Baby boomers living good life, while their children struggle

From 1976 to 2010, median household income increased by only $3,000

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BRUCE EDWARDS, THE JOURNAL

Professor Paul Kershaw gives a presentation on how young families get the short end of the stick while their baby boomer parents are retiring well off.

We've heard it so often. In this wealthy province, there's prosperity for all. Right?

Take another look, says Paul Kershaw. Alberta has a bad case of "generation squeeze," just like every other province, even though the years of oil booms have given higher incomes to Albertans.

The growing gap between rich and poor in Canada gained recent attention with the Occupy Movement and, last week, an Organization for Economic Co-operation and Development study that confirmed inequality is rising in Canada.

But Kershaw, an associate professor in the Human Early Learning Partnership at the University of British Columbia, has a different take. While most analysts talk about a wage gap, Kershaw, who spoke recently in Edmonton, sees a generation gap. Aging boomers are facing retirement on the best incomes ever seen while their children are raising families on incomes that stalled in the 1970s.

It's an approach critics say plays one generation against another. Kershaw is not blaming boomers.

"I'm just shining light on these trends so Canadians can see whether they like them," says Kershaw, a professor of public policy in UBC's College for Interdisciplinary studies, and expert on family policy.

He examined household incomes in 1976 and compared them with incomes of young couples today, and adjusted for inflation. In Canada, young couples today have household incomes only slightly higher — five per cent — than young couples in 1976. Median household income in 2010 was $68,580, up $3,000 from $65,360 in 1976.

Even that small increase isn't because wages went up, but because women went into the workforce, he says. Wages actually stalled.

Meanwhile, housing costs rose an average 76 per cent and daycare costs these days are like a second mortgage — when you can find it.

In Alberta, young couples did a little better. In 2010, young families had household income about 12-per-cent higher than in 1976 — $9,000 more — an increase also due to many more women in the workforce. (In 1976, 54 per cent of women worked, now it's about 82 per cent.)

Housing prices went up 58 per cent. (In B.C., they rose a whopping 149 per cent, the biggest jump in Canada during the period.)

That means, in many instances, it now takes two incomes to finance a household, and you're still falling behind where your parents were in the 1970s.

Now, look at the baby boomers who are about to retire, Kershaw says.

At ages 55-64 in Alberta, they have incomes 33-per-cent higher than those in the same age group facing retirement in 1976. (Across Canada, that increase is 18 per cent over those facing retirement in 1970s.)

In addition, boomers' houses today are worth much more than houses in the 1970s, a factor that adds to the generational imbalance.

"This is about an entire generation raising children and falling behind. Basically, your standard of living depends on when you were born, and the boomers won the lottery on that front," he says. "They were working when real wages were higher and housing was cheaper.

"While the boomers retire richer than any generation before, their grandchildren are growing up in families that are poorer than they were."

It's not just about income, the younger generation is poorer also because it has less time at home with the family, he says.

That time squeeze undermines a basic Canadian value — that time with family is fundamental, he says.

People aged 24-45 work longer hours than any other age group "so you can't blame a lazy generation" for the income decline, he says.

What Canada needs is to do is give time back to these parents, and Kershaw has a plan for that.

His message — that Canada doesn't work for all generations — has some appeal, says Franco Savoia, CEO of the Edmonton YMCA.

Savoia sees the problem every day.

Working parents don't have time to bring their kids into the YMCA for swimming lessons, so grandparents are doing it, he says.

If you don't have grandparents in town, as many don't, "that's really tough," he says. So kids are missing out. "If you want to reduce social problems, you need to start with young families."

It's also clear there's a business case for reducing work and life stress on the younger generation, he says. Businesses pay the costs in absenteeism, employee turnover and health benefits — about $5 billion a year, some estimates suggest.

"We're an employer, too," says Savoia, adding that the Y is struggling with how to deal with it. But he'd like to get a community response to these issues.

