities issued were to a married couple from Quebec City.

- It was restricted to seniors whose income, including the pension benefits, was less than $365 per year (this was determined by the "means test"[2]).
- Status Indians were excluded.

Although eligibility was limited, the Act was a modest beginning of nationwide benefits for the poorest elderly.

Researcher's Summary

Political debate in Canada over old age pensions was interrupted by the country's participation in the Great War (1914–1918). By the end of the war, Canada was a changed nation. Building on the impetus of war-time demand, industrial production grew and, with it, the urban labour force. At the same time, people were living longer and the proportion of seniors within the population was increasing. However, mechanization in industry was threatening many older workers with redundancy.

The new workplace favoured the young, and the tasks that workers had traditionally performed in their later years began to disappear. New jobs were difficult for them to find. Workers who had to support aging parents had a hard time saving for their own old age. Private pensions from the workplace still covered only a minority, and they were not portable; if a worker was dismissed or left before retirement age the benefits were lost.

In 1918, a Pension Act was passed to provide compensatory benefits to the survivors of the 60,661 soldiers killed in the war. It also provided for soldiers who returned with

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[2] **The "Means Test"**:
The "means test" was used to determine a senior's income, or means.
The test involved provincial pension authorities calculating all aspects of a senior's income (e.g., pensions, income from boarding house operations, etc.) as well as the value of "perks" they received, such as free room and board. The means test, however, did not take into account how much money a person needed to pay for food, shelter, clothing, fuel, utilities or household supplies.
If a senior's annual income, including pensions, was greater than $365, he or she was not eligible for the Old Age Pension. The income each received determined the amount of assistance to which he or she was entitled.
The problem, however, was there was no specific way to calculate a senior's income. Provincial pension authorities had extensive discretion, so the calculations were inconsistent and varied greatly from province to province. For example, some calculations were based on the assumption of income from property when, in fact, such income did not exist. The value of free room and board varied depending on the province. Because a senior's income depended on where he or she lived, some seniors were denied assistance while others received widely varying amounts.

disabilities, just over 69,000 of whom were receiving pensions in 1920. Dependent parents who passed a means test could also receive survivor benefits.

The Government Annuities plan of 1908 had failed to achieve its intended purpose, and state assistance for the elderly poor was back on the political agenda in the 1920s. While nobody begrudged the pensions paid to soldiers for their sacrifices in World War One, many people believed that aged Canadian workers also had a right to assistance, in compensation for their years of service to the national economy.

The federal government introduced temporary income taxes in 1917 to help pay for the country's war effort. Those taxes were not removed when the war ended, giving the government a new source of revenue for the development of national social programs.

In 1924, a Special Committee appointed by Parliament to study the question of pensions for seniors estimated that 40 per cent of Canadians aged 70 and over would qualify for an old age pension based on a means test. In 1927, the Old Age Pensions Act was passed, honouring a promise made at a time of political need for Prime Minister King. This act established a cost-shared program that would replace local emergency relief with a nationwide system of benefits for the poorest seniors.

Under the new Old Age Pensions Act, the maximum pension was set at $20 per month for British subjects 70 years of age and over who had been resident in Canada for 20 years.

Daily Life

Because of continued industrialization and urbanization, the period between the outbreak of the First World War and the passage of the Old Age Pensions Act was characterized by a growth in the number of seniors in Canada, and a continuation of the decline in economic status for increasing numbers of older people.

