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# Dependents And Resource Allocation In An Aging Society: An Examination Of The Preston Argument In Canada

Edward D. Ng

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DEPENDENTS AND RESOURCE ALLOCATION  
IN AN AGING SOCIETY:  
AN EXAMINATION OF THE PRESTON ARGUMENT IN CANADA

BY

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Submitted in partial fulfilment  
of the requirements for the degree of  
Doctor of Philosophy

Faculty of Graduate Studies  
The University of Western Ontario  
London, Ontario  
May 1992

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## ABSTRACT

This study is an attempt to evaluate Samuel Preston's assertion that American elderly have recently fared far better than children in terms of poverty and mortality reduction. The divergent paths of America's dependents are related to family breakdown, the rise of politics of aging, and the differential response of health care and education to population change.

An examination of poverty in Canada found a recent reversal of economic well-being of seniors and children. Our analysis of the Survey of Consumer Finances shows that between 1973 and 1985 government transfer did increasingly favour the elderly more than children. However, many elderly were pulled just within 10% above the low income cut-offs.

An examination of mortality decline supports the conclusion that both Canadian elderly and children are faring quite well between 1971 to 1989. Possibly, this reflects the fact that health care in Canada is accessible according to needs, not age. Even though seniors benefit more from the growth of health care budgets, there is no sign of political pressure for health care to respond to seniors at the expense of children. There is also no evidence of a declining educational environment for Canadian children. The decline in the relative number of children has not resulted in a lowered

salary for teachers, partly due to strong teachers' unions.

In addition, the gray lobby in Canada has not been as effective as their American counterparts, partly due to the different nature of political process. However, elderly are probably more successful than other age groups in influencing policies. While the 1986 National Election Study shows that seniors vote more often than others, the 1989-90 Middlesex-Oxford qualitative survey reveals that seniors have a sense of intergenerational solidarity. In contrast, those between 45 and 64 are more likely than other groups to favour programs benefitting seniors, instead of those for the young.

Intergenerational equity and transfers have been underlying political discussion on resource allocation in the past two decades. Whereas government policies have traditionally focused on income adequacy for seniors, debates on intergenerational (in)equity may emerge again in the 1990s as child poverty becomes an issue with which to reckon.

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Chapter 1 THE PRESTON ARGUMENT: INTRODUCTION  
1.0 INTRODUCTION

With a growing elderly population, the Canadian society will have to reallocate its resources to meet the need of the seniors. It has been suggested in the United States that population aging shifts scarce resources to the elderly at the expense of other groups, such as the children (Preston, 1984a and b), and that this results in the divergence of the respective well-being of that two key demographic groups. In recent years, Canada saw the general improvement of economic situations of elderly Canadians (Oja and Love, 1988; National Advisory Council on Aging, 1991a). Child poverty is now becoming a major issue (National Council of Welfare, 1990; Ryerse, 1990; Battle, 1990 and 1992; Standing Senate Committee on Social Affairs, Science and Technology, 1991; The Child Poverty Action Group and the Social Planning Council of Metropolitan Toronto, 1991; The Child Poverty Task Force, 1991). Increasingly, studies point to the potential problems brought about by "inequitable" allocation of resources towards the elderly at the expense of children or the younger generations (Economic Council of Canada, 1989; National Advisory Council on Aging, 1989). This thesis examines whether the elderly and children in Canada have divergent paths of well-being, as observed and studied by Preston in the United States.

To achieve this, this thesis documents the trends of well-being of the dependent groups in Canada. The political

behaviour and attitudes towards resource allocation by age and the responses of health care and education sectors to their respective specialized target groups will be studied.

Our analysis begins in this chapter with a review of the Preston argument, its context, the various propositions asserted and assumptions made by Preston in order to evaluate its applicability to other societies like Canada. Growing out of the Preston argument is a body of literature criticizing its validity. These critiques will be reviewed in Chapter 2 to draw out ideas that merit our attention in the Canadian situation.

While Chapter 3 will discuss the main methodological issues involved in assessing the applicability of the Preston argument in Canada, Chapter 4 will be devoted to analyzing available Canadian data and drawing on relevant research results. The trend of well-being for children and the elderly by selected indicators and the response of the specialized industries for children and the elderly respectively, namely, education and health care in Canada will be studied. The discussion will also evaluate the potential rise of gray power and explore Canadians' attitude towards resource allocation.