John Kolkman of the Edmonton Social Planning Council says Kershaw's model is "thought-provoking," but has reservations about the generational model.

The younger generation is also benefiting from social policies the boomers pushed for — for instance, better parental leave, he notes.

In the 1970s, mothers got 17 weeks maternity leave with EI benefits and no guarantee your job was kept for you.

"Now, it's 50 weeks, either parent can take it and they have to keep your job for you," he says.

Wendy Armstrong, a health policy analyst with expertise in elder care, agrees that work and life stress has grown as two-income families became a requirement to maintain a middle-class lifestyle. These families also take on more debt, adding to stress, she notes.

But it's not all roses for boomers when they move on to take their pensions, she says.

"While the pre-retirement income of many Albertans may be high, fewer retirees have private pensions in Alberta and investment income is limited," says Armstrong.

Also, elder care is growing more costly, in fact many young families have to help provide for their aging parents, she says.

"There's no real trade off here. The real culprit is the dramatic drop in revenue to fund programs originally designed to support citizens through all stages of life," Armstrong.

"We're all going to be young parents and then get old. We need policy that works for everyone."

That's true, says Kershaw, but social policy needs some tweaking to level the generational playing field.

That might not be easy to accomplish.

A poll done on the basis of Kershaw's premise of generation squeeze found a high level of agreement from all age groups that younger families face a bigger time pinch and higher housing costs.

Kershaw has some ideas on how to help young families.

In his New Deal for Families, Kershaw starts with a flextime proposal to give more family time for working couples.

He proposes incentives for employers to reduce the work week to 35 hours for the large number of employees — men mostly — who work more than 40 hours a week.

It means a couple might take home less money. That's why it's important to combine this with low-cost daycare — $10 a day, he suggests. That would offset the loss of income under flextime, says Kershaw, adding that low income families would be protected.

Just to put it all in perspective, Canadians work 300 more hours each year than people in Holland, Germany and Norway — for the same average income.

The total cost of his new deal — a new flextime program, 18-month parental leave and $10-a-day daycare — is $22 billion. But Kershaw puts the generational spin on it — that's about one-sixth of medicare, and one-third of what Canadians pay for Old Age Security and RRSP subsidies each year.

In 1976, in Alberta, 26 per cent of seniors lived in poverty, now it's about two per cent. That's partly due to good public policy like public pensions, RRPS and good health care.

"We need to repeat that success story for young families," says Kershaw.

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AVERAGE COST OF CANADIAN HOUSING ADJUSTED FOR INFLATION ($)

	Canada	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
THEN 1976	192,390	202,635	223,448	144,097	145,618	203,234	128,984	136,953	156,604	90,829	141,007
NOW 2010	339,045	505,178	352,301	242,258	222,132	342,245	248,699	157,240	206,186	147,196	235,341
% change	76%	149%	58%	68%	53%	68%	93%	15%	32%	62%	67%

Source: All data from the Canadian Real Estate Association, except Quebec 2010. Quebec "Then" figure is from 1980. Source is the CREA. The 2010 figure is QFREB by Centris. The Quebec Federation of Real Estate Boards uses a different methodology to calculate average housing prices in that province. Newfoundland "Then" figure is from 1977. Source is CREA. The Territories are not included in the analysis due to insufficient data.

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>
> Paul Kershaw, UBC professor

MEDIAN HOUSEHOLD INCOME ADJUSTED FOR INFLATION ($), CANADIAN COUPLES AGES 25-34

	Canada	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
THEN '76-'80	65,360	72,820	70,780	62,720	59,660	67,540	61,300	53,380	55,900	54,060	51,660
NOW '05-'09	68,580	68,600	79,080	66,300	63,100	72,920	63,440	59,280	56,400	56,920	61,580
% change	5%	-6%	12%	6%	6%	8%	3%	11%	1%	5%	19%

Source: Statistics Canada, CANSIM Table 202-0404, Total income, by economic family type, age group and income source, 2009 constant dollars, annual

THEN & NOW: