

GENERATION **squeeze**

THE SQUEEZE:

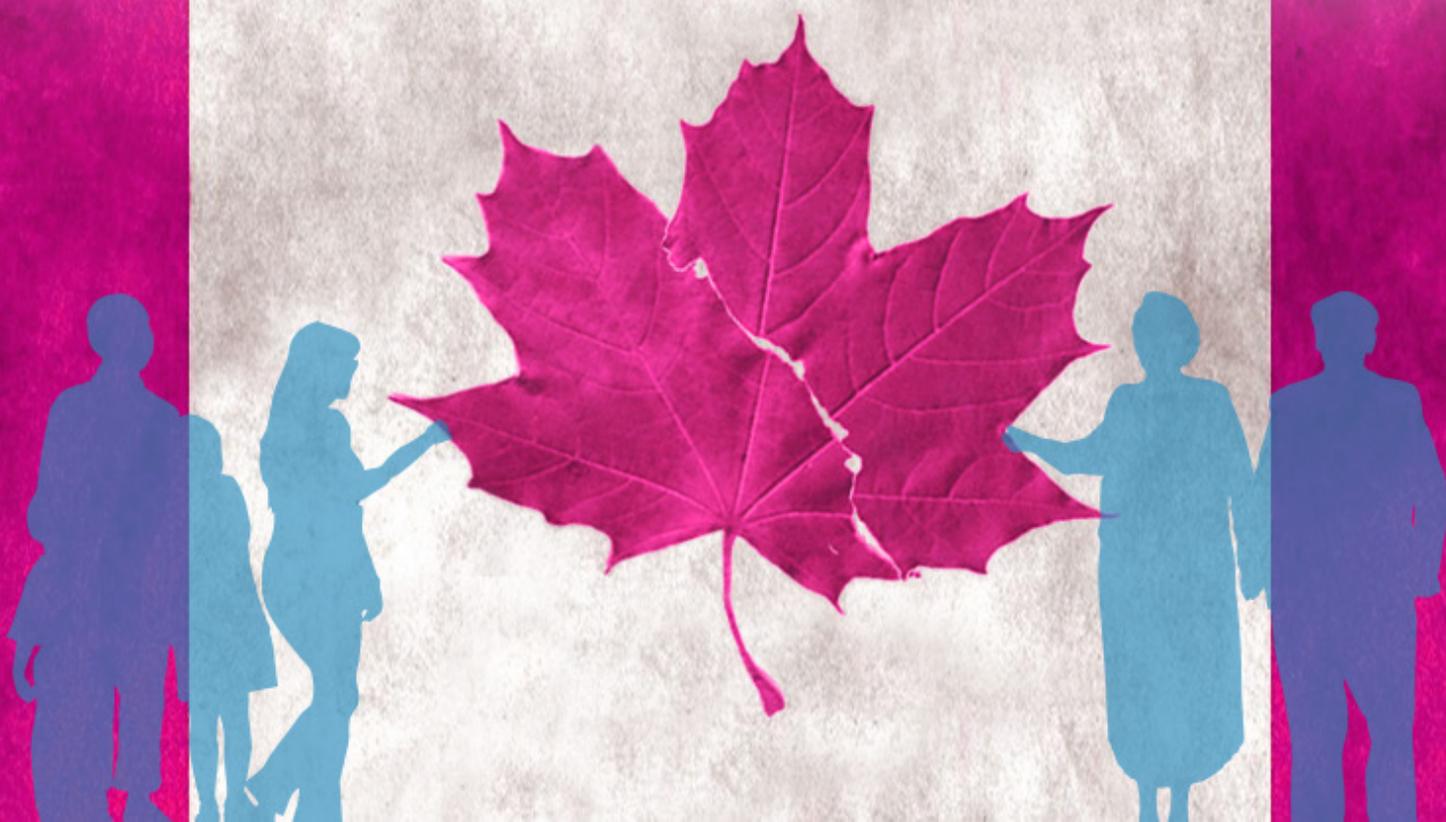
FAST FACTS FOR CANADA'S NEWLY ELECTED MPS

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GENERATION **Squeeze** **Suit up, Spread out, Squeeze back.**

Generation Squeeze is a national, non-partisan, science-based lobby for citizens, not shareholders. We're building a Canada that works for all generations.

The campaign is co-hosted by the Association for Generational Equity (AGE) and the Human Early Learning Partnership in the University of BC School of Population and Public Health, Vancouver, BC.

