

Canada is not doing right by its under-45 citizens ^[1]

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EXCERPTS:

Many in Canada are growing nervous about the risk of intergenerational tension. Regrettably, last week's federal budget stokes these fires.

Although there was lots of talk about generations surrounding the budget, none of it engaged adequately with the social, economic and environmental trends that make intergenerational inequity a real problem in Canada. Instead, Conservatives co-opted generational language to shrink government, while the opposition distorted it to defend much of the status quo. Lost in the middle are generations of Canadians under age 45, whose standards of living don't approximate what Canadians in, or near, retirement inherited back in the late 1960s to mid-'70s.

Canadians age 54 and older were not asked in last week's budget to change their retirement expectations. I can be convinced this makes sense, given how close this group is to retiring. I am especially sympathetic toward those in the 54-64 cohort who struggle with low incomes.

However, it is precisely 54-64-year-olds in Canada who have, on average, witnessed their incomes rise by 18 per cent compared with those approaching retirement a generation ago. Plus many in this group gained far more wealth from the dramatic rise in the value of their homes. Although it may be sensible not to ask this group to adapt their retirement expectations, we can still acknowledge that it is another example of how they have lucked out in the lottery of good timing.

By contrast, younger Canadians have unlucky timing, asked to accept retirement at age 67 instead of 65. This change comes despite the fact they are already squeezed for time at home because it takes two earners today to keep pace with what one salary often paid for a generation ago. They are also squeezed for income, because stalled earnings must cover far higher housing prices, child care services that cost the equivalent of a second mortgage and student debts that are larger today than in the '70s.

To be clear, I don't think the 2012 federal budget commits an inter-generational assault simply because changes to Old Age Security (OAS) mean that the generations following boomers must now work longer. But an assault does occur when no political party proposes to use the savings generated by legislating younger Canadians to perform more years of work in order to build a better policy deal for Generation Squeeze.

Prime Minister Harper's team invokes generational language with the narrow intention of curtailing spending to reduce government deficits. Conservatives are right that generational fairness requires us to eliminate the deficit sooner than later. Deficit financing makes sense during an economic downturn, but sustained indefinitely, it asks future generations to pay for today's consumption. This is precisely what boomers did over their adult lives. Back in 1976, municipal, provincial and federal debts amounted to just 26 per cent of the Canadian economy. Today, as boomers retire, it is closer to 50 per cent.

However, generational equity is not promoted when we use debt reduction as a reason to reduce government spending generally. Younger Canadians need new policies to address their time squeeze at home and their service squeeze because few can find or afford child care on top of paying for more expensive housing and tuition. Emphasizing deficit reduction at the expense of building New Mom and New Dad benefits along with \$10/day child care services just hurts the very younger generations that a concern to eliminate debt is supposed to help.

Unfortunately, the new Opposition leader, Thomas Mulcair, didn't do much better when talking about the generational implications of the federal budget, even though he said it leaves "a triple whammy debt to future generations. They are inheriting the largest ecological, economic and social debt in our history."

To be fair, Mulcair is right ecologically. The 2012 budget risks weakening habitat protection and further diminishing Canada's concerns about global climate change in order to prioritize the short-term growth generated by resource extraction. This budget expects Canadians under age 45 disproportionately to deal with future environmental costs.

While on track environmentally, Mulcair's focus on the status quo for social policy reinforces a bad generational deal. He emphasizes that OAS is sustainable as it was before the budget. He is correct, if we are willing to allocate an additional 0.7 per cent of GDP by 2030. In today's dollars, it would mean spending another \$12.4 billion annually. Mulcair also charges the Conservative party with failing on medical care, even though federal transfers to the provinces and territories will rise another \$9.1 billion annually by 2016-17.

The increase to OAS that Mulcair implies is necessary, along with the budget increase to medical care that he suggests is too small, add up to nearly \$22 billion a year; \$22 billion is exactly the amount needed to pay for a New Deal for Families.

Before the official Opposition claims it is on the right path by defending status quo policy trajectories, we need to ask if there are better ways to spend that \$22 billion. This question is important because the only escape from either/or spending trade-offs is to increase taxes. At present, Canadians express little appetite for raising taxes, notwithstanding Doctors for Fair Taxation (<http://doctorsforfair-taxation.ca/>).

When considering our priorities for \$22 billion in spending, here's a reality check. International organizations like UNICEF critique Canada for being among the worst industrialized countries in supporting the generations under age 45 to start young families. By contrast, we are not critiqued for our limited investment in old age security or medical care. Since 1976, Canadians reduced the poverty rate among seniors from 29 per cent to five per cent - half what it is for kids today. We also increased our public investment in medical care by about \$45 billion annually, even as we reduced total government revenue by \$90 billion.

Given these trends, it behooves all citizens to question why the next available dollars for social spending should go to policies that are already relatively strong in Canada. In the spirit of medical triage, there is good reason to prioritize a remedy for our far greater policy failure: We have yet to address the declining standard of living for generations under age 45.

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