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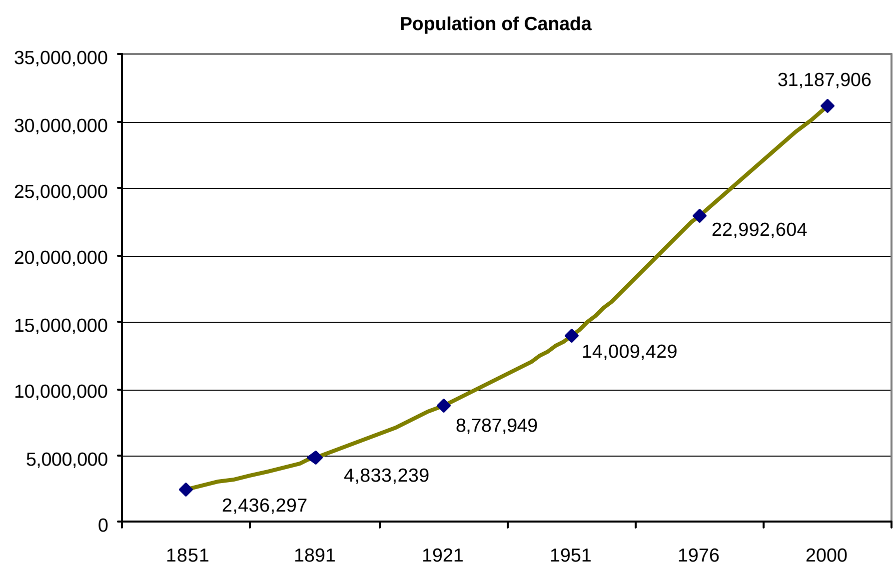
The First World War itself brought about many important changes in Canadian society. The war required unprecedented levels of production of munitions and other war supplies, and this need helped speed up the process of industrialization. When the war ended, many wartime factories were kept open and began to produce household appliances and new luxury items such as automobiles.

Industrialization revolutionized the way in which goods were produced. One effect of this was a decrease in opportunities for older people to take part in the new production process. As heavy machinery did more and more of the work that had previously been done by people, the less physically demanding tasks that were traditionally given to older workers began to disappear.

After the First World War, the problems faced by the elderly poor became more visible. The sharp increase in urban factories contributed to the continual migration of people to cities. By the early 1920s, the number of people living in cities began to outnumber those living in the country for the first time. Because of both immigration and, especially, increased life expectancy, Canada's population also grew quickly in this period. As more people lived longer lives, but resided in cities where jobs for seniors were disappearing, the likelihood of falling into severe poverty in old age increased considerably.
F. H. Lacey, ed., Historical Statistics of Canada 2nd Edition (Ottawa, 1983),Series As-14



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This situation was further complicated by the fact that the Government Annuities program established in 1908 did not accomplish its intended purpose of providing a means by which large numbers of people would put enough money into savings to support themselves in their old age. Although the program offered the incentive of higher interest rates, by the 1920s it had become clear that those most in need of assistance in old age did not have any extra money with which to purchase these investments, regardless of the advantages they offered.

By the mid-1920s, Canada's economy had recovered from a post-war recession caused by a sharp decrease in the production of war supplies combined with the large national debt accumulated in the war years. As prosperity spread to many parts of the country, the contrast between the aged poor and other members of society became more noticeable.

All of these factors contributed to a growing realization that seniors needed assistance on a much larger scale. This realization contributed to the creation of the Old Age Pensions Act in 1927.

Political Events

When the First World War broke out in August 1914, the leader of the federal opposition in Parliament, Wilfrid Laurier, immediately pledged his co-operation and assistance to Prime Minister Robert Borden's government. This parliamentary unity allowed the government to assume an unprecedented level of control over the country's economy in order to supply the war effort.

By 1917, however, the issue of conscription divided Parliament and led to the creation of a Unionist government made up of both Conservatives and some Liberals under the leadership of Robert Borden. Such division affected the population more generally, as the social dislocations caused by the Great War fuelled public calls for large-scale social reforms across the country. The federal government carried into effect a number of reforms that further strengthened its power in many different areas, including pensions for war veterans and their families. Provincially, this period also saw the introduction of mothers' allowances, beginning in Manitoba in 1919, and workers' compensation, first initiated in Ontario in 1914.

As the federal government assumed more and more control over the economy during the war, a national Income Tax and a Business Profits Tax were introduced, increasing the government's financial capacities. These taxes were at first meant to be only temporary measures, but the continuation of the Income Tax after the end of the war in 1918 provided the federal government with much of the funding required to implement the Old Age Pension program in 1927.