HUMAN
EARLY LEARNING
PARTNERSHIP



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THE SQUEEZE:

FAST FACTS FOR CANADA'S NEWLY ELECTED MPs

INTRODUCTION

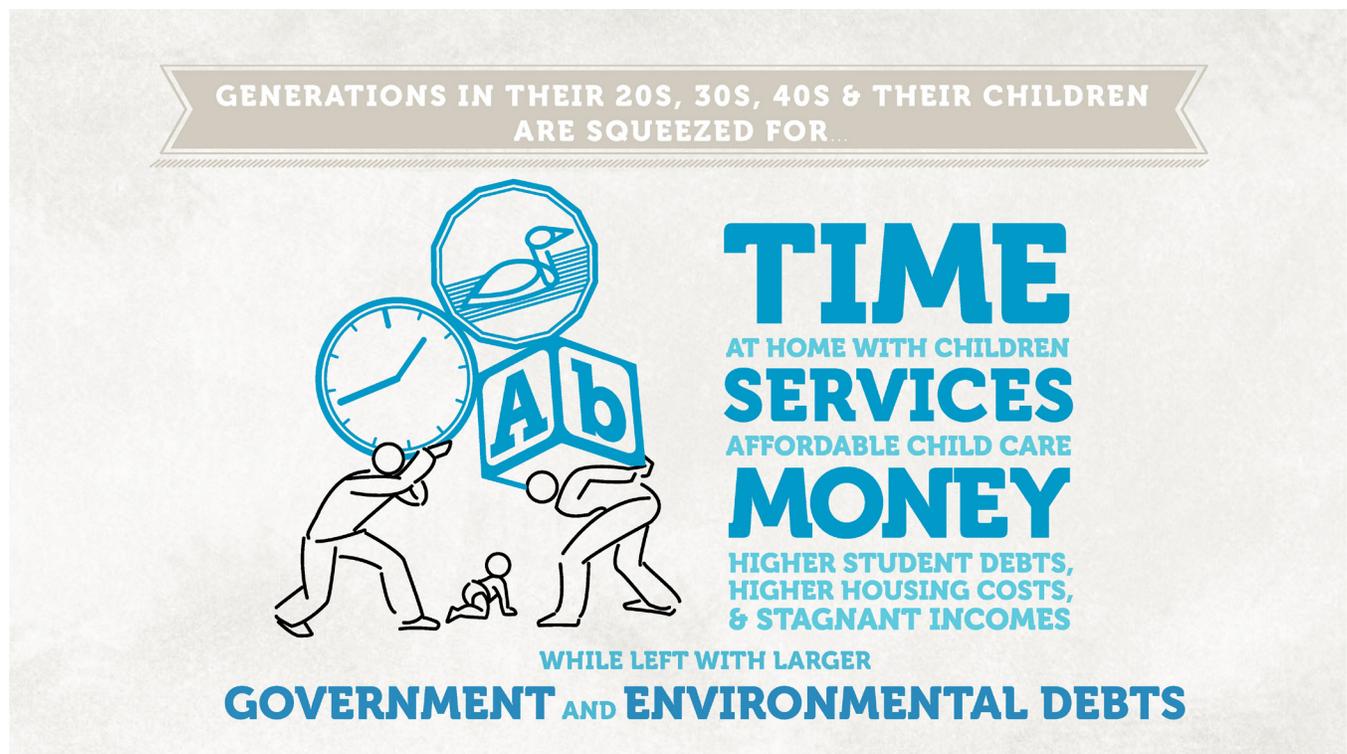
The Generation Squeeze campaign thanks all who ran in the 2015 federal election. Their service to community and country is commendable.

We congratulate all of the elected candidates, and Prime Minister Trudeau and the Liberal caucus on their success.

At the age of 43, and a father of young children, Prime Minister Trudeau is in the Gen Squeeze demographic. It's exciting to imagine the potential our country has to pursue a better generational deal, one that works for all Canadians. As Prime Minister Trudeau repeated so often throughout the campaign, "In Canada, better is always possible." We applaud that sentiment.

THE CHALLENGE

As younger Canadians try to make a life for themselves, they are increasingly squeezed by stagnant incomes and difficulty finding good jobs, high costs for things like housing and child care, too little time at home and mounting debts (including public debts like climate change).



These pressures combine to form a multi-faceted "squeeze" on those in their 20s, 30s and 40s. It also squeezes parents and grandparents who try to help their children and grandchildren adapt by, for example, inviting them to stay at home longer or by assisting with tuition or a down payment on a home.