In Chapter 5, we will examine recent policy discussions in Canada to see the extent to which the issue of intergenerational transfer and equity have been debated. We will also study whether governments have deliberately set up policies favouring one age dependent group vis-a-vis another.

Finally, Chapter 6 will conclude with a summary of the thesis and a discussion of whether the trend of the divergent paths of the dependents in America, as observed by Preston in the United States, is a Canadian phenomenon as well.

#### 1.1 THE PRESTON ARGUMENT: DIVERGENT PATHS FOR AMERICA'S DEPENDENTS

In the 1984 Presidential Address to the Population Association of America, Samuel Preston examined the impact of change in age structure of the United States (1984a:436-441). He asserts that since there was a decrease in proportion of children (<15) in the U.S. from 35% in 1960 to 28% in 1982 because of the declining fertility, and since there was an upsurge of elderly population by 54% between 1960 and 1980, most demographers, according to Preston, would expect such a rapid change in age structure to be favourable to children and be unfavourable to the elderly. Fewer children would mean less competition for resources in the society and at home; for instance, there should be greater availability of social services earmarked for children especially in public schooling. More elderly would result in economic pressure on resources directed to them; for instance, medical care facilities, nursing homes, and social security funds should become scarce. However, Preston argues otherwise.

### 1.1.1 OBSERVATION

Preston highlights that with regard to the change in the relative status of dependents, poverty statistics in the United States point to a reduction of poverty among elderly and the reverse for children from 1970 to 1982. The poverty rate among children under 14 in 1982 was 56% greater than among the elderly, whereas it was 37% less in 1970. Also, public expenditure per elderly was three times the expenditure per child in 1960 through to 1979. Since 1979, many public programs benefitting children were rolled back while programs for elderly have been maintained or expanded.

In addition, suicide rates, score on psychological anxiety, and health conditions, as reflected in the model life table age-specific death rates, all point to the worsening of the situation for children but improvement for the elderly. For instance, reductions in mortality from 1968 through 1980 have been concentrated among older people. The use of model life tables shows that the change in death rates for female aged 75 through 79 that occurred from 1968 to 1980 was normally associated with a four-year gain in life expectancy while the corresponding gain for girls aged 15 was less than a year.

### 1.1.2 INTERPRETATION

Preston asserts that three areas, namely, family, politics, and industry are important in producing the above

changes. He notes,

societies use two major means for transferring resources to dependents: direct public transfers and transfers within the family. The latter is the most important means in virtually all societies (1984a:441).

However, the sense of obligation towards the elderly has disappeared within the family by the 1960s; also, the family has since 1960 begun to divest itself of care of children, as evident in the declining fertility and the increasing absence of the father either because of divorce or illegitimate birth. Economic circumstances often deteriorated for children and women after divorce and separation. Family instability and marital disruption are likely to lead to declining school performance and deteriorating emotional well being. The sharp rise in divorce made life difficult for children, while it has had much less impact on the elderly. Its impact on elderly has largely been cushioned by their prior disengagement from the conjugal family.

Preston proposes further that the changing numbers of young and old have changed the environment for public policy decisions. In a modern democracy,

public decisions are obviously influenced by the power of special interest groups, and that power is in terms determined by the size of the groups, the wealth of the groups, and the degree to which that size and wealth can be mobilized for concerted action (Preston, 1984a:445-6).

While three sources of self-interested support are available for the elderly (namely, the elderly themselves, the working-age population who are "voting" in a general sense on behalf

of elderly persons who might otherwise need family support; and those working-age population who are voting for their own retirement), only one source is available for children (children do not vote and adults do not vote for their own childhood!).

Demographic changes also add a multiplier effect to this political advantage of the elderly. On the one hand, the most important and visible of these is the rise in the number of elderly, to be compounded by a high degree of political participation, as evident in their highest percentage of voting of any age group. Also, the sharp mortality decline among elderly implies firstly that more working-age people have surviving parents and, secondly, that more working-age persons can expect to live beyond 65.

On the other hand, the constituency for children has declined in terms of numbers and impact. Since people have fewer children and are less inclined to live with the ones that they have (due to residential breakups), there are less parents potentially representing children among the voting-age population. In addition, parents are less likely than average to vote. Some 60.5% among householders with no children present under 18 voted in the 1982 election while only 38.1% among those whose children were all below age 6 voted. The voting public may have become more and more self-interested, neglecting the collective responsibility for other people's children. This self-interest is strengthened firstly by the

increased availability of effective contraceptives so that children are viewed as a product of private decision, not a public responsibility; and, secondly, by the fact that children are increasingly from the minorities with whom the majority have difficulty identifying.

The last and possibly least obvious of the mechanisms identified by Preston is the impact of demographic change on the major service industries for the two dependent age groups; namely, education and health care. While expenditure per pupil in real dollars increased between 1972 to 1982, the average number of students per teacher dropped from 22 to 18. Moreover, the average experience level and qualification of teacher also increased; however, none of these has been shown to lead to improved student performance. Here, the intellectual skills of teachers appears to be most important. The problem is that the rising pattern of public expenditure did not result in rising salaries for teachers but was used for maintaining aging buildings and for paying the higher administrative and energy costs. Meanwhile, the growth in demand for health care services, in terms of numbers of persons in the age groups of prime use and of entitlements have helped to create a boom for the health care industry.

After summarizing the Preston argument, it is appropriate to put it in its proper context. We will review the various debates and criticisms of the Preston argument in Chapter 2.

## 1.2 THE PRESTON ARGUMENT: THE CONTEXT

At the crux of the Preston argument is the issue of resource allocation in an aging society. Thus, in this section, the discussion on dependency and relationship among the ages in an aging society will help clarify some of the underlying issues of the Preston argument. Moreover, a brief examination of intergenerational equity will help since the Preston argument was described as the piece of work that summarizes the issue in the American debate (Wisensale, 1988; Marshall et al., 1991).

### 1.2.1 POPULATION AGING AND DEPENDENCY

#### 1.2.1.1 POPULATION AGING

As a consequence of current and anticipated decline in fertility, the world's population is forecast to become distinctly older in the next four decades. The global population in the early 1980s could be classified as young, with 35% of all persons aged 0 to 14, and 5.8% aged 65 years and over. However, this elderly population will increase to 9.3% by 2025. While about 250 million out of the total world's population of 4.37 billion were elderly in 1980, it is expected to reach about 410 million by 2000 and 760 million by 2025. In other words, if the present trends prevail, the number of elderly in the world will be tripled between 1980 and 2025 (see Hauser, 1986; Torrey et al., 1987).

In the industrialized countries as a whole, the growth rate of the elderly population has an average of 2.4% per year

from 1950 to 1980. The rate dropped in early 1980s as a result of the low birth rates of many of the countries in the World War 1 period. However, this growth rate is now quickly resuming its pre-1980 level of around 2%. By contrast, the growth of the elderly population in the developing countries has been increasing rapidly throughout the 1960s and 1970s from about 1.6% per year to more than 3% in 1980. It has been around the 3% mark all through the 1980s (See also U.S. Department of Commerce, 1991).

Population aging in Canada is not a recent phenomenon. What is new is the speed with which it is proceeding (see Stone and Ng, 1991a). Canada's population began to age as early as the turn of the century. However, while it took 30 years from 1946 to 1976 for the percentage of Canadians aged 65 and over to increase by 1.6%, it took just 10 years from 1976 to 1986 to increase by 2%, to 10.7% (Stone and Frenken, 1988). By 1988, it is estimated that this proportion has increased to 11.1% (J. Dumas, 1990).

Compared to other developed nations, nonetheless, Canada's population is relatively young. In 1981, 9.7% of Canada's population was 65 and over compared to 11.4% for the United States, 13.5% for France, 14.4% for Denmark, and 16.3% for Sweden. However, Canada is starting to catch up with those countries which have a more mature age structure. In the period 1981-86, while the share of Canada's elderly population increased almost 1% from 9.7% to 10.7%, both the United

Kingdom and Sweden recorded only marginal increases in their shares, not to mention the decline in percentage for West Germany and France. If we take into account that this rapid growth of the senior population happens in "an era of nearly stagnant overall national population growth" (Stone and Frenken, 1988:23), this aging phenomenon in Canada is all the more spectacular.

With the aging of the baby boom generation, i.e. those who were born in the two decades after the Second World War, the number of seniors in the Canadian population is expected to increase from 1.5 million in 1966 or 2.7 million in 1986 to close to 6 million by the year 2021. This changing age composition in Canada has affected the education system, is influencing the labour force, and will eventually impact greatly on pensions and health care (Kettle, 1980; Beaujot, 1988). One of the most often used tool to assess the impact of change in age structure on society is perhaps the dependency ratios, to which we now turn.

#### 1.2.1.2 DEPENDENCY RATIOS

Dependency ratios have been used by demographers as indicator of degree of dependency within a society, reflecting provision of health and social services (see Torrey et al., 1987). The premise is that higher dependency ratios reflect relatively fewer workers in the economy and consequently more resources need be diverted for the

consumption for the non-producing dependent groups. Two kinds of dependency ratios are most commonly used, namely, age dependency and economic dependency ratios.

Age dependency ratio reflects the size of the young and old dependents relative to the size of the central age group. It measures the "relation of the dependents in a population to those on whom they depend for their sustenance" (Petersen and Petersen, 1986:222). In general, population economists prefer to use this measure of age dependency ratio because it yields direct observable impact of variations in fertility, mortality, and immigration. According to this perspective, since these demographic factors change the size and the age composition of the population, the impact on the ratio of persons of actual or potential working to non labour force population will facilitate the policy makers to evaluate the pros and cons of different population growth rates and fertility rates.

Population aging, generally, takes the form of an increase in the number of old people, a decrease in the number of young persons and children, and relative stability in the number in the middle groups. In light of this regularity, three broad groups are usually highlighted; namely, the working population, young and old dependents<sup>1</sup>. Population

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<sup>1</sup> The bounds used for these groups vary according to minimum age of leaving school and age of retirement. In general, however, 0-14, 15-64 and 65 and over are used as the age categories particularly for international comparisons. As Shryock and Siegel (1976:133) note, alternate formula may employ population under 18

aging is sometimes indicated by the ratio of the elderly population to the middle age group; with the middle age group usually little affected by aging, the change in the size of the elderly group will be reflected accordingly (Pressat and Wilson, 1985:7). This ratio is, as Crown (1985a:1-2) observes, used to invariably conclude that rapid growing of elderly population would place extreme stress on the labour force (e.g. Calvert, 1977; Torrey, 1980) and thus potential conflict and competition for resources among the different generations.

Others point out, however, that a balanced view of "burden" of population aging is indeed needed. Such studies (e.g. Cowgill, 1981) realize that the focus on old age dependency only is an one-sided exercise; they recognize that as the elderly population grows, that of the young dependent would dwindle thus offsetting the burden placed on society by the aging population.

In Canada, many demographers observe that this dependency ratio has fallen and should continue to fall, at least until the turn of the century (see Ridler, 1979; Foot, 1982; McDaniel, 1986; Denton and Spencer, 1987; Wolfson, 1989). The dependency ratio, even if it rises higher due to increased old age dependency, is still well below the historically high figures of the 1950s and 1960s when the child dependency asserted much pressure on the society. The main problem is a

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for child dependents and the population 18 to 64 for adult working population, especially for the developed countries.

matter of resource reallocation.

Many demographers also believe that population aging is such a slow process that Canada has much time to adjust; subsequently, the needs of the elderly should be met as more resources will be reallocated to them gradually. In the demographic framework then, the issue for the future, as Myles (1982:40) puts it, is whether the savings produced by the decline in the number of young people will offset the costs of a growing elderly population.

The inclusion of economic activities of the population in studies of economic dependency ratios makes the situation both more complicated and realistic. This is so because economic dependency ratio, defined as the "ratio of the economically inactive population to the active population over all the ages, or of nonworkers to workers" (Shryock and Siegel, 1976:134) presupposes certain rates of labour force participation, and, with the rising participation of women in the labour market along with the varying trends of age of job entry for youth and the age of retirement for the elderly, predictions are harder to make (for more discussions, see Rosenblum, 1976; Devita, 1981; Adamchak and Friedman, 1983, Crown, 1985a and b; Petersen and Petersen, 1986; Axinn and Stern, 1987; Denton and Spencer, 1987; Fellegi, 1988; Maxwell, 1990).

