The Evolution of Elderly Poverty in Canada

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Elderly Poverty

Motivation:

Huge changes in sources and composition of income of the elderly over the last 35 years:

- Typical 70 year old in 1971:
  → OAS, husband RPP, or maybe a little GIS.

- Typical 70 year old in 2006:
  → Now add CPP, RRSP, wife RPP, or maybe big GIS

Elderly Poverty

Question:

How have these changes in income changed elderly poverty in Canada?

To answer the question, I do four things:

- Extend and update time series on elderly income poverty for years 1973-2003.
- Create a special measure for <u>elderly</u> poverty.
- Calculate and contrast measures of consumption poverty.
- Examine evolution of the <u>age structure</u> of poverty.

Methods:

I focus on 'headcount' measures of poverty.

- Find proportion of families under some line.
- Alternative measures look at income gap, depth, intensity.

Relative vs. Absolute measures
- Relative measures compare wellbeing to others in society.
- Absolute measures compare wellbeing to some 'objective' standard.
    $\rightarrow$ But what goes into the standard may depend on others in society.

Poverty and attribution
- Statistics Canada doesn't use the word 'poverty' in the absence of legislative guidance.
- I do use the word – so its use should be attributed to me and does not reflect Statistics Canada's opinion.

Four head count measures:

1. Low Income Measure (LIM) – Statistics Canada

     → Line set at 50% of median 'adjusted' income, where adjustment is for family size.
     →Purely relative measure.

2. Low-Income Cut offs (LICO) – Statistics Canada

     → Calculate share of average family income spent on food clothing shelter.
     → Add 20%, and call this the LICO.
     → Since the basket of goods is constant through time, it has aspects of an absolute measure.

3. Market Basket Measure (MBM) – HRSDC / Statistics Canada

→Generate basket of goods for a 2 parent 2 child family.
→ Compare family income to this cutoff.
→ Not appropriate for elderly families; not available for prior years.

4. Senior Relative Poverty Measure (SRPM)

→ Find the median for the wellbeing measure among <u>working age</u>.
→ Set line at 50% of this median.
→ Compares the elderly to a group that does not contain them.
→ Can be used for any measure of wellbeing, not just income.

Methods

Data employed:

Income data:

- Use economic family data (same residence; related by blood or adoption).
- After-tax family income; adjustments using Statcan equivalence scale.
- Survey of Consumer Finances (SCF) 1973-1997.
- Survey of Labour and Income Dynamics (SLID) 1996-2003.

Methods

Consumption data:

- Try three measures of consumption:
  - Non-durable consumption
  - Non-durable plus imputed housing
  - Total current consumption.
- Adjust for family size.
- Survey of Family Expenditure (FAMEX) 1969-1996.
- Survey of Household Spending (SHS) 1997-2004.

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Results

Graphical analysis:

- Go through income analysis, followed by consumption.

- Plot graphs through time to see evolution.

- SCF/SLID and FAMEX/SHS splits shown in different colours.

Figure 1: After Tax Income Percentiles
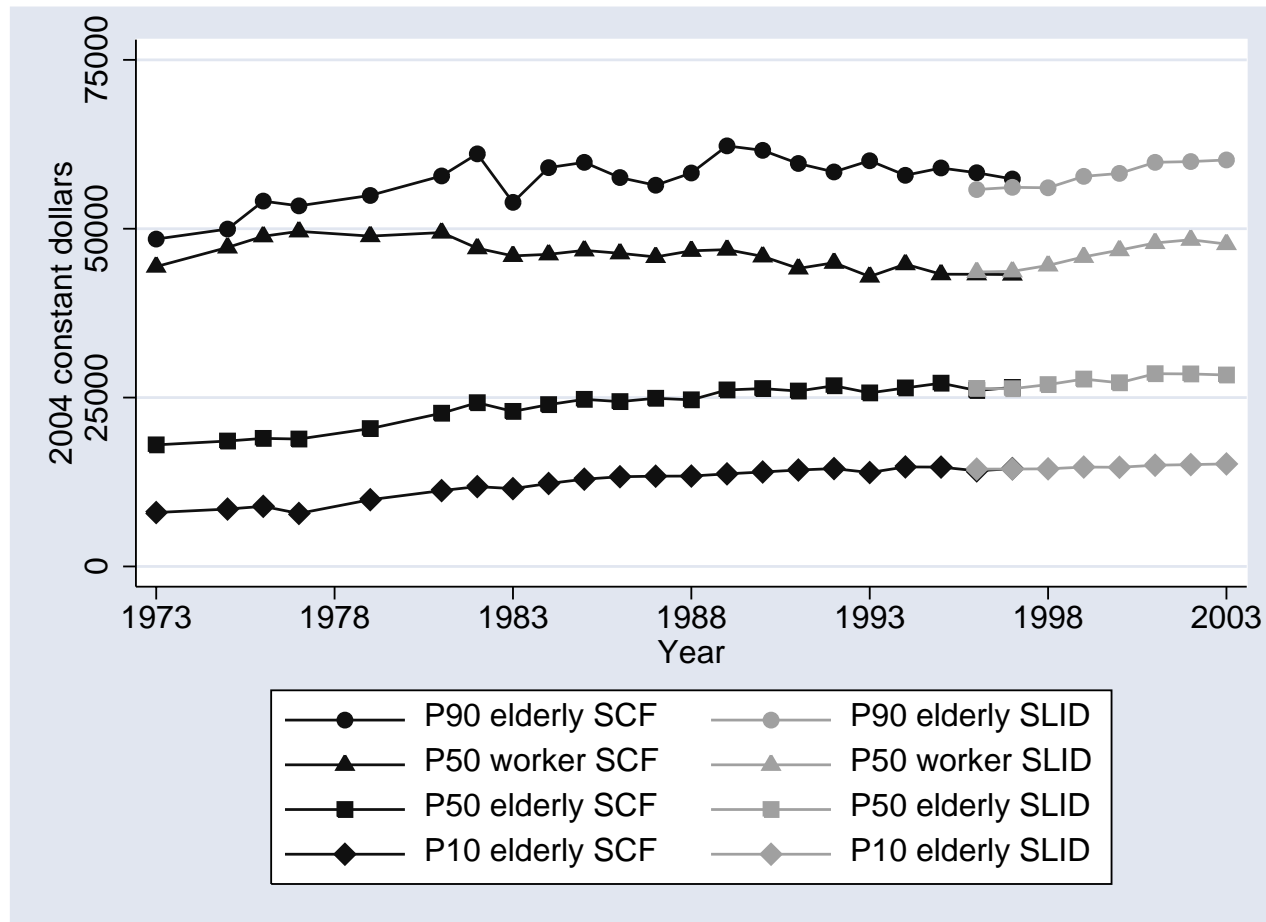
Figure 2: After-tax Income Percentiles, Relative to 1973
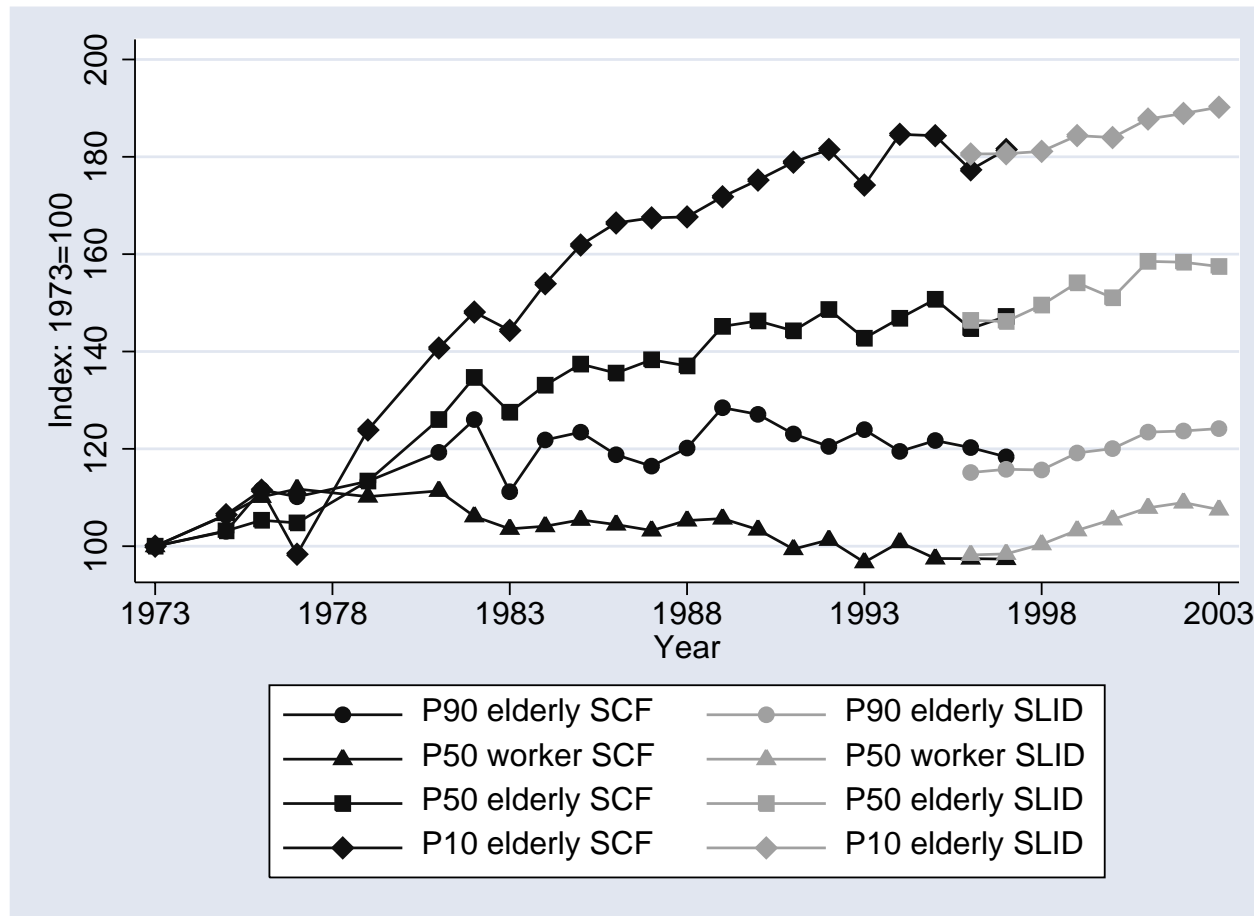
Figure 3: Income Cutoffs
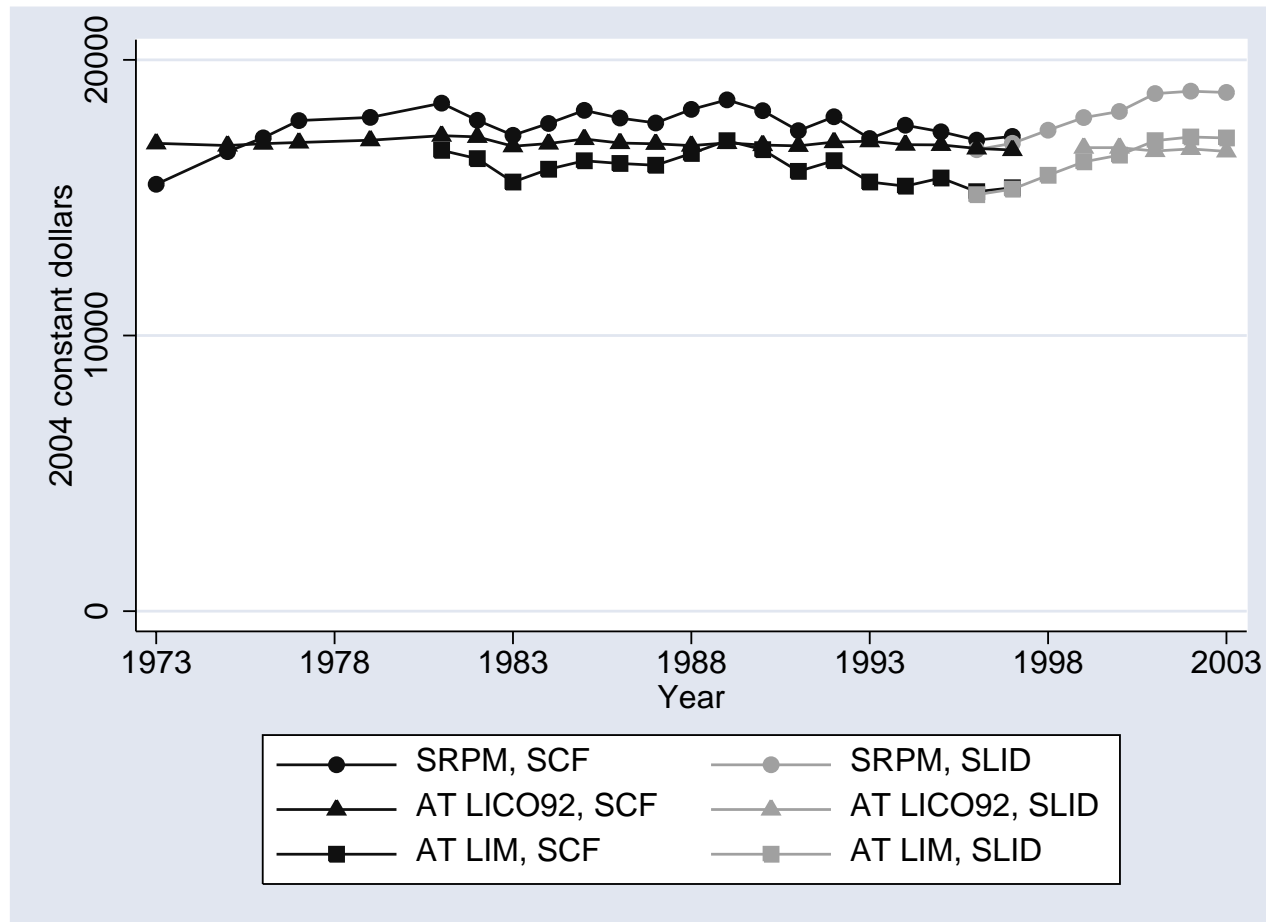