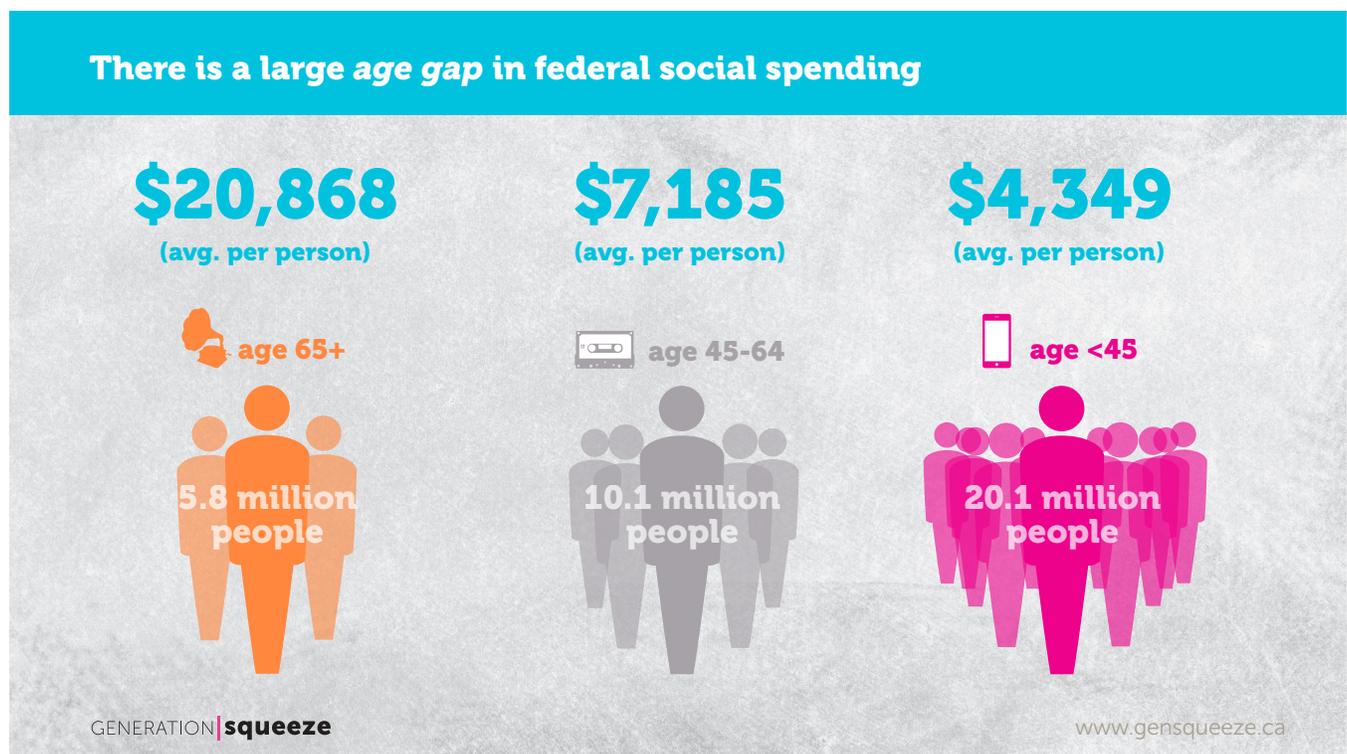
At the University of British Columbia, Generation Squeeze has spent years researching and describing this challenge. For more details on the state of the squeeze in Canada you can:

- Watch a short video: www.gensqueeze.ca/the_squeeze
- Read a detailed report: “Population Aging, Generational Equity and the Middle-Class,” available here: <http://www.bit.ly/GSMiddleClass>

AN INVESTMENT GAP

Many younger Canadians are doing their best to adapt to the multi-faceted challenges described above.

An exacerbating factor – at both the provincial and federal levels – is a relative lack of government investment in younger age groups.



Generation Squeeze has pioneered a methodology to analyze the distribution of social spending by age **in Canada**.¹ Breaking down spending by age reminds all Canadians that we have a proud tradition of building and adapting public policy to solve big problems for entire generations that individuals cannot fix alone. For example, nearly one in three retirees were poor in 1976 – too likely to go bankrupt when sick at a hospital, and too unlikely to stretch income into retirement after a career, especially a career of caregiving. By building our retirement income security and health care systems, seniors now report the lowest rates of low-income of any age group in the country.

