A Better Generational Deal

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UBC School of Population & Public Health

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The Millennials’ Challenge: Young Adults and Intergenerational Fairness
Kingston, ON August 26, 2015

Summary

1. The Squeeze: risks shift toward younger generations
2. Intergen contract currently prioritizes adapting for aging population
3. Paying for medical care, not retirement income security, = a source of intergen tension
4. Leave, shorter F-T norms, and child care must become budget priorities to compensate
5. Price pollution, transform property taxation, and revisit medical care payment strategies = options to create fiscal capacity.
6. Intergen equity requires younger generations to build their political clout
Observation 1:
An adequate contemporary Intergenerational Contract must acknowledge

*The Squeeze*

**CANADA’S ECONOMY HAS DOUBLED SINCE 1976**

**AN EXTRA $35,000 PER HOUSEHOLD**

@gensqueeze
THE DECK IS STACKED AGAINST YOUNG CANADIANS NOW COMPARED TO 1976/77

EARNINGS FOR AGE 25-34 ARE DOWN

$42,480 vs $46,680
67% vs 30%

MORE ARE POST-SECONDARY GRADUATES

LARGER STUDENT DEBTS

$23,000 vs $16,000

HIGHER HOUSING PRICES

$408,068 vs $200,797

THE PRIMARY DRIVER OF NET WEALTH FOR CANADIANS 50+ IS NOW
THE PRIMARY SOURCE OF DEBT FOR YOUNGER CANADIANS

Housing Prices

Age 65+
Up $185,202
Wealth
Up $11,768
Debt

Age 55-64
Up $164,685
Wealth
Up $41,490
Debt

Age 35-44
Up $98,483
Wealth
$116,083
Debt

Age < 35
Up $66,678
Wealth
$90,308
Debt

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Observation 2:
Current Intergenerational Contract
Dominated by Aspiration
to adapt for aging population
Demographic Change

% population

1976 vs 2011

65+ 8.7% ▲ 14.8%

<45 72.2% ▼ 56.2%

Pay to adapt for Aging Population by Not Adapting for Generation Squeeze

Gov’ts spend $58 billion MORE on Older Canadians since 1976 ...

<table>
<thead>
<tr>
<th></th>
<th>1976</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Subsidies</td>
<td>$56b</td>
<td>$82b</td>
</tr>
<tr>
<td>Medical Care, Age 65+</td>
<td>$30b</td>
<td>$62b</td>
</tr>
</tbody>
</table>

All Figures Measured as %GDP. Reported in 2011$

Table 3.7. Ranking of patient satisfaction
2010

<table>
<thead>
<tr>
<th>Overall ranking</th>
<th>Netherlands</th>
<th>United Kingdom</th>
<th>Australia</th>
<th>Germany</th>
<th>New Zealand</th>
<th>Canada</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td>Quality care</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Effective</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Safe</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Co-ordinated</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Patient-centred</td>
<td>6</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Access</td>
<td>1</td>
<td>2</td>
<td>6.5</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6.5</td>
</tr>
<tr>
<td>Cost-related problem</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>3.5</td>
<td>5</td>
<td>3.5</td>
<td>7</td>
</tr>
<tr>
<td>Timeliness of care</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Efficiency</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Equity</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Long healthy and productive lives</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Health expenditure per capita, 20081</td>
<td>USD 4 063</td>
<td>USD 3 120</td>
<td>USD 3 353</td>
<td>USD 3 737</td>
<td>USD 2 683</td>
<td><strong>USD 4 078</strong></td>
<td>USD 7 538</td>
</tr>
</tbody>
</table>

1. At Purchasing Power Parity, 2007 for Australia.


Paying to adapt for Aging Population by Not Adapting for Generation Squeeze

Gov’ts spend $58 billion MORE on Older Canadians since 1976 ...

Retirement Subsidies $82b
Medical Care, Age 65+ $62b

But Gov’ts increased revenue by only half the amount they increased spending on retirees...

All Figures Measured as %GDP. Reported in 2011$
### Change in Revenue

<table>
<thead>
<tr>
<th>%GDP</th>
<th>Total Gov't General Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>37.51%</td>
</tr>
<tr>
<td>2011</td>
<td>37.15%</td>
</tr>
</tbody>
</table>

**Difference**

-0.36%

**2011 $ Value (millions)**

- $6,266

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**Much of CPP Prepaid. Far less prepaid for Medical care.**
Far less prepaid for medical care

1. Didn’t raise revenue for extra Medical care
2. Taxes for medical care pay primarily for those who age before us.
3. Today’s aging population paid taxes at lower rates over their working lives because only had to pay medical care for small group of seniors.