The issue of a national pension program for seniors gained prominence after the war, as social advocates and reform-minded politicians argued that the federal government should use its new power and financial capacities to extend the pension provisions offered to war veterans. In 1921, a minority government was elected federally for the first time in Canadian history, making it impossible to pass any controversial legislation. The 1925 election saw similar results, and Prime Minister William Lyon Mackenzie King sought the support of the Progressive party and the only two elected Labour Members of Parliament.

Labour Members James S. Woodsworth and Abraham A. Heaps, in co-operation with Progressive leader Robert Forke, presented Mackenzie King with a number of policy initiatives they considered essential, one of which was an old age pension program. The Prime Minister agreed to pursue the reforms in return for the support of the two parties, thus ensuring his government would not fall.

Before Mackenzie King was able to act on the issue of old age pensions, however, he chose to resign when the Governor General, Lord Byng, refused his request for an election as his government faced a vote of non-confidence. The Conservative leader, Arthur Meighen, was called on by Lord Byng to form a government but was unable to do so successfully and the "King-Byng affair", as the incident came to be known, ended in 1926 with the election of a majority Liberal government under Mackenzie King. Only upon obtaining a majority was Mackenzie King able to undertake any large-scale reforms. Accordingly, the Old Age Pensions Act came into effect in 1927.

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World Events

The First World War caused greater social and political upheaval in Europe than in North America. For the first time in the West, entire societies were mobilized for war. This required governments to become involved in economic and social issues on an unprecedented level, introducing such initiatives as conscription, rationing of food and supplies, and governmental control over many industries. This war-inspired expansion in the powers of governments led many people to believe that fundamental social change was possible, and such change came to be seen as a desired outcome of the war years in almost every European country.

As the war came to an end, Europe experienced huge demographic, economic and political problems. The tragic human losses and the physical destruction sustained in the Great War had immeasurable impacts on societies, and the fall of the Russian, Austro-Hungarian and Ottoman empires plunged a large part of the continent into revolution, civil war or political chaos.

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Countries with Contributory and/or Non-Contributory Public Pension Programs by 1935

Countries with Contributory Pension Programs	Countries with Non-Contributory Pension Programs
Austria	Australia
Belgium	Canada
Bulgaria	Denmark
Chile	France
Czechoslovakia	Great Britain
France	Greenland
Germany	Iceland
Great Britain	Irish Free State
Greece	Newfoundland
Hungary	New Zealand
Italy	Norway
Luxembourg	South Africa
Netherlands	United States
Poland	Uruguay
Portugal	
Rumania	
Soviet Union	
Spain	
Sweden	
United States	
Yugoslavia	

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In the late nineteenth and early twentieth centuries, many countries adopted public pension programs. The question of whether to make them contributory or non-contributory became an important issue. Contributory programs usually cost less because workers and employers pay into them, but they take longer to implement because people must pay into them for a number of years before they receive benefits. Non-contributory programs can be introduced much more quickly because payments can begin as soon as the legislation authorizing them is enacted, but the government assumes the responsibility of paying the benefits.

(A.S. Orloff, The Politics of Pensions (London, 1993), p. 14.)

The creation of new democratic, socialist and communist states in these regions led the issue of public pensions to grow significantly in importance as the role of the state in the area of social security, among others, became an important topic of debate. This period therefore saw the establishment of various types of public pension programs in many countries. In 1919 alone, Italy, Portugal, Spain and Uruguay all adopted pension programs, and in 1925 Great Britain enacted a contributory pension system similar to the German system introduced in 1889.

The end of the war also saw the emergence of a spirit of international co-operation and improvement. The Geneva-based League of Nations was created as a result of the Versailles Peace Treaty, which established the terms of the peace in 1919. The purpose of the League involved not only international efforts to deter war, but also the promotion of social reforms among the member states.

One of these proposed reforms was the adoption of public pensions, which was included in a Labour Convention written into the Versailles Treaty. The International Labour Organization, also based in Geneva, was created to promote such issues. This was followed in 1927 by the founding of another international body committed to advancement of social security around the world, the International Social Security Association. Canada continues to be an active member of both the International Labour Organization and the International Social Security Association.