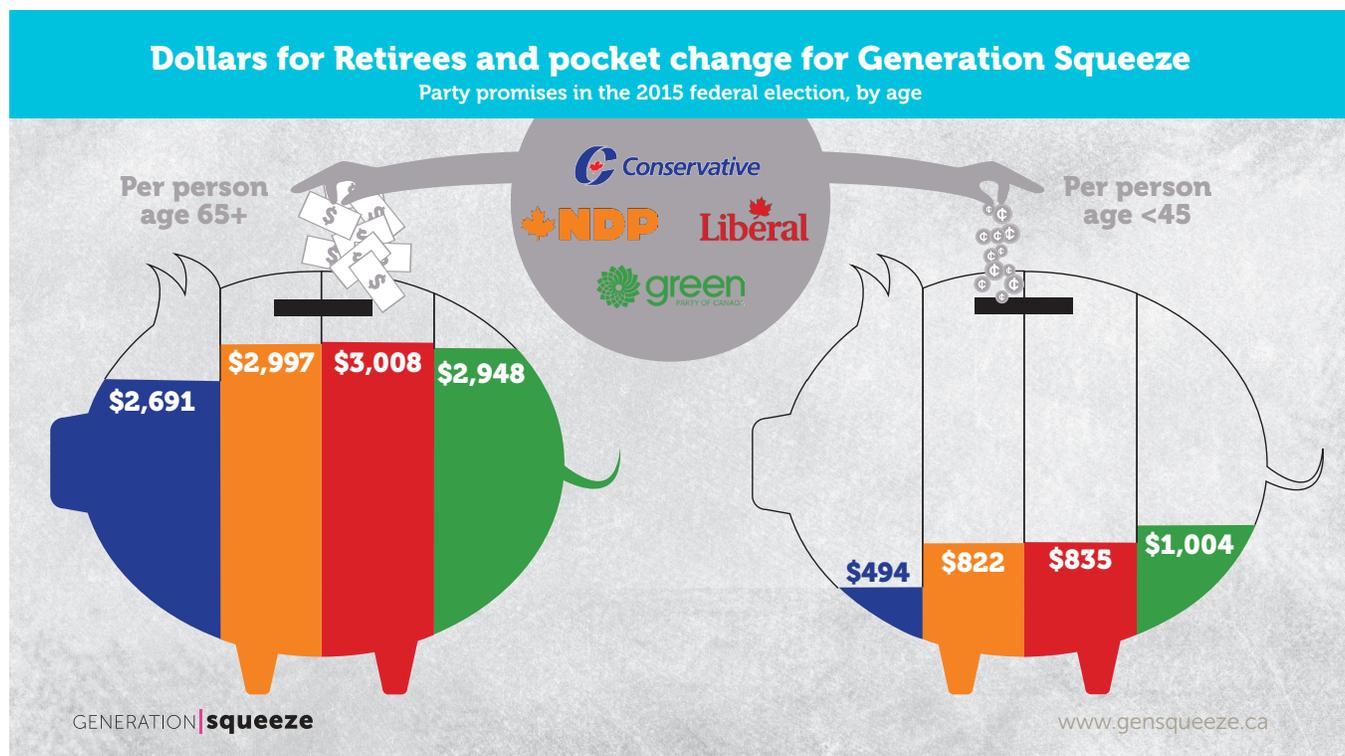
¹ The full report, “Measuring the Age Gap in Canadian Social Spending.” can be downloaded here: <http://www.bit.ly/GSageGAP>

Breaking down spending by age also helps us understand our country's current commitment to intergenerational fairness. This doesn't require equal spending for each age group. Government spending on older Canadians will always be higher than for younger Canadians, because we are all more likely to become ill in our final decades, and we don't expect our parents and grandparents to work while frail or elderly. We want them to have healthy, financially secure retirements.

Instead, intergenerational fairness speaks to the level of urgency we bring to adapting for different generations. Are we finding the right balance in adapting urgently for old and young alike; finding the right balance between investing in earlier and later life stages for each citizen; and finding the right balance between investing in the things that make us healthy and productive, as compared to spending more later on when we fall ill or struggle economically.

The 2015 federal budget invests nearly \$21,000 annually in each per person age 65+; over \$7,000 per person age 45 to 64; and only \$4,349 per person under age 45.²

During the federal election campaign, all four national parties reinforced this pattern. For every new dollar each party proposed investing in retirees, the same parties proposed investing only pocket change in younger Canadians.³ The take-away: although all parties proposed a variety of laudable measures to help younger Canadians get ahead – including many that resembled Gen Squeeze recommendations – the platforms often didn't put enough money on the table to ease the time, money, service or environmental squeeze in sufficiently meaningful ways.



² The full report, "Federal Favouritism: Why does the federal government spend five times more per retiree than per person under 45?" can be downloaded here: <http://www.bit.ly/GSFedFavouritism>. A summary graphic is included.

³ The full report, "By the Numbers: a generational guide to voting in the 2015 federal election," can be downloaded here: <http://www.bit.ly/GSByTheNumbers>. A summary graphic is included.

WISE INVESTMENTS

Obviously, more investment does not always translate into better results. So in addition to analyzing total amounts of investment, Gen Squeeze partners with researchers across Canada to identify the kinds of investments that would be most effective in easing the squeeze on younger Canadians. This includes finding efficiencies in current spending priorities or to reinvest elsewhere.⁴

THE LIBERAL PLATFORM

Better is always possible. From the perspective of intergenerational fairness, here's a brief review of some notable strengths of the Liberal platform, and some opportunities for better.⁵

Notable Strengths

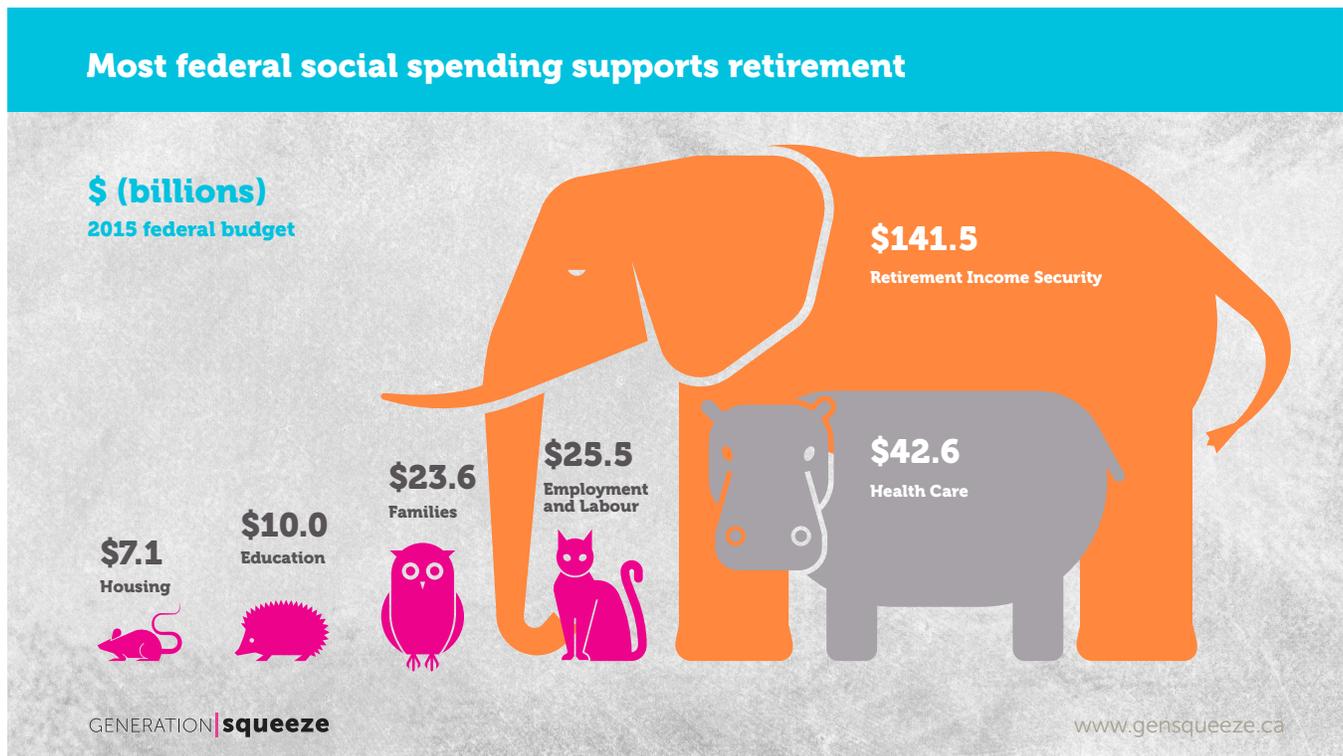
- **The platform is relatively strong at containing medical care spending.** Annual increases to medical care spending have not been buying us better access to doctors, CT scans or better outcomes compared to many countries that spend less. Increases to medical care have crowded out investments in areas like child care, postsecondary, housing and the environment that promote our health. There's a growing consensus that Canada needs to focus on getting better health care results per dollar spent in medical care so that we leave more fiscal room to invest outside of medicine in the things that make us healthy. An ounce of prevention is worth a pound of cure.
- **By containing medical care spending, the Liberal platform retained fiscal room to propose more new spending for families with children than any other party.** Liberal promises for families included ideas resembling all three components of Gen Squeeze's proposed New Deal for Families: (i) extending parental leave to 18 months per household, (ii) investing in child care services, and (iii) offering new opportunities for flextime.
- **The promised review of tax expenditures (a.k.a. boutique tax credits) is timely.** Like any other area of spending, tax credits need to be evaluated on their ability to produce results. Many of these are outdated and cost billions of dollars. These funds could be reallocated to help ease the squeeze on younger Canadians.⁶
- **The Liberal platform painted an inspiring picture of investing in green technology.** Following the scholarly consensus published by Sustainable Canada Dialogues, Generation Squeeze hopes the Liberal government will use its green infrastructure funds to prioritize building East-West intelligent grid connections that allow provinces producing hydroelectricity to sell electricity to their neighbors while taking full advantage of Canada's low carbon energy potential. Hydroelectricity could then be combined with intermittent renewables such as wind and solar energy across the country so Canada relies 100% on low-carbon electricity production by 2035.

⁴ Our current policy recommendations are available here: <http://www.gensqueeze.ca/policies>

⁵ This material draws from the comprehensive platform analyses that Generation Squeeze published in "By the Numbers: a generational guide to voting in the 2015 federal election" available at <http://www.bit.ly/GSByTheNumbers>. Please see the original study for citations and other sources.

⁶ A wide range of these tax expenditures are included in our study: "Federal Favouritism: Why does the federal government spend five times more per retiree than per person under 45?" can be downloaded here: <http://www.bit.ly/GSFedFavouritism>

- The featured education commitment in the Liberal platform is adding \$850 million to the Canada Student Grant program. The Liberals will pay for this increase by eliminating \$925 million in postsecondary and textbook tax credits. **It's an example of spending smarter, which Gen Squeeze encourages across policy areas.** Research has shown that it is advantageous for students to receive financial support in advance of paying their education expenses, rather than make a claim for a tax-delivered subsidy after they incurred the costs.

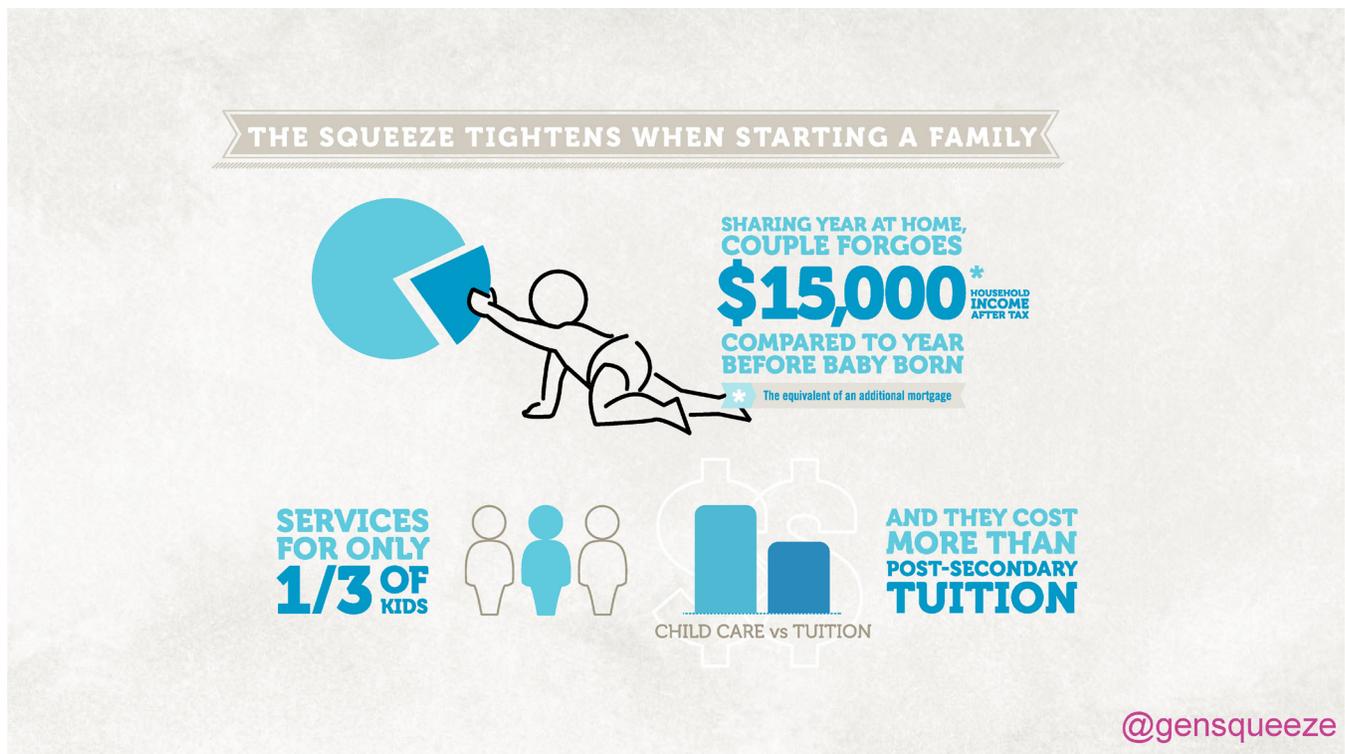


- Still, this policy change will not result in any new net investment in postsecondary by the federal government. It is important for the Liberal government to recognize that federal investments in education are the size of a mole by comparison with the elephant-sized investments in makes in retirement income.