Observation 3:
Current approach to paying for medical care = major deficiency in intergenerational contract
Paying to adapt for Aging Population by Not Adapting for Generation Squeeze

Gov'ts spend $58 billion MORE on Older Canadians since 1976 …

But Gov'ts increased revenue by only half the amount they increased spending on retirees…

So Gov'ts Now Spend $16 billion LESS on Younger Canadians

All Figures Measured as %GDP. Reported in 2011$
Quebec change from $7.30 child care to up to $20 saves $190 million → prop up medical care

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Federal Spending by age

$18k per 65+

$2k per <45

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So long as the intergenerational contract adapts for some but not all...

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Postpone, Abandon Family Aspirations

Female LFP, %
Age 25-44
1976: 56%
2013: 80%

YOUNG WOMEN (UNDER 45) ARE WORKING MORE, BUT HOUSEHOLDS TRADING TIME AT HOME FOR LITTLE MONEY

Plus $5,900 to $74,360

THE SQUEEZE TIGHTENS WHEN STARTING A FAMILY

SHARING YEAR AT HOME, COUPLE FORGOES $15,000 COMPARED TO YEAR BEFORE BABY BORN

SERVICES FOR ONLY 1/3 OF KIDS

CHILD CARE vs TUITION

AND THEY COST MORE THAN POST-SECONDARY TUITION

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GENERATIONS RAISING YOUNG KIDS ARE SQUEEZED FOR...

**TIME**

AT HOME WITH CHILDREN

SERVICES

AFFORDABLE CHILD CARE

**MONEY**

HIGHER STUDENT DEBTS, HIGHER HOUSING COSTS, & STAGNANT INCOMES

WHILE LEFT WITH LARGER GOVERNMENT AND ENVIRONMENTAL DEBTS

25-33% of kindergarten children are vulnerable
Observation 4:
For Intergenerational equity

Family policy must rise in priority

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Yes, adaptations to PSE policy

Usher & CASA:
Re-package much of the “back-end” assistance that supports students with loan remission and tax credits after they have paid their tuition in favour of “front-end” money (like grants) that reduce the expenses that students initially pay.

More info at: gensqueeze.ca/policies
Yes, update CPP in keeping with Ontario Premier…

Milligan & Schirle:
Double yearly maximum pensionable earnings.

More info at: gensqueeze.ca/policies

But acknowledge that pension policy is NOT the primary part of the intergenerational contract that is broken

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But acknowledge that Canadians in their 20s, 30s and 40s are NOT struggling to save for retirement because we are dumber...

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THE DECK IS STACKED AGAINST YOUNG CANADIANS NOW COMPARED TO 1976/77

EARNINGS 
FOR AGE 25-34 ARE DOWN

$42,480  
$46,680

EVEN THOUGH
MORE ARE POST-SECONDARY GRADUATES

67%  
30%

WITH
LARGER STUDENT DEBTS

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$16,000

FACING
HIGHER HOUSING PRICES

$408,068  
$200,797

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So link pension reform to Family policy investment

NEW DEAL for FAMILIES

1. MAKE 18 MONTHS AT HOME WITH A NEWBORN AFFORDABLE FOR PARENTS TO SHARE

2. MAKE CHILD CARE $10/day

THESE POLICIES WOULD SAVE THE TYPICAL FAMILY ABOUT $50,000 OVER THEIR CHILDREN’S FIRST FIVE YEARS
Save $50,000

- **MAKE** 70 HOUR WORK WEEKS AFFORDABLE FOR HOUSEHOLDS & HELP Lone PARENTS DO BETTER
- **PAY OFF** THE AVERAGE STUDENT DEBT & **REDUCE** BY 4 YEARS THE TIME TO SAVE A 20% DOWN PAYMENT
- **GROW** $141,000 IN RETIREMENT INCOME (IF INVESTED AT JUST 3%)

LEAVE AT LEAST AS MUCH AS WE INHERITED

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THE NEW DEAL FOR FAMILIES REQUIRES NARROWING THE GENERATIONAL SPENDING GAP ONLY SLIGHTLY

@gensqueeze
THE NEW DEAL FOR FAMILIES REQUIRES **NARROWING**
THE GENERATIONAL SPENDING GAP ONLY SLIGHTLY

FEDERAL & PROVINCIAL BUDGETS 2015/16 MINUS 2014/15

of which
CPP =+$387
+$991

+$204
<$12,000
Observation 5:
Better Generational Deal doesn’t have to be a Zero-Sum Gain
Reallocate from:
Subsidies to oil, gas, mining, etc.
Prisons
Jets
Roads or bridges
Reverse recent tax cuts

Better Generational Deal doesn’t have to be a Zero-Sum Gain

Price pollution, per Ecofiscal Commission and Sustainable Canada Dialogues
Better Generational Deal doesn’t have to be a Zero-Sum Gain

Progressive property taxes on homes above the median value, with reductions in property taxes below median value.

Efficiencies in medical care, and revisit payment options.
Observation 6:

Canadians in their 20s, 30s and 40s must build political clout

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So long as Canadians 50+
have a strong lobby
Younger Canadians
deserve one too.

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Squeeze Back
Become a Lobby Builder at
genqueeze.ca

Text “Join” to 604-337-0945