Figure 4: Survey-reported Low Income Rates
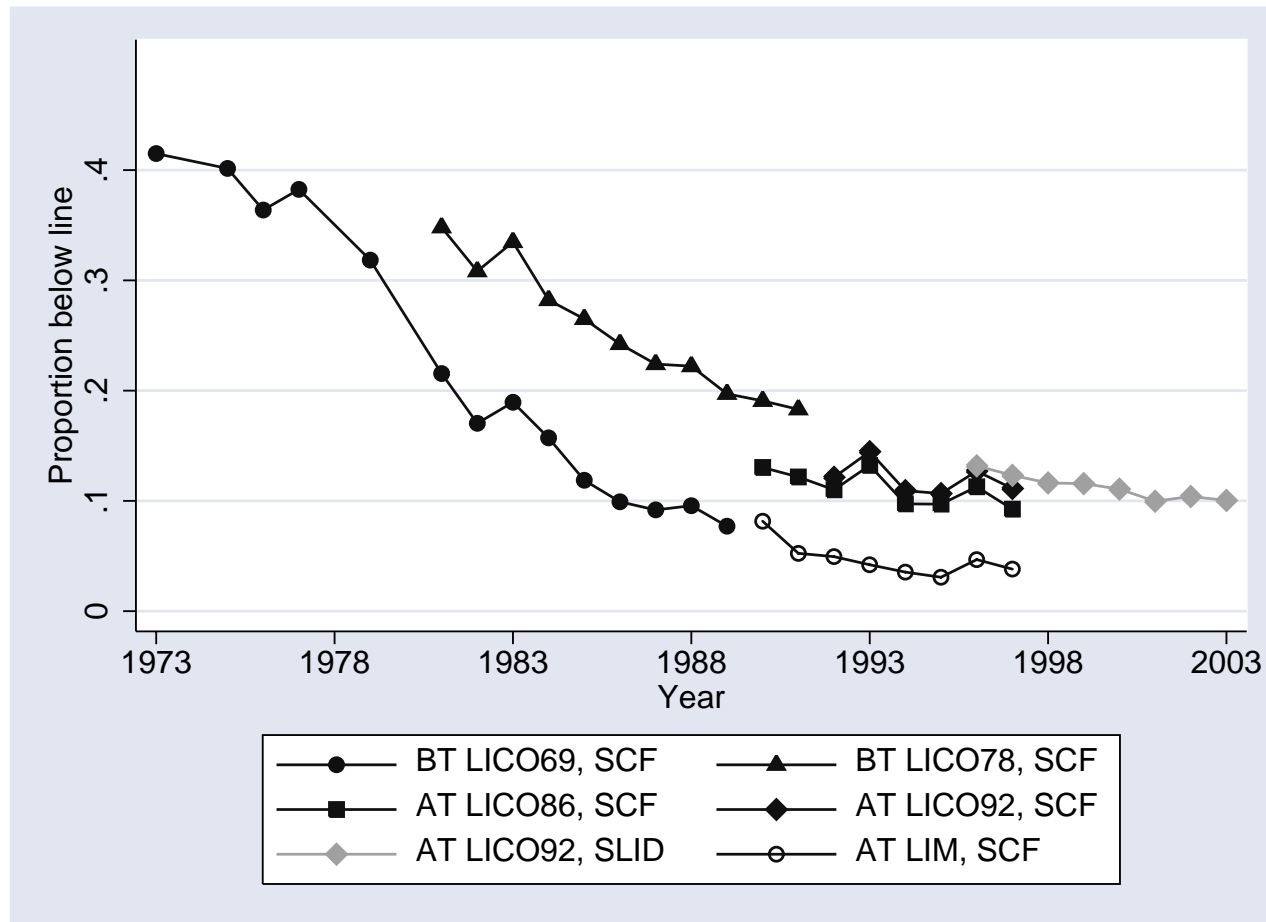
Figure 5: Constructed vs Reported LICOs and LIMs
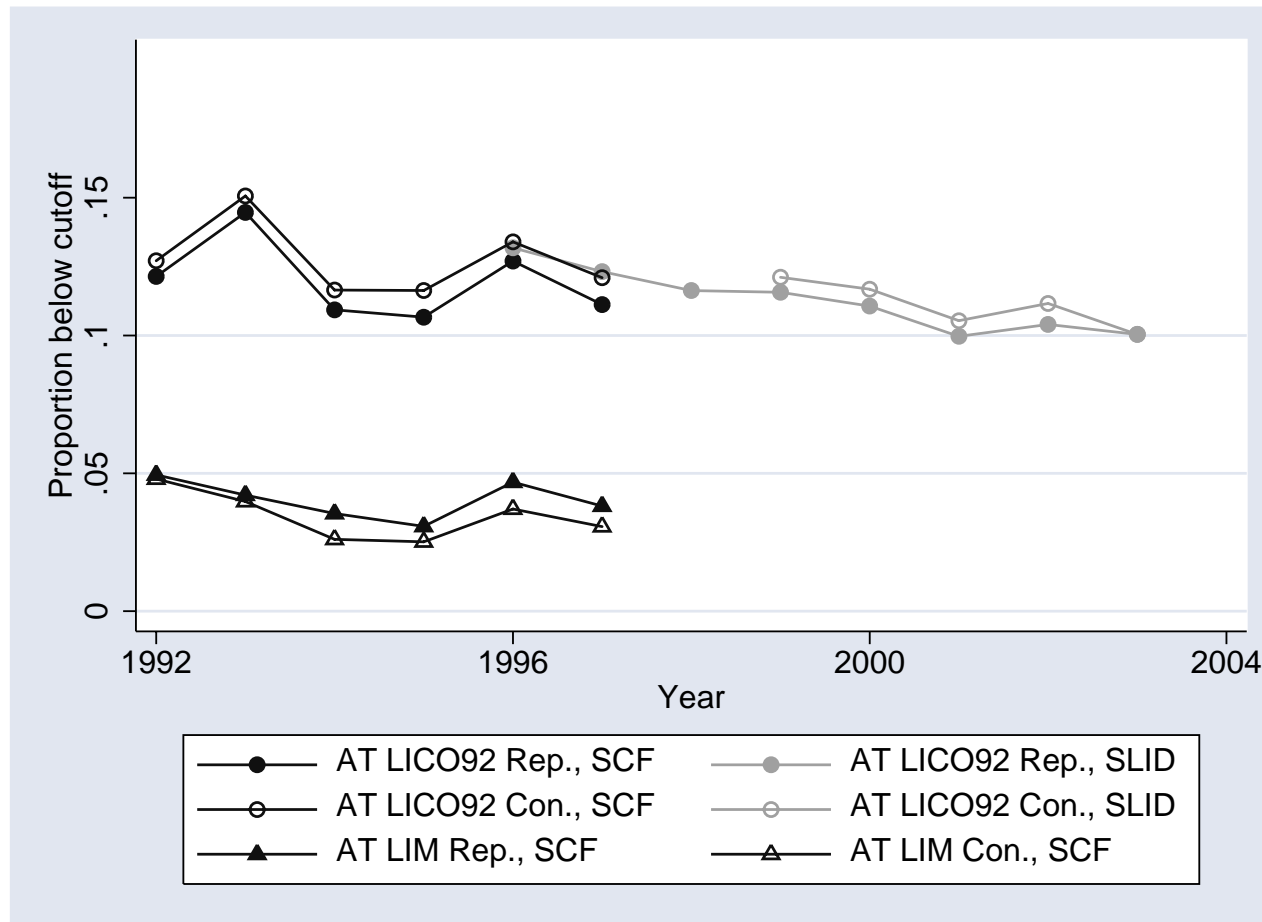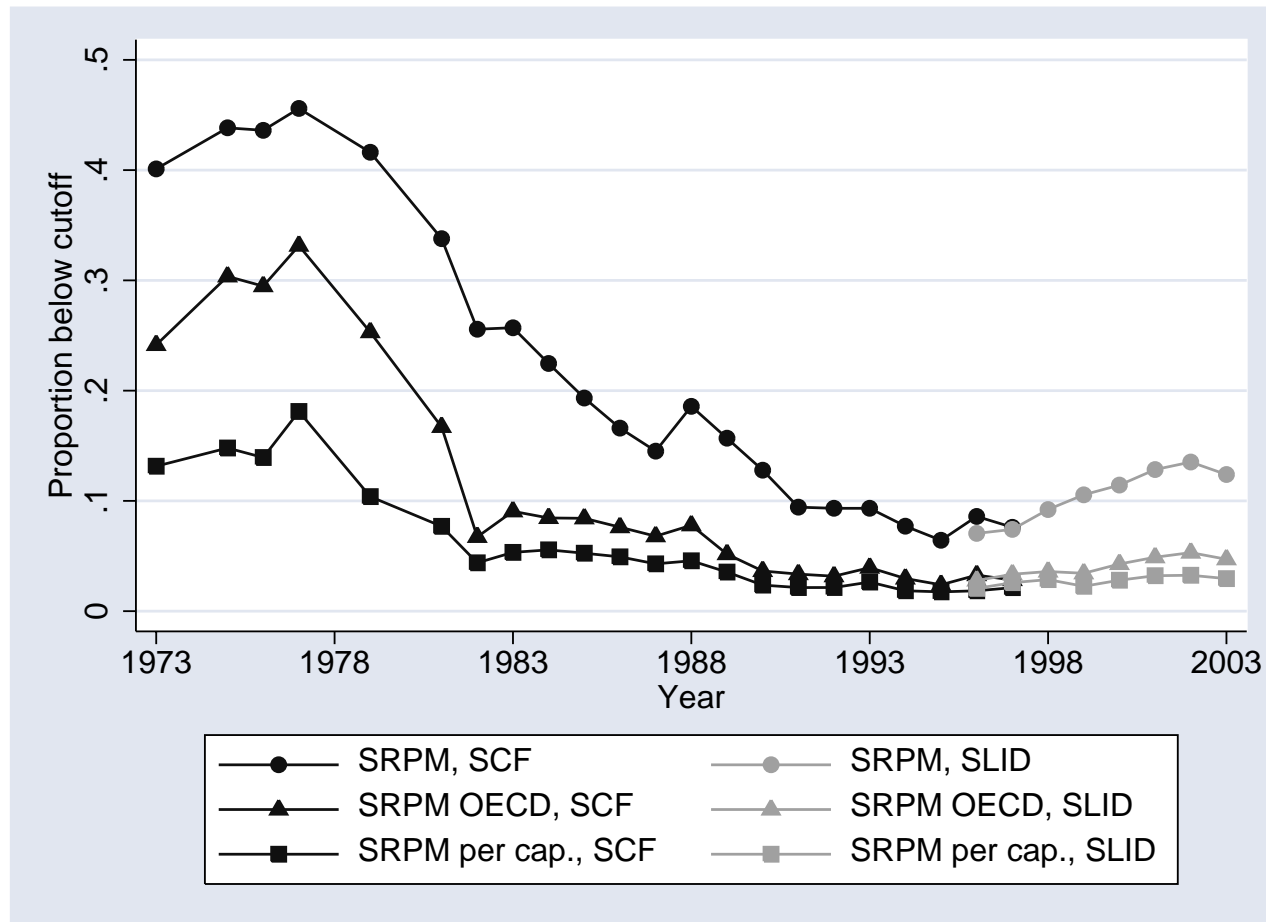
Figure 6: Comparing LICO, LIM, and SRPM through time