Some opportunities for better

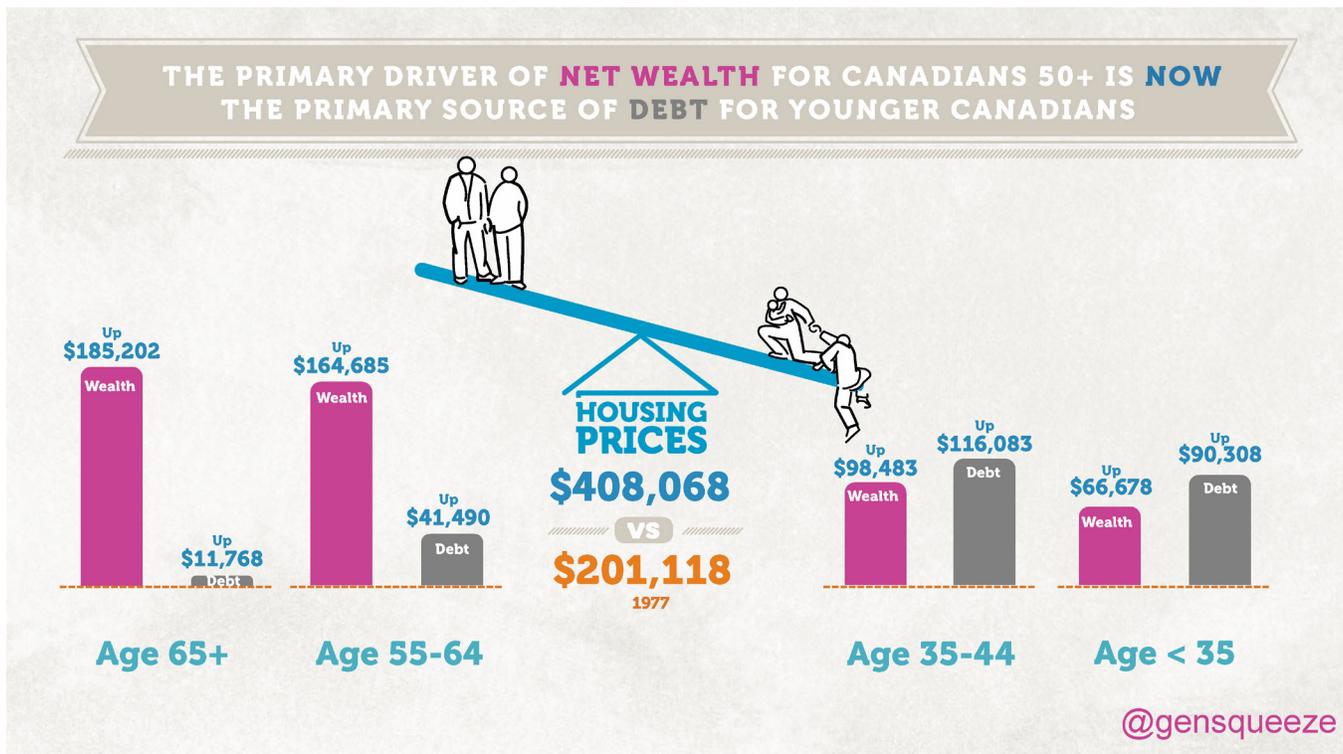
- **The Liberal platform would increase spending on retirees more than any other national party, while investing less in postsecondary and child care than proposed by the NDP and Greens.**
- **The Liberal platform offered fewer details about pricing pollution than did the other opposition platforms.** Pollution is a prominent form of intergenerational debt. Global warming pollution and resultant climate change is one of the costliest debts being handed down to younger Canadians and future generations.
- **The Liberals promise a new National Early Learning and Child Care Framework.** This is important, because child care services typically cost the equivalent of a second mortgage on top of the far higher housing prices that younger Canadians now face. The Liberal platform commitment suffers one major drawback – the level of funding.

