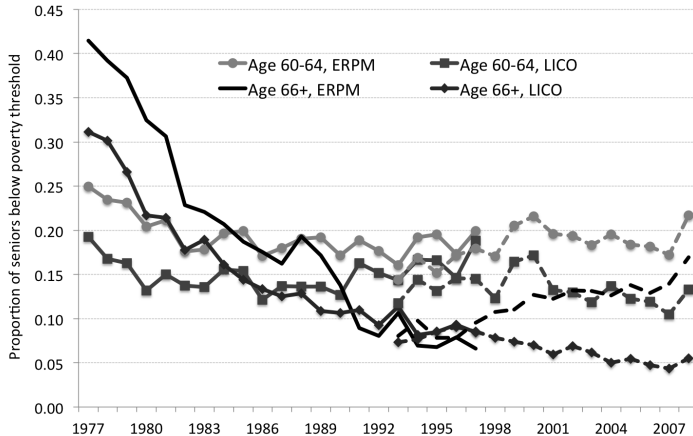


The Growing Gap: Incomes of Seniors and the Working Age Population in Canada

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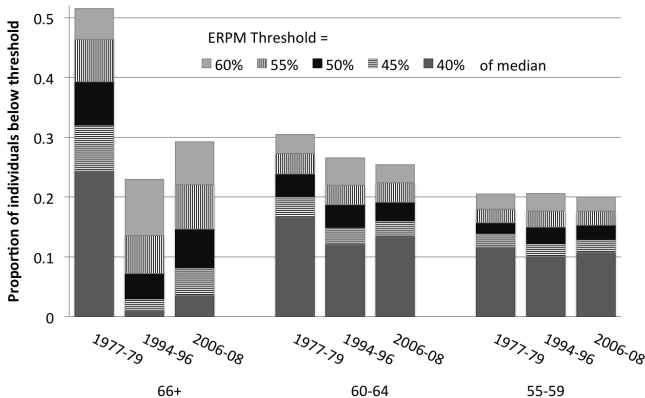
October 3, 2013
Waterloo
CRDCN 2013 National Conference

Motivation



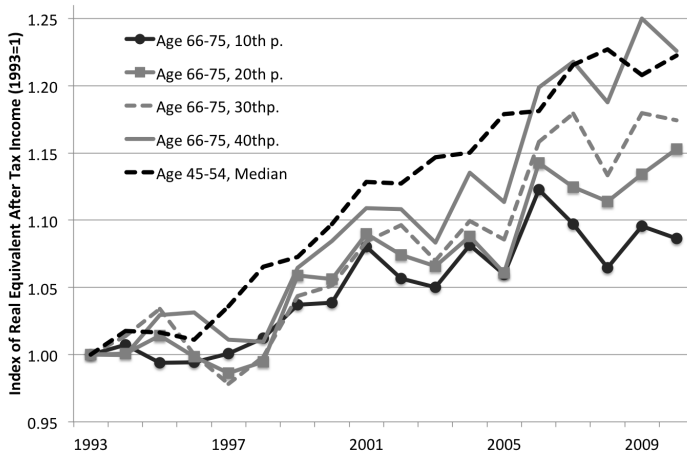
Schirle, T. 2013. "Senior poverty in Canada: A decomposition analysis." *Canadian Public Policy*, December 2013.

Motivation



Schirle, T. 2013. "Senior poverty in Canada: A decomposition analysis." *Canadian Public Policy*, December 2013.