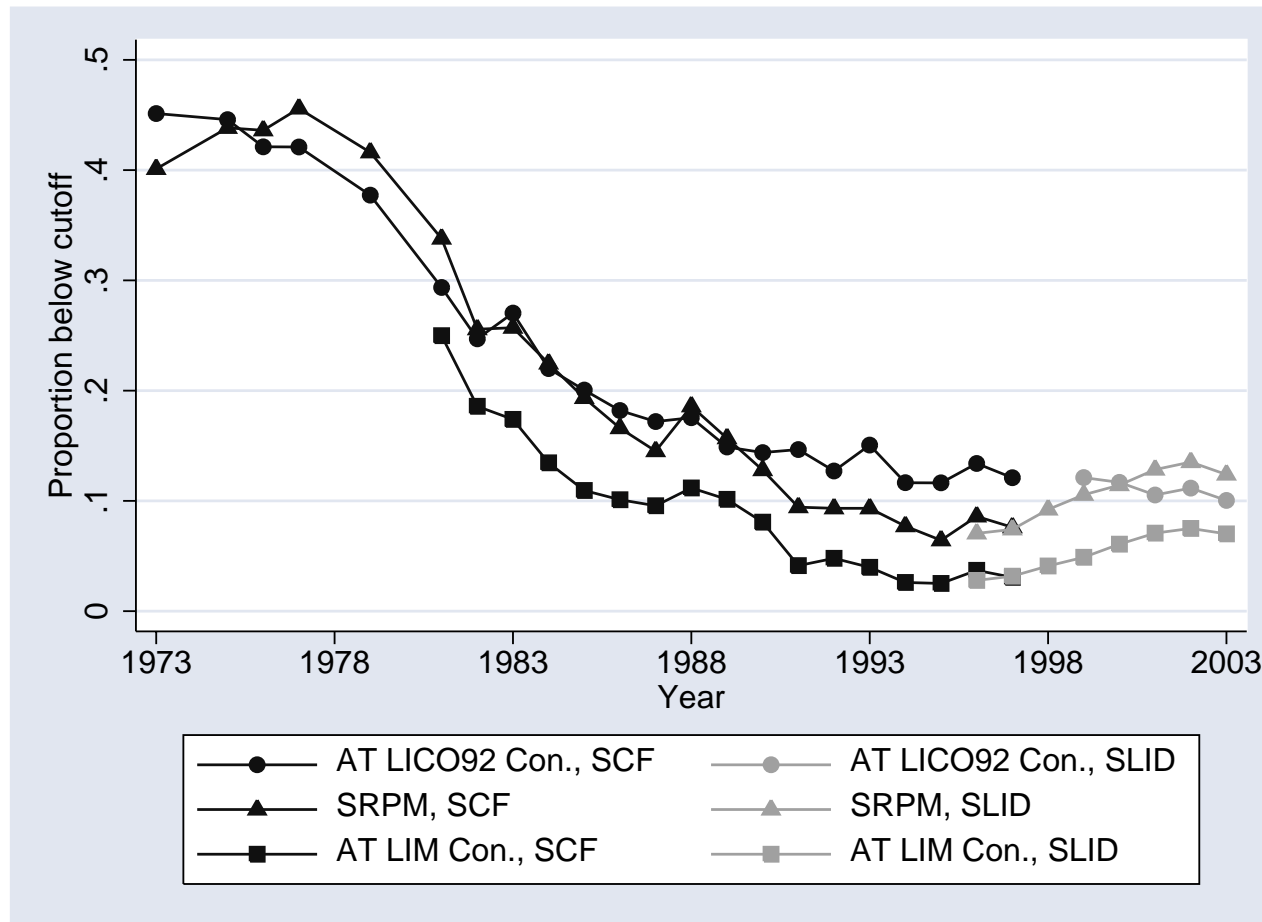
Figure 7: SRPM using different cutoffs
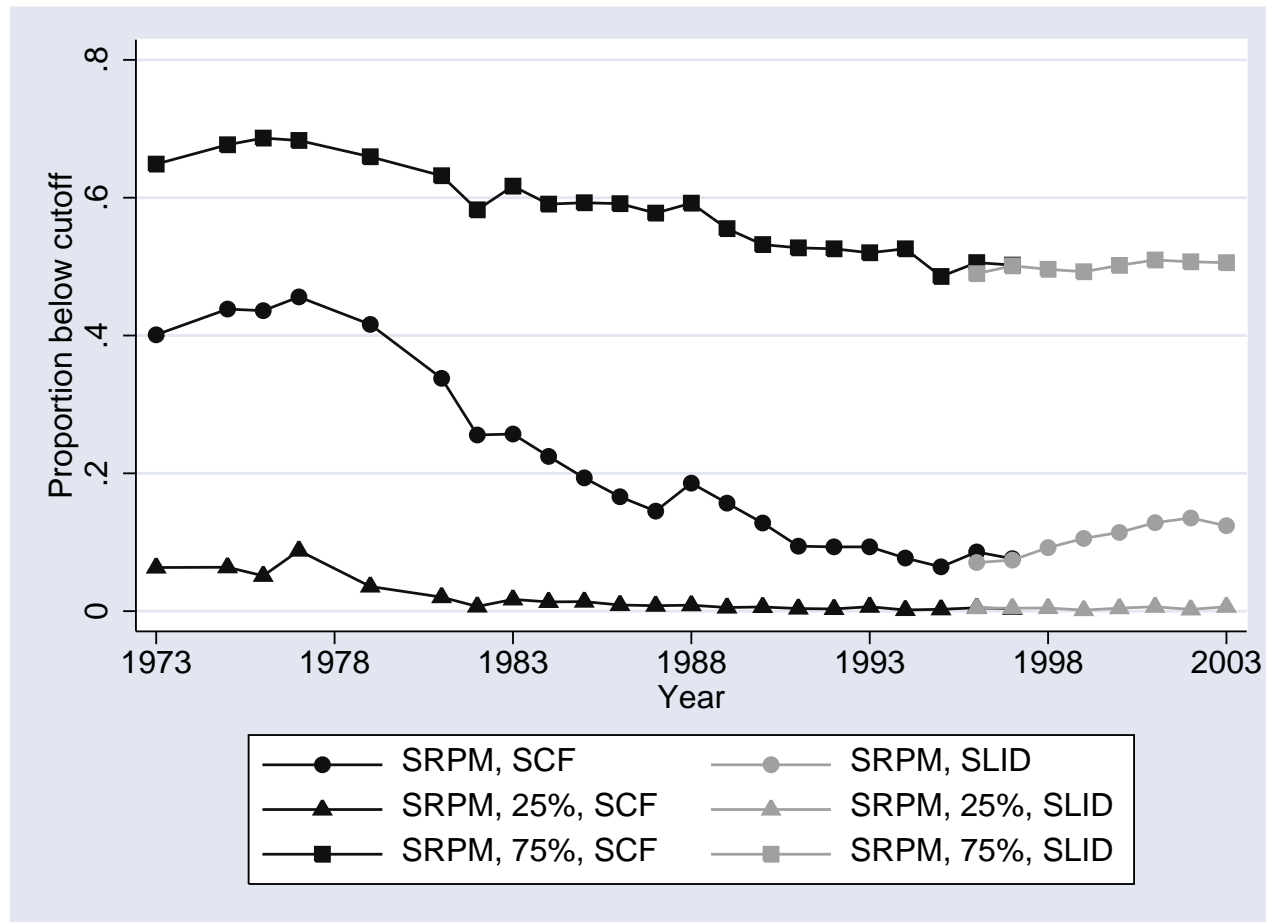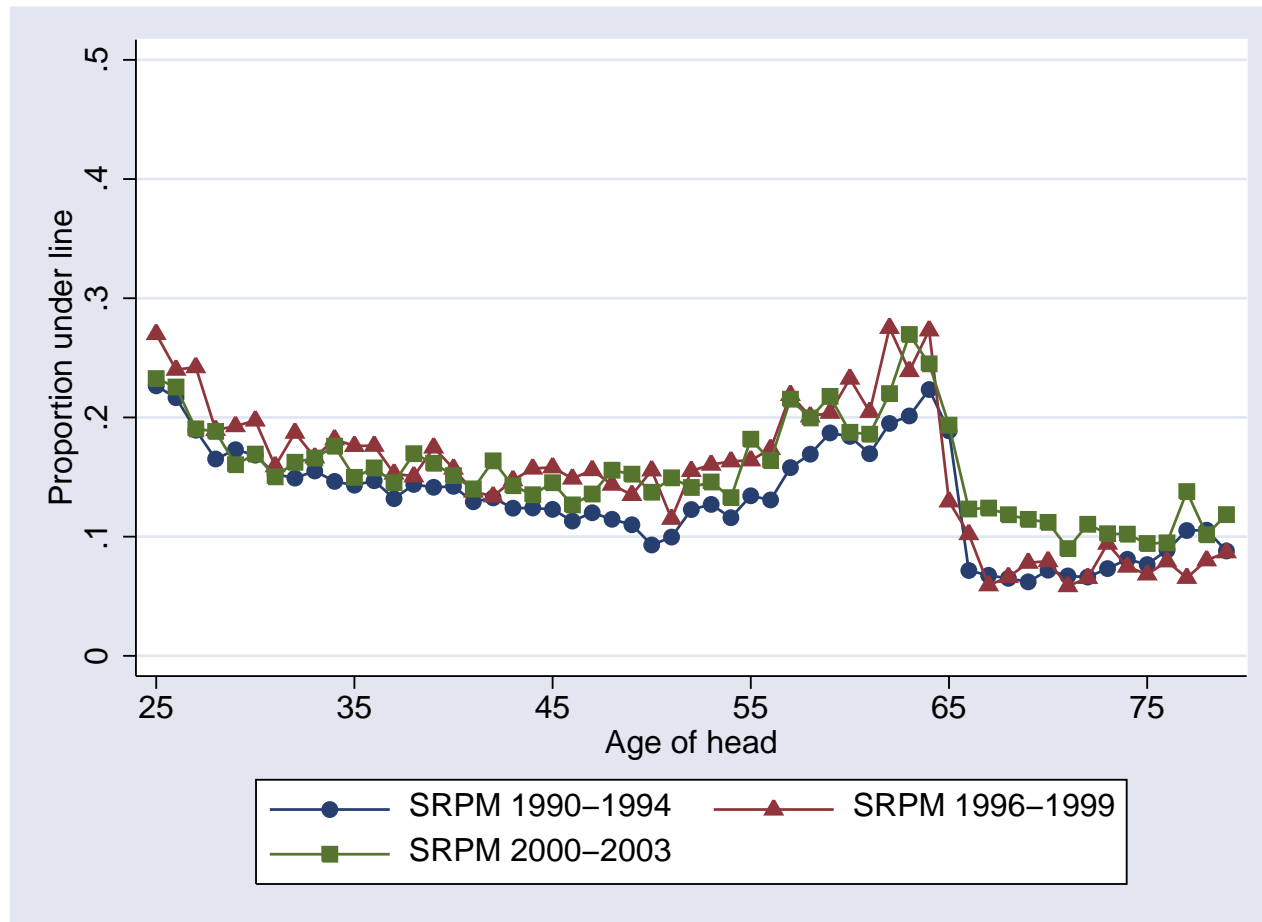
Figure 8: SRPM Rates using different equivalent scales