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Influential People

The passage of the 1927 Old Age Pensions Act was made possible when the two Labour Members of Parliament elected in 1925, James S. Woodsworth and Abraham A. Heaps, offered to support Prime Minister William Lyon Mackenzie King's minority government in return for Mackenzie King's promise to pursue the issue of public pensions.

William Lyon Mackenzie King (1874-1950) became leader of the Liberal party in 1919 upon the death of Sir Wilfrid Laurier. By this time, Mackenzie King was already associated with labour issues. He became Minister of Labour in 1909; during the First World War he advised the American Rockefeller Foundation on labour issues; and in 1918, his book, Industry and Humanity, advocated a more harmonious relationship among workers, employers and the government.

The Liberal party platform of 1919, created under party leader Mackenzie King, included public pensions. The Prime Minister was unable to pursue the issue, however, when his government failed to secure a majority in the House of Commons in the 1921 election. When the same situation occurred in 1925, Mackenzie King turned to Progressive and Labour Members of Parliament for support.

In the 1925 federal election, only two Labour Members were elected. **James S. Woodsworth** (1874-1942) and **Abraham A. Heaps** (1885-1954), both from Winnipeg, were strong advocates of unemployment insurance and old age pensions. Woodsworth was also a Methodist Church minister committed to social reform and was involved in the social gospel movement. In Parliament he was an outspoken advocate of many social security programs. His strong support for workers led to his involvement in the Winnipeg General Strike of 1919.

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Woodsworth and Heaps sent a now-famous letter to Mackenzie King in January 1926:

Dear Mr. King:
As representatives of Labour in the House of Commons, may we ask whether it is your intention to introduce at this session legislation with regard to (a) Provision for the unemployed; (b) Old Age Pensions. We are venturing to send a similar inquiry to the leader of the opposition.

Yours sincerely,
J.S. Woodsworth
A.A Heaps[3]

The leader of the opposition, Arthur Meighen, was unwilling to support either proposal at the time. Woodsworth and Heaps therefore accepted Mackenzie King's offer to pursue old age pensions and gave him their support.

When his government finally won a majority in 1926, Mackenzie King followed up on his promise to Woodsworth and Heaps by introducing legislation that became the Old Age Pensions Act in 1927.

What Canadians Received

Pensions for the aged poor had been debated in Canadian politics since the early years of the century, but it was not until 1927 that the first meaningful step was taken in that direction. After the First World War, pensions were paid to soldiers who were disabled in the European conflict and to the survivors of those killed. As well, private pension plans for Canadian workers received a boost when the federal government passed legislation in 1919 permitting tax exemptions for employee contributions.

[3] Grace MacInnis, J.S. Woodsworth, A Man to Remember (Toronto, 1953), 188.

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In 1924, a new Superannuation Act was passed for federal civil servants, improving on earlier arrangements and providing allowances for widows and children of deceased employees. On July 1, 1924 a Special Committee of the House of Commons, appointed by the federal government, recommended a non-contributory scheme of $20 per month. This would be paid to those aged 70 or older, with costs to be shared equally between the provinces and the federal government. After considering the views of provincial governments and in particular constitutional aspects of the problem, these recommendations were embodied in a resolution placed before the House on March 26, 1926 by the Acting Minister of Labour. Following passage of this resolution, the House considered and passed an Old Age Pensions Bill on May 28, 1926.

The Senate, however, rejected the bill. The Senators were themselves entitled to retirement benefits of $4,000 per year which, adjusted for inflation, would be worth the equivalent of $41,247.71 in the year 2000[4]. An identical resolution and bill were presented to the House and passed a year later on March 4, 1927. On this second occasion, the Senate quickly passed the bill, and it was given royal assent on March 31, 1927.

With the passing of the Old Age Pensions Act in 1927, which established a national non-contributory, means-tested pension, the neediest seniors were finally given serious attention.

Under the new Old Age Pensions Act, a maximum of $20 per month or $240 per year was paid to people 70 years of age and over whose total yearly income, with the pension benefits, did not exceed $365. An applicant whose spouse did not receive a pension in his or her own right was permitted a total income of $490 per year. Two-pension couples could have an income of $730.

