It's time to help young Canadians bear the burden of higher costs [1]

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EXCERPTS

It's distressing enough that young Canadians are falling further behind their parents and grandparents, in income and opportunity.

But governments may be worsening the generational divide by directing the bulk of their limited resources at the people who need it least - seniors.

The latest example is Ontario's plan for an enhanced Canada Pension Plan, set to take effect in 2017.

Intergenerational inequality might be tolerable when the population of working Canadians vastly outnumbers retirees.

But that's not where we are headed. The generation of worker bees is in the midst of a long and unstoppable decline. By 2030, when the youngest of the Baby Boomers reaches retirement age, nearly one in four Canadians will be 65 or older, up from roughly 15 per cent now, according to projections by Statistics Canada. And the working-age population - those aged 15 to 64 - will fall to 60 per cent of the total and stay there, down from near 70 per cent today.

The result is that we are leaning on already financially stressed workers to pay for more of everything we expect from government, including Medicare, Old Age Security, education and a vast array of social services.

"Canadians are a personal responsibility people," pointed out Paul Kershaw, a professor at the University of British Columbia's School of Population and Public Health. "We want to pay for what we use. We don't want to leave our bills for our kids and grandchildren," Prof. Kershaw said.

And yet we are short-changing younger workers, according to Prof. Kershaw, who has just released new research on the "age gap" in social spending. Ottawa and the provinces now spend between $33,321 and $40,152 annually for everyone age 65-plus - the majority of which is paid out of general revenues. That's roughly three times what governments spend on 45- to 64-year-olds, and nearly four times the resources dedicated to those under 45.

Some of that inequity is entirely rational. Older Canadians consume more health care and deserve income support in retirement.

Canada spends generously compared to its wealthy OECD peers on health and education, but it's near the bottom on family-centric policies, such as paid parental leave and daycare.

Ontario's proposed Retirement Pension Plan (ORPP) - a mandatory forced savings plan for people without workplace pensions - is another example of inadvertent age discrimination, according to Prof. Kershaw. Younger workers, he said, are "already squeezed for money" because they earn less, and they are paying far more than previous generations for housing, education and child care.

"Where the hell are the young people going to find that money?" Prof. Kershaw wondered.

Josh Hjartarson, vice-president policy and government policy at the Ontario Chamber of Commerce, agreed that too much public policy is being directed at seniors.

"This is a blanket approach to a very narrow problem," Mr. Hjartarson said.

A relatively small percentage of Canadians aren't currently saving enough for retirement - mainly middle and high-income earners who don't have defined benefit workplace pensions, according to a brief prepared by the chamber for submission to Ontario's Ministry of Finance.
Citing a recent study by McKinsey & Co., the chamber pointed out that 83 per cent of Canadian households are on track to be able to spend at least as much as they are now when they retire.

The chamber worries the pension scheme will "penalize" businesses.

Just as relevant is the burden it will place on a workforce that is already falling further behind financially. The income gap between older and younger workers has expanded massively since the 1980s, leaving today's twentysomethings the first generation to be worse off than their parents.

Based on an analysis of nearly three decades of income tax data, a recent Conference Board of Canada study found that the average disposable income of 50- to 54-year-olds is 64 per cent higher than 25- to 29-year-olds, up from a gap of 47 per cent in the mid-1980s.

And while younger workers are earning relatively less than their parents did, they are facing a host of costs that are vastly higher. High house prices are a boon for retirees, but they can be an anchor or a barrier to entry for younger workers.

Governments would get the biggest bang for their buck by shifting some of the focus to the needs of younger workers, through enhanced paid leave and investments in daycare, Prof. Kershaw argued.

The goal is laudable: Treat the next generation as a precious and increasingly rare resource.

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