- The framework is to be funded from its social infrastructure budget. Assuming $\frac{1}{4}$ of this funding goes to child care services (with the rest going to seniors, housing and culture/recreation), Liberals would allocate \$300 to \$425 million per year for this framework. There remains a large gap between the Liberal investment and the \$10 billion incremental annual cost of a quality national child care system. A sizable portion of the gap could be closed by reallocating \$2.4 billion that Ottawa spends on the spousal and equivalent to spouse credits. The spousal credit is outdated, delivering tax relief to couples where one person doesn't work regardless of whether children are at home.



- **The Liberal promise to expand parental leave is headed in the right direction, but suffers two major drawbacks:**
 - It sticks with a monthly benefit that already doesn't meet international benchmarks set by UNICEF; and proposes letting that benefit drop in value for those who may prefer a longer leave period. This does little to loosen the vice grip in which many young families find themselves caught between time and money pressures. *That's why the Gen Squeeze New Deal for Families proposes increasing the leave benefit value by around \$15,000/year for the typical family with a new baby AND increasing the benefit duration from 12 months to 18 months per household.*
 - Parental leave systems that allow more than 12 months per person result in harmful consequences for women in the labour market: e.g. women segregated into lower paying occupations, and women left on "mommy track" career progressions which reinforce glass ceilings. Together, these reinforce the gender earnings gap. *That's why Gen Squeeze recommends 18 months of leave per household: up to 6 months reserved for moms; up to 6 months reserved for dads; and another 6 months used however families like.*

- **The Liberal promise to support Flextime is also moving in the right direction.** But the Party makes no mention of supporting employers with incentives to organize their HR practices around shorter full-time norms – closer to 35 hours per week averaged over a year, rather than 40. Nor does the Party mention measures that would discourage employers from adapting their HR practices around long full-time hours: eg. 40+/week. Research shows this is a big risk, because previous efforts to introduce more “flexibility” in the labour code have resulted in an emphasis on people working more, not less. The goal has to be to ease the time squeeze.
- **The Liberal proposal for a National Housing Strategy is incredibly important.** Policy adaptations to improve housing affordability tend to focus on shelter for the homeless, and rental assistance for the working poor. These are important parts of Canada’s social safety net that require ongoing attention, and improvement. However, because younger generations earn thousands less for full-time work compared to 1976, while housing prices have gone up hundreds of thousands, the cost of housing now squeezes entire generations of citizens. This means that Canada needs housing policy to ease the squeeze for the vast majority of Canadians in their 20s, 30s, 40s and their children, and improve housing affordability for those most marginalized in the process.



- The Liberal platform is relatively strong at proposing to invest in the supply of affordable housing by committing federal leadership to building more housing units, refurbishing existing ones, renewing current co-operative agreements, and providing operational funding support for municipalities. The Liberals will also conduct an inventory of available federal lands and buildings that could be repurposed, and make some of this land available at low cost for affordable housing in communities where there is a pressing need. And the Liberals promised to incentivize developers to build rental housing stock by eliminating the GST for such projects. All of these commitments align with Gen Squeeze recommendations.

- But there is another area where Liberal housing policy could be strengthened by focusing more on the demand for housing by younger Canadians. Policy needs to support younger Canadians to pay for the housing options that currently exist. The \$5 million that Liberals allocated to support home buyers borrow from their RRSPs is insufficient for this purpose. Plus, many younger people aren't able to save much in RRSPs because we make thousands less for full-time work, start with larger student debts, and pay child care costs that are higher than university tuition.
- The federal government should therefore explore policy mechanisms that would progressively tax properties priced above the median value in municipalities, especially big cities. These taxes would contribute a cooling mechanism at the top end of the housing market. They would also allow governments to collect new revenue required to invest in first time home buyers, while ensuring that child care services don't cost the equivalent of a second mortgage, or parental leave the equivalent of a third. The key is to save Canadians money when they are young so that they are in a better position to deal with lower incomes and higher housing costs. The savings don't always need to come via housing policy specifically.

ONE SIMPLE RECOMMENDATION

The Government of Canada does not currently report how federal spending breaks down by age. As a result, parliamentarians cannot easily assess whether the government is finding the right level of urgency when investing in young and old, or the right balance between investing earlier in each citizen's life compared to later.

As an easy first step towards a better generational deal, we recommend the Government of Canada adopt a mechanism to regularly report the age distribution of government spending.

For example, with a negligible investment in staff time, this could be undertaken by the Parliamentary Budget Officer in conjunction with each federal budget. Or it could be performed by Statistics Canada as part of the Liberal promise to make the agency fully independent and with an expanded mandate to provide a broader range of information.