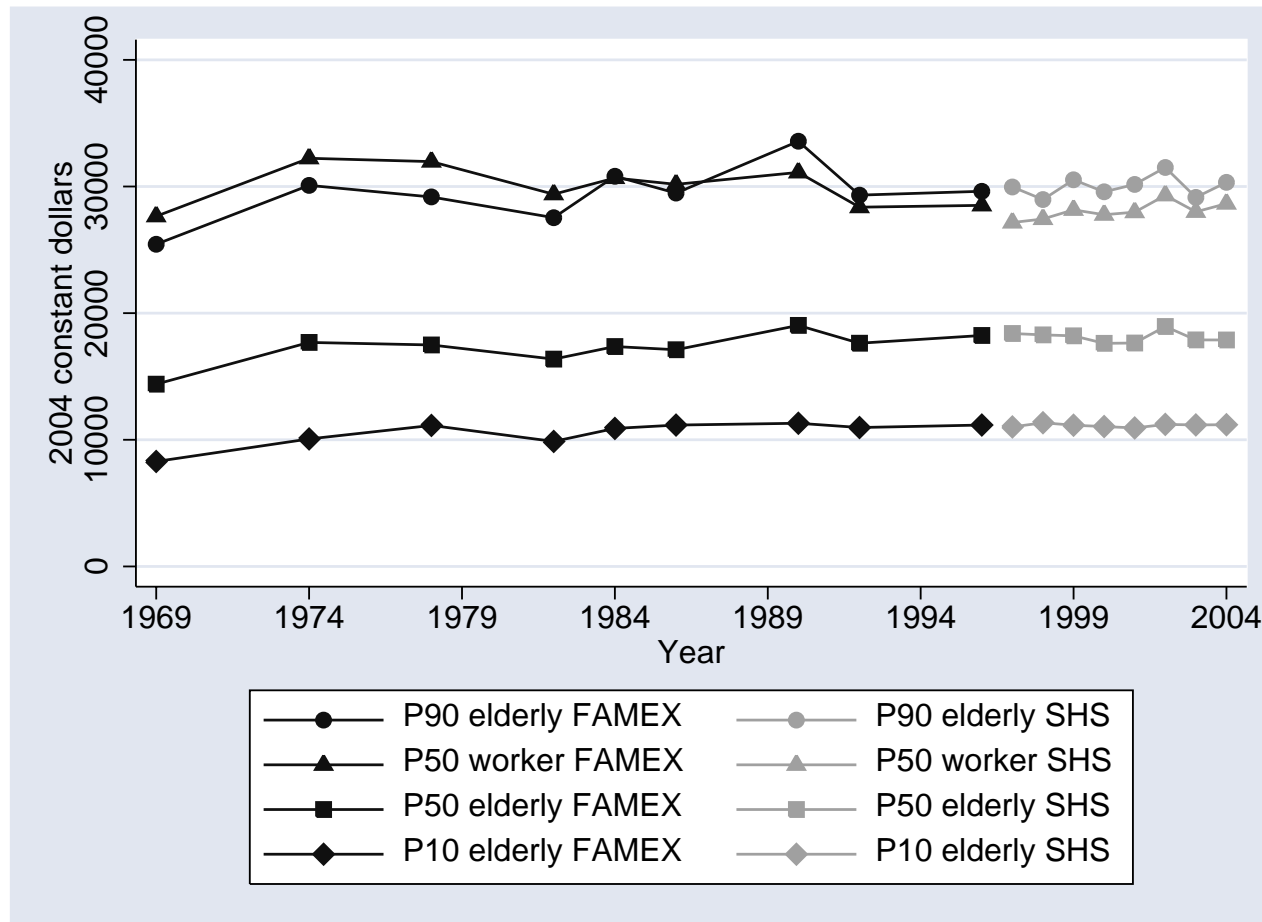**Figure 9: SRPM Rates across ages for 1975-79, 1980-84, and 1985-89**
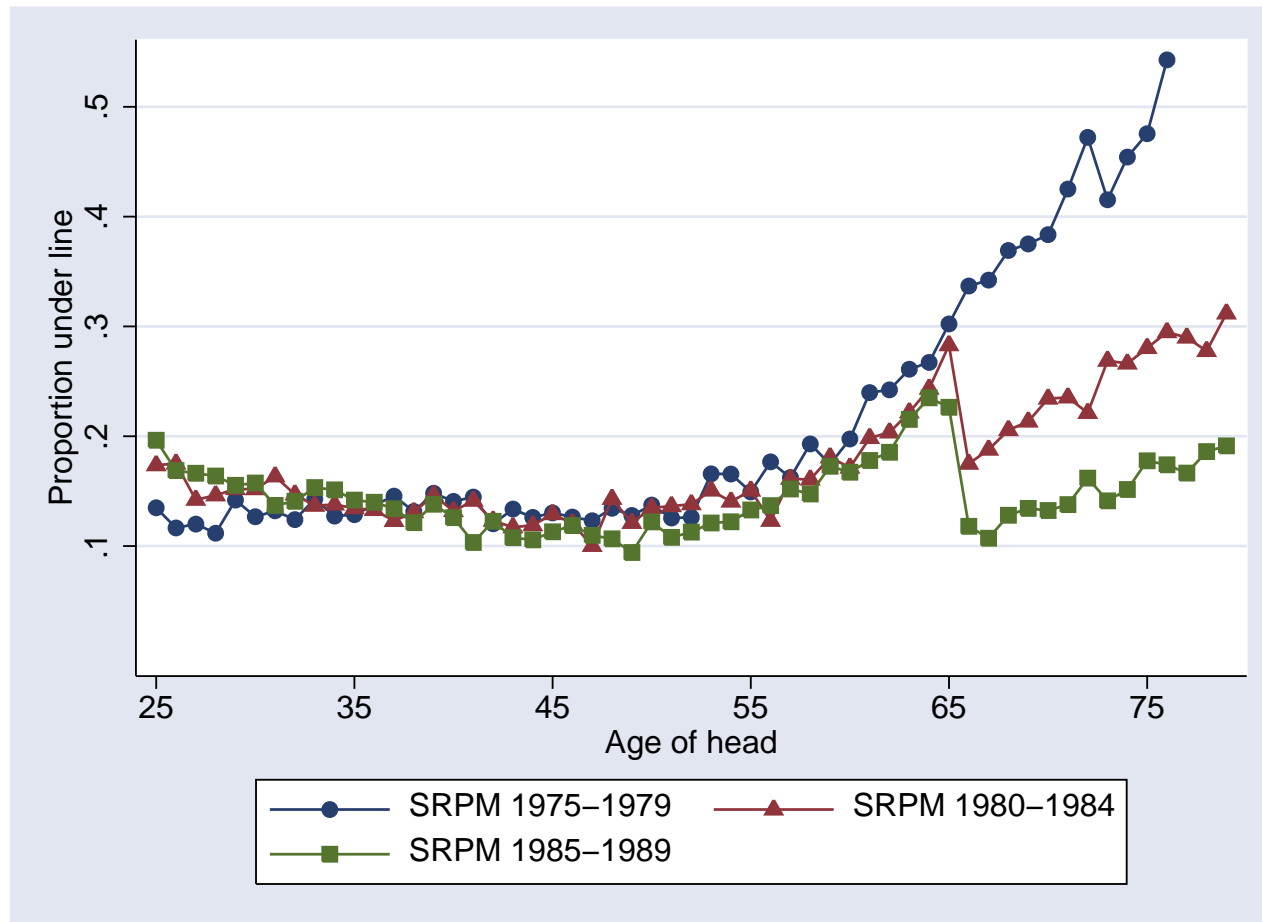
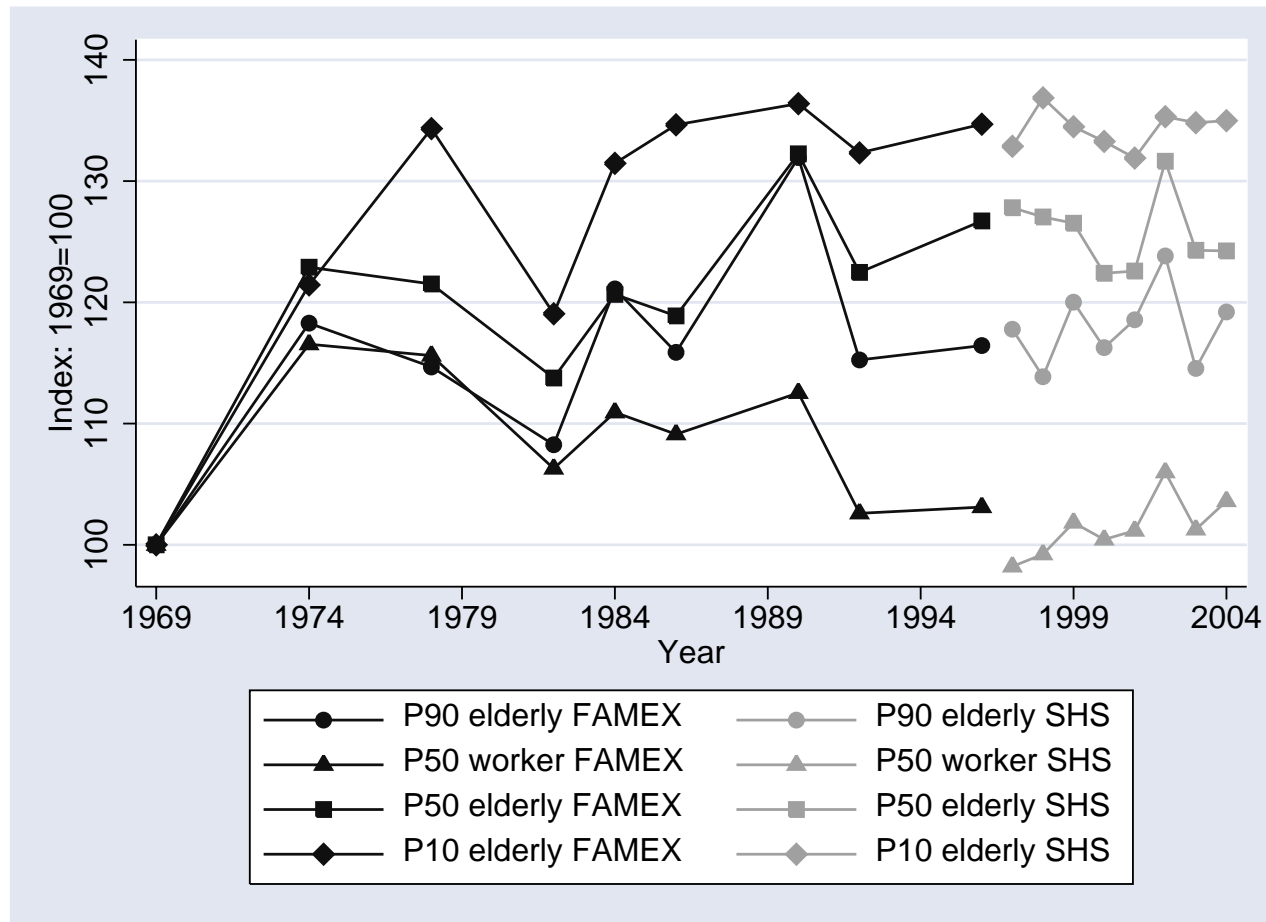# Figure 10: SRPM Rates across ages for 1990-94, 1995-99, 2000-03

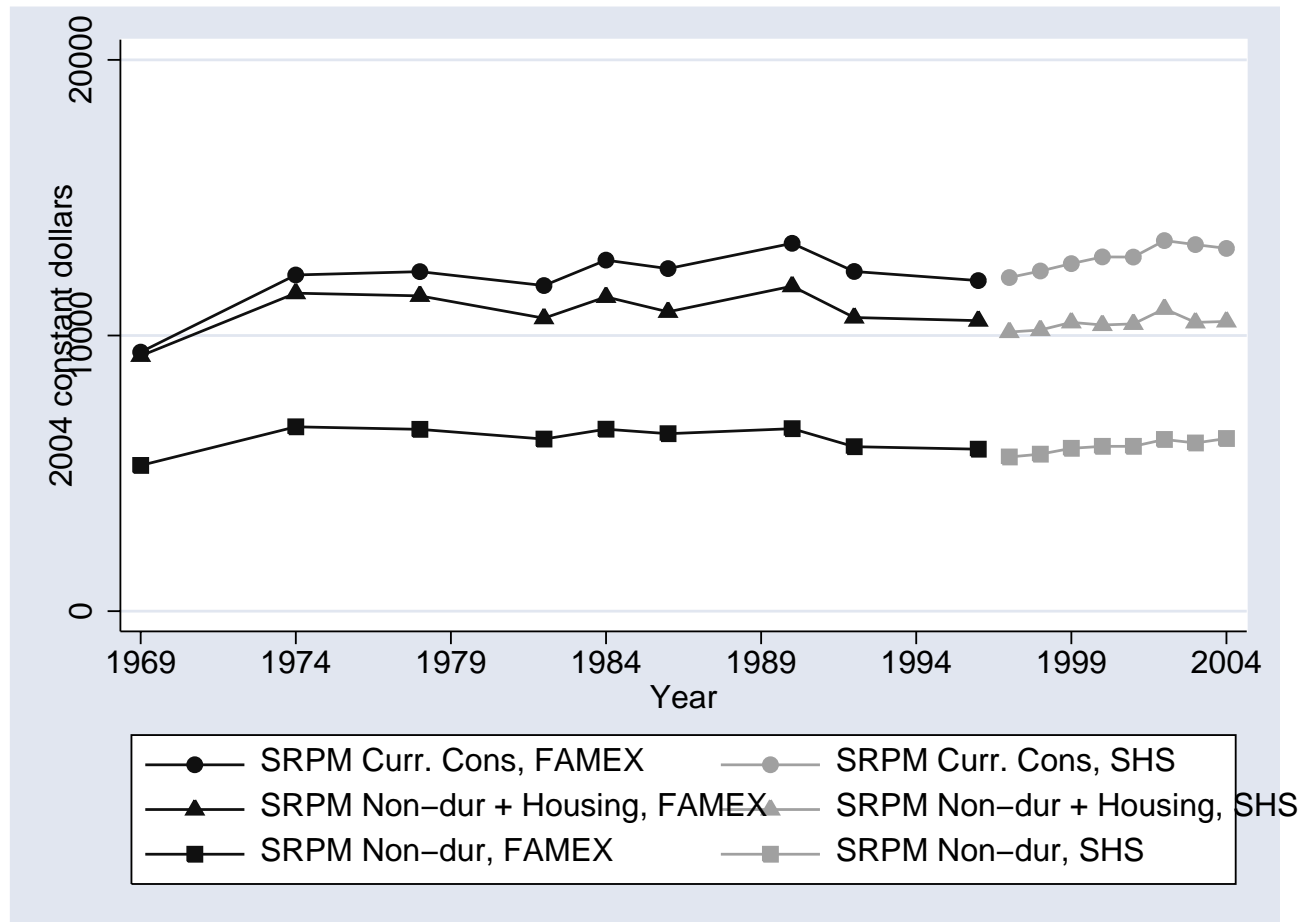## Figure 11: Consumption Percentiles, Non-durables + Housing