Underlying increases in senior poverty rates - AT income

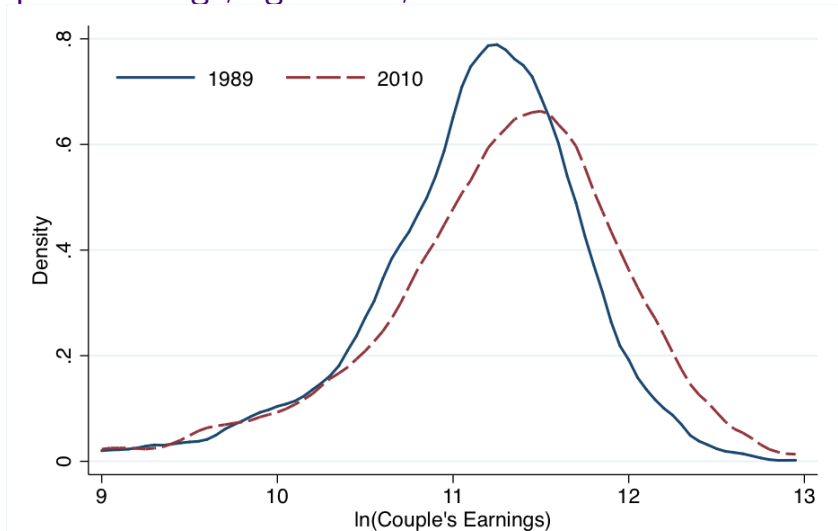


Retirement Incomes

- Fixed incomes, not subject to business cycle fluctuations
- Longevity risk - focus on 66-75
- Permanent income - earnings while working largely define your income in retirement
 - Finnie, Gray and Zhang (2013, CLSRN no. 115)
 - Finnie and Spencer (2013, CLSRN no. 114)

I look at those factors that define permanent income - cohort differences

Couples' earnings, age 45-54, 1989 and 2010



Couples' Characteristics, Husband age 45-54

	1989	2010	2010-1989
Ln(Couple Earnings)	11.12	11.27	0.15
Ln(Eq. Income AT)	10.69	10.78	0.09
Husband			
Years Education	12.32	13.73	1.41
Age	49.15	49.47	0.31
Canadian Born	0.75	0.74	-0.01
English MT	0.56	0.55	-0.01
Full time	0.83	0.75	-0.08

Couples' Characteristics, Husband age 45-54

Wife	1989	2010	2010-1989
Years Education	12.02	13.73	1.71
Age	46.43	47.60	1.17
Canadian Born	0.77	0.75	-0.02
English MT	0.57	0.55	-0.02
Full time	0.48	0.54	0.06

Methods

- Oaxaca-Blinder type decomposition
- Various quantiles, focus on the median
- Unconditional Quantile (UQ) regressions and decomposition methods of Fortin, Firpo and Lemieux, 2009.

- Portion of the increase in median earnings due to:
 - Changes in characteristics - Explained
 - Changes in earnings structure - Unexplained

Model and decomposition results

	2010		1989		2010-1989	
Median	11.355		11.186		0.169	
	UQ Regression				Decomposition	
	Median Ln(Couple Earnings)				Results	
	Coef.	RSE	Coef.	RSE	Explained	
Husband						
Years Education	0.035	0.006	0.08	0.009	0.049	*
Age	0.003	0.006	-0.01	0.008	0.001	
Canadian Born	0.057	0.054	0.106	0.065	-0.001	
English MT	0.069	0.048	0.019	0.069	-0.001	
Full time	0.147	0.035	0.206	0.047	-0.012	*

	2010		1989		2010-1989	
	UQ Regression				Decomposition	
	Median Ln(Couple Earnings)				Results	
	Coef.	RSE	Coef.	RSE	Explained	
Median	11.355		11.186		0.169	
Wife						
Years Education	0.04	0.007	0.056	0.01	0.068	*
Age	-0.002	0.004	0	0.005	-0.002	
Canadian Born	0.04	0.055	0.149	0.07	-0.001	
English MT	-0.006	0.05	0.056	0.068	0.0001	
Full time	0.239	0.028	0.2	0.04	0.014	*
Couple						
Urban	0.186	0.025	0.064	0.041	-0.006	*

Is the increase in senior poverty a policy concern?

- Most of the increase in median earnings of age 45-54 due to higher education - productive characteristics
 - $(.05+.07)/.17$
- Part of it may be due to past gender discrimination in labour market
 - Opportunities for full time work have improved over time
 - Incentives to obtain higher education
 - Median couples' earnings may have been 3-4% lower than observed had gender based discrimination not changed
- Apply to ERPM (\downarrow to 48% of median)
 - \downarrow 2010 senior poverty by ~ 2.5 pct. pts.
(1/3 of increase since early 1990s)
- May need to consider reallocation of labour within the household - men working part-time, secondary earners, offsets this.