The maximum Old Age Pension benefit of $240 per year would have a purchasing power equivalent to just over $2,500 in the year 2000, when adjusted for inflation. Today's Old Age Security payments are about twice that amount.

[4] In all instances, the Bank of Canada's Inflation Calculator (www.bankofcanada.ca/en/inflation_calc.htm) was used to calculate amounts in year 2000 dollars.

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Eligibility was restricted to British subjects who had lived in Canada for 20 years, and to people who had been naturalized for at least 15 years and had resided in Canada for 25 years. All must have lived in the paying province for five years prior to the receipt of benefits.

In addition, applicants were not permitted to transfer their property to someone else in order to fall below the income threshold. Pensioners who moved abroad lost their benefits for as long as they remained outside of Canada. Notably, the Old Age Pension did not involve a loss of voting rights, as had been the case with earlier public poor relief.

Because social welfare matters fell within provincial jurisdiction under the British North America Act, the provinces were to pay the pensions, but a cost-sharing arrangement was worked out in which the federal government would issue conditional grants to reimburse them for 50 per cent of their benefit costs. This was the first federal-provincial cost-shared social program. There would be more of these cost-shared arrangements in the future.

The federal government would determine eligibility requirements and set maximum benefit figures. The provinces tailored the plan's implementation to suit their individual circumstances, and paid for its administration. Before joining the Old Age Pensions program, provincial governments would pass their own legislation allowing them to sign an agreement with the federal government for that purpose.

While the $20 per month stated in the Old Age Pensions legislation was a maximum, the provinces had discretion to decide what an individual's needs actually were. Eligibility for the new pension was sometimes very stringent and benefits often fell below that amount, especially in provinces where money was tight.

When administering the means test for the Old Age Pension, provincial officials looked at all possible sources of income, including property and assets or relatives who might provide assistance. If these sources were judged to provide more than $125 per year, the pension would be reduced so that the total income, including benefits, remained within the allowable figure of $365 per year, or $1 per day.

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It is not entirely clear from where the figure of $365 per year, or $1 per day, was derived, but the House of Commons Special Committee studying the question of old age pensions in 1924 was very attentive to levels of relief provided in municipalities across Canada. Although there was great variation, a number of municipalities were paying $1 per day in relief to their senior residents. This was only a fraction of the average worker's wage at the time.

The committee also looked at the experience of other industrialized countries, and the example of Australia attracted attention. That country was paying an old age pension of about $19 per month. In the debates over old age pensions, the cost to the federal government was a dominant concern.

In a lively debate over the Old Age Pensions Bill in the House of Commons on March 3, 1927 the issue of generous pension benefits for public servants was raised. One Member of Parliament noted that judges received as much as $5,000 to $6,000 per year in pensions (between $52,523 and $63,028 in year 2000 dollars). They were not begrudged these benefits; there was no argument that they should have put sufficient money aside to provide for themselves after retirement. However, working people were being expected to do what public officials were not — look after their own old age — and on far less income.

At the start of the new program, the federal government's role was carried out by the Department of Labour, the same body that had been administering the Government Annuities scheme since 1922. There was also continuity with the past in an agreement between the federal government and the provinces that, in some cases, provincial officials could act to recover all benefits, plus five per cent annual interest, from the estates of deceased Old Age Pension recipients.

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The idea that a pension ought to be paid back was apt demonstration of the distance yet to be covered to reach our present-day conception of public pensions as a right earned through the obligations and privileges of citizenship. However, the recovery of benefits from estates were reflective of cost concerns, and when they were made, the Canadian government would be reimbursed for its share of the pension payments.

Canada's first old age pension scheme was intended to help only the most desperate seniors. It excluded status Indians because of their separate treatment under the Indian Act, but it was an improvement on earlier poor relief methods. In spite of an intrusive "means test" and the threat to an applicant's property implied by the right of officials to reclaim costs from estates, the fact that seniors could receive public financial assistance on a regular guaranteed basis, even if they had an income, was an important precedent.