Figure 12: Consumption percentiles, relative to 1969

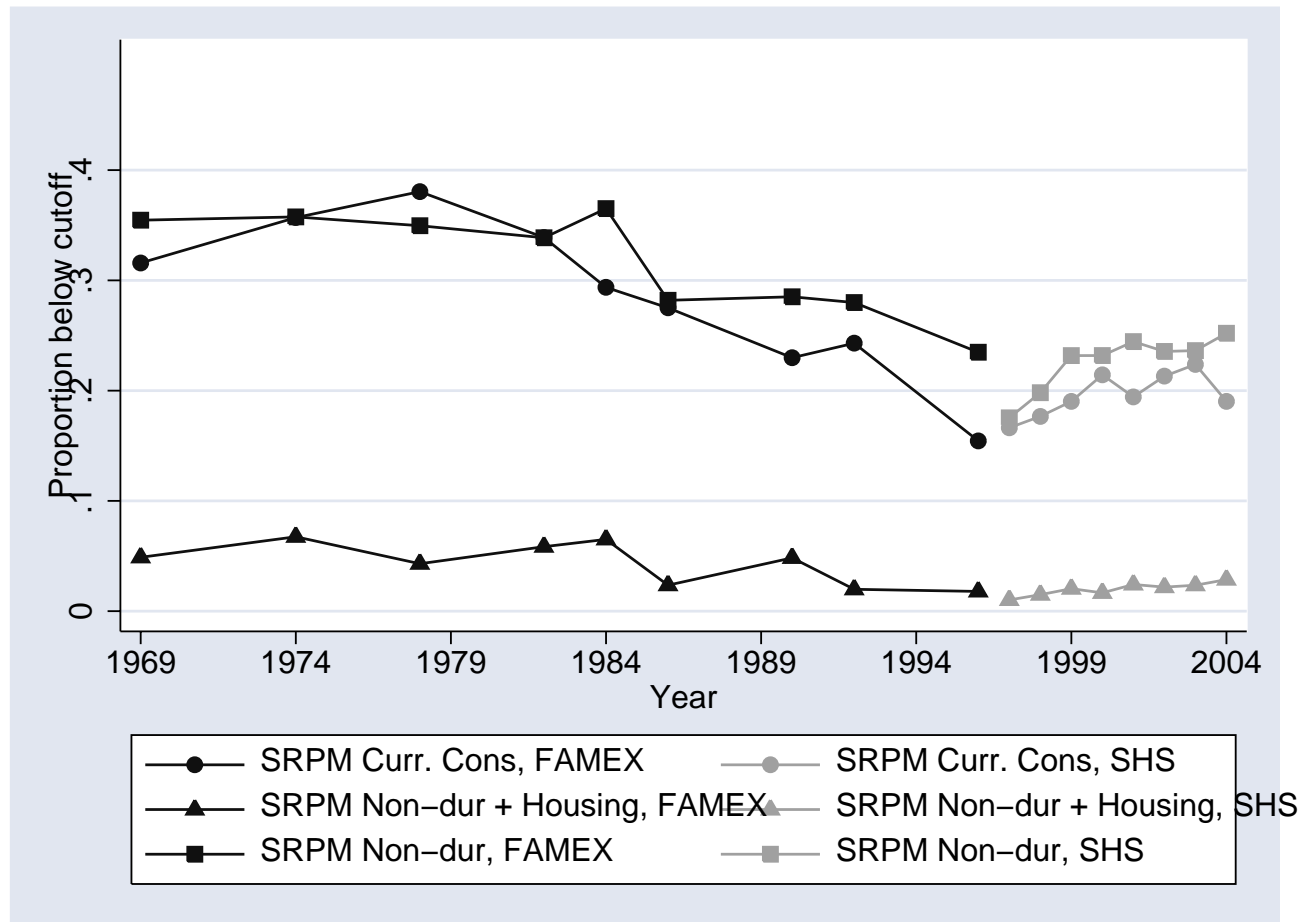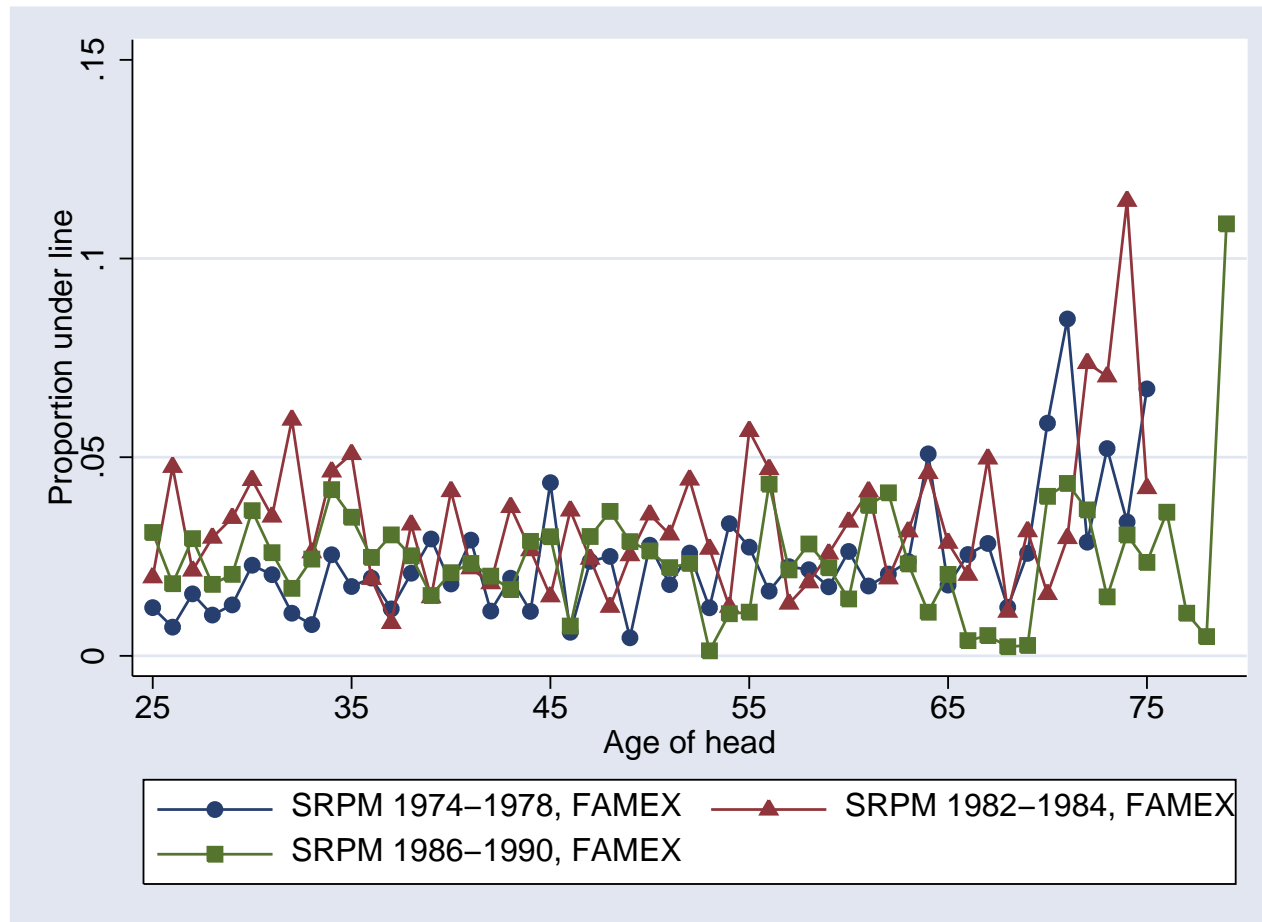## Figure 13: Consumption Cutoffs
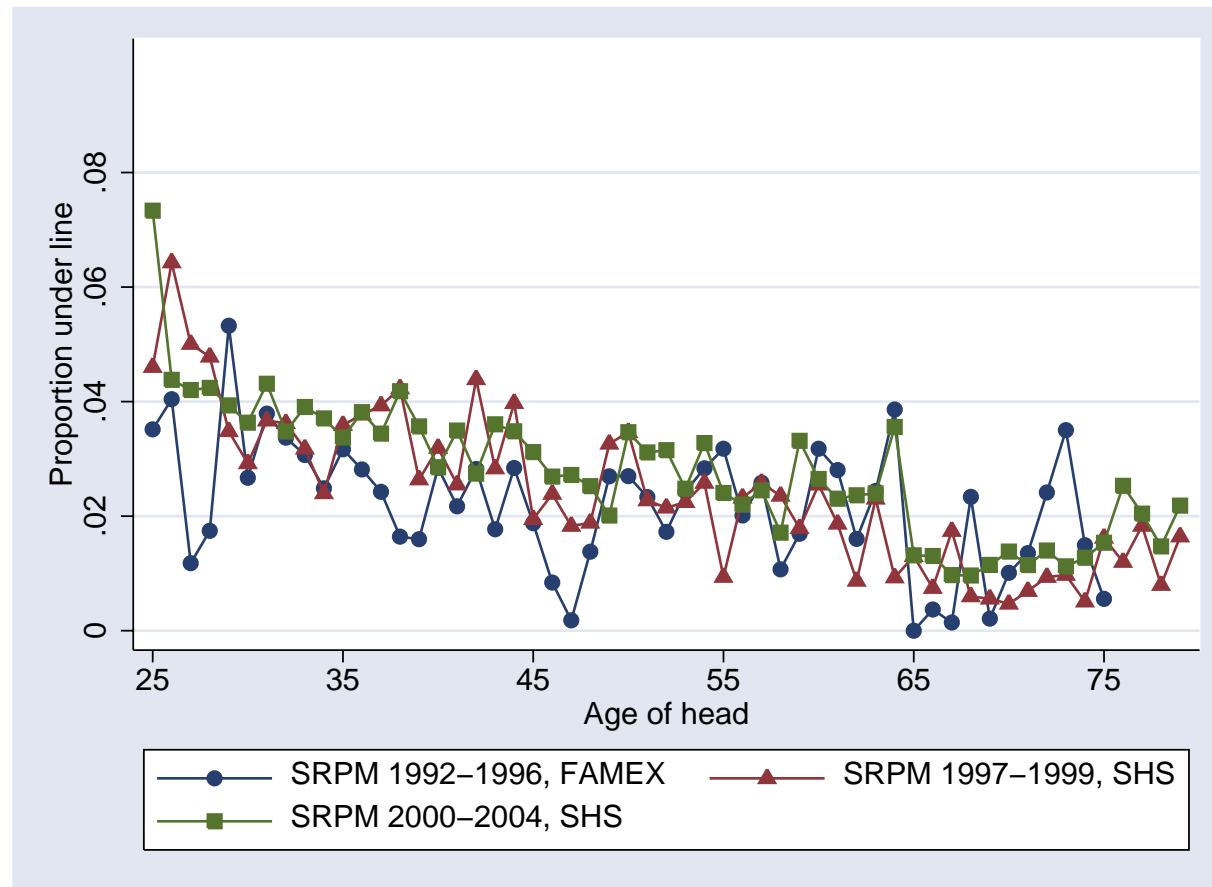
Figure 14: SRPM for different consumption measures

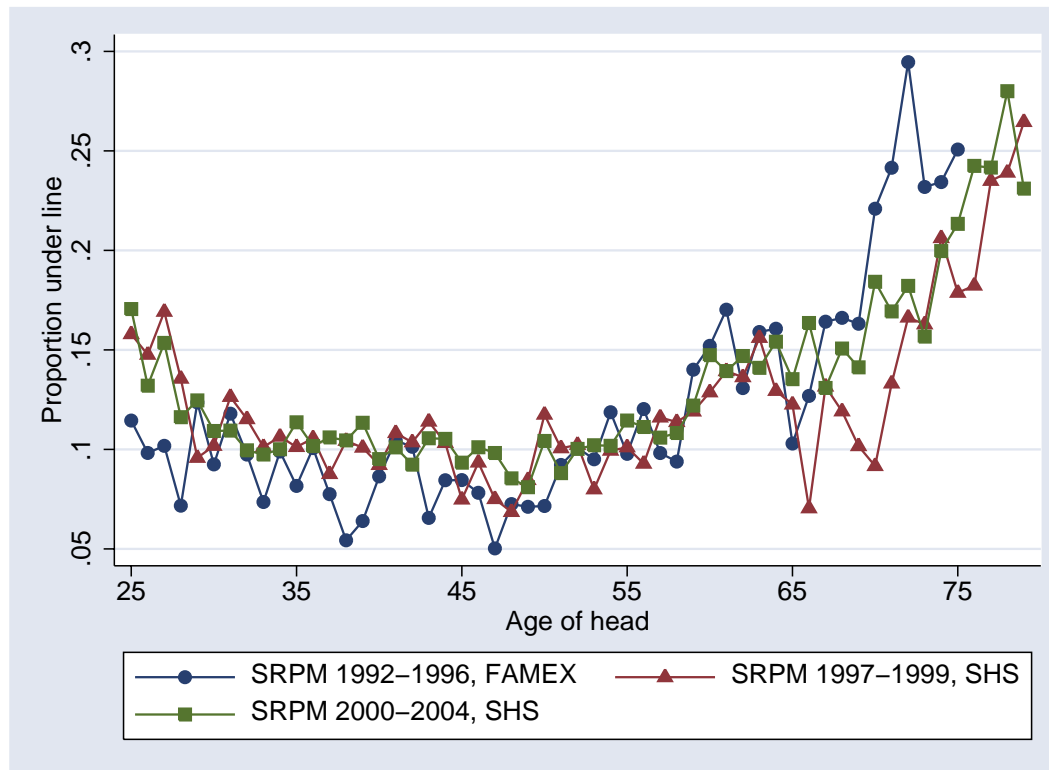**Figure 15: SRPM for Consumption across ages, 1974-90 (non-durables + housing)**

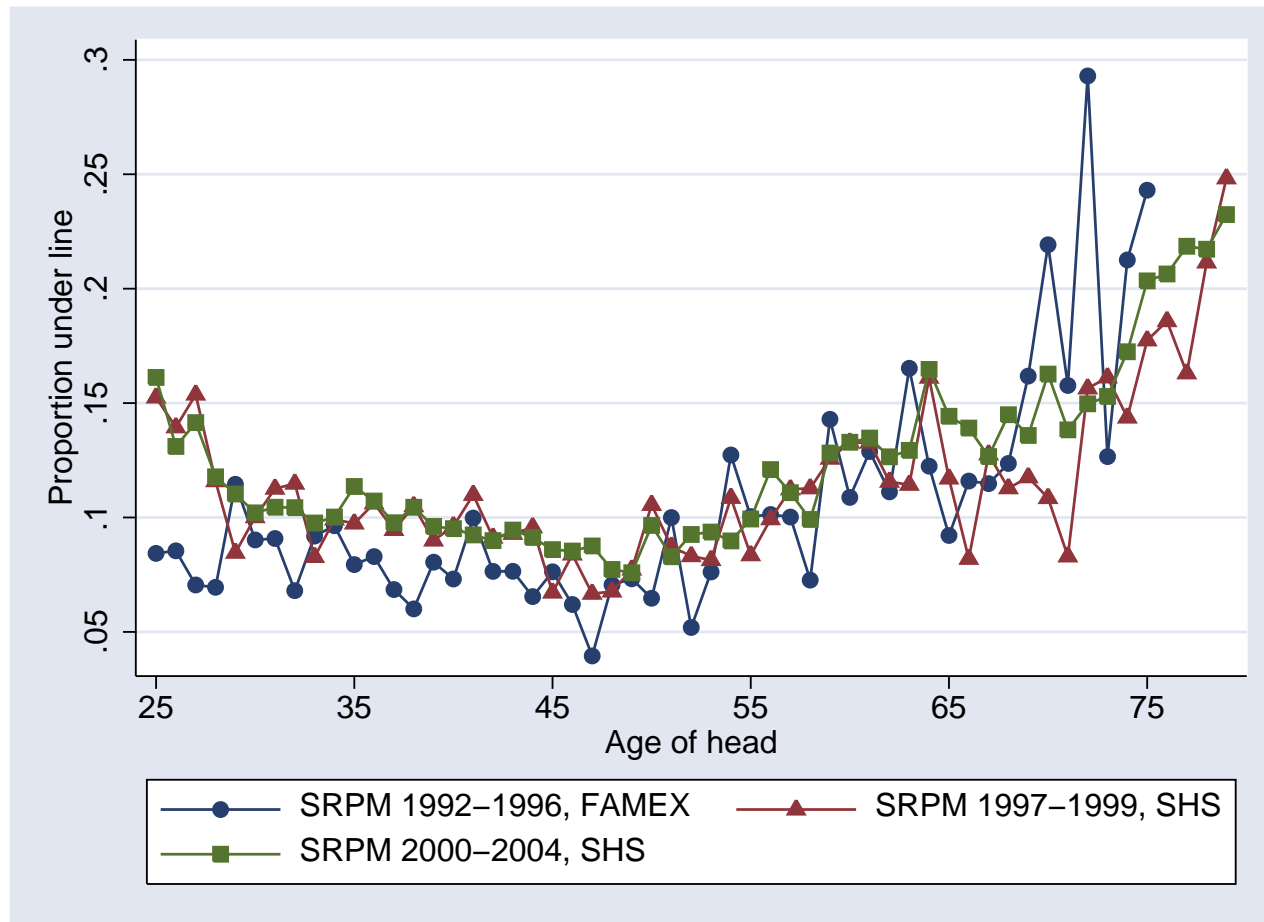**Figure 16: SRPM for Consumption across ages, 1992-2004 (non-durables + housing)**

Figure 17: SRPM for Consumption across ages, 1992-2004 (non-durables NO housing)

Figure 18: SRPM for Consumption across ages, 1992-2004 (Current Expenditure)

Figure

Concluding thoughts:

- Elderly income and consumption poverty have decreased tremendously by these measures.

- Some increase in relative measures since mid 1990s
  $\rightarrow$ But real elderly incomes still rising across the distribution.

- Consumption poverty level depends heavily on housing imputation.

- Spike in income poverty pre-65; not in consumption poverty.
  $\rightarrow$ Concern? Not yet clear what is generating this.