Seward (1987:21), in overviewing of demographic change and the Canadian economy, summarizes the literature review on

population and economic (labour force) dependency ratios studies as follows:

the total population and labour force dependency ratios are likely to decline by the end of the century, with the increasing elderly dependency ratios being more than offset -- at least in a numerical sense -- by the decreasing youth dependency ratio. Since the taxable base of the population will remain large as a result of the presence of the baby boom generation in the labour force, it would appear that the overall dependency ratio, at least to the end of the century, will not be onerous and in fact will be lower than levels experienced in Canada in earlier decades.

The inclusion of the relative cost of the dependent population spurs further debate since different and diverse estimations have been asserted in terms of the relative cost of supporting the dependent population groups of children vis-a-vis the elderly. The results are affected very much by the assumptions on the relative cost attached (see Clark and Spengler, 1978; Wander, 1978; Foot, 1982 and 1989; Government of Canada, 1982a; Axinn and Stern, 1987; Schultz, 1988; Thane, 1989). There is a consensus that public expenditure for the elderly is higher than that for children. The magnitude of the relative weights we add to the elderly will affect how fast the cost adjusted dependency ratio rises over the future decades.

Amidst the controversy surrounding the issue of relative cost, one clear trend that emerges seems to be a progressive transfer of resources from the private sphere to the public domain (Wolfson, 1989). Foot (1987), for example, asserts that a rising elderly ratio would result in an increase in

government spending even if exactly counterbalanced by a declining youth ratio. This is perceived to place increasing "burden" to the government. Whether the financing of the social programs for the elderly can be sustained by the economy or not depends on the benefit structures and labour productivity (see Fellegi, 1988). Intergenerational competition for public resources may also arise (Heller et al., 1986; Economic Council of Canada, 1989).

According to Thomson (1989), the most significant manifestation of aging in the late twentieth century, besides demographic aging, is "political aging", or "the aging of the modern welfare state". This "political aging" is used neither in the sense of the ages of the political leaders (see Beaujot and McQuillan, 1986; Drabek, 1989) nor in the assertion of possible loss of youthfulness or vigour in leadership (see Coale, 1987). Instead, political aging is used in the sense that there is a decisive turn in political decisions and priorities away from programs for children and young adults of the 1930 to 1970 era. In Europe, North America, and Australia, public resources have been directed more towards the concerns and interests of the elderly and the near-elderly. This may result in change in intergenerational relationship, to which we now turn.

### 1.2.2 AGE RELATIONS IN AN AGING SOCIETY

There are in general two contrasting views of age

relation in the macro-sociological literature. The main questions asked are as follows: will there be competitions for resources or will there be intergenerational sharing? We will introduce some of the more popular perspectives in the following with the intent of placing Preston argument in its broad theoretical framework. We will review the two major order-oriented theoretical approaches in the United States, namely, age stratification and modernization theories. Then, we will discuss briefly the generational interdependence perspective, a specific reaction to the Preston argument, and the generational conflict perspective, a Canadian reaction to the main American theories.

#### 1.2.2.1 ORDER-ORIENTED THEORETICAL MODELS

According to the age stratification perspective, age is a differentiator based on the different experiences individuals have through cohort membership (see Riley, 1976 and 1987; Matras, 1984). The model emphasizes the flow of successive cohorts of people. For instance, age factors interacting with the different historical experiences of each individual cohort will lead to the difference in political attitudes.

Age, according to this perspective, is the basis for structured inequality in the social order. Age stratificationists describe the different opportunities, rewards and political power available. In this light, it is

natural for the older ones to have greater power and economic resources than the young. In Chapter 2, we will consider in more detail the age stratificationist critique of the Preston argument.

In the modernization theory of aging, Cowgill (1974) viewed intergenerational reallocation of resources as a problem (see Marshall, 1980:35). For instance, greater longevity will result in competition between generations since there will be increasing demands for jobs and social support. An important work along this line of reasoning is that of Davis and van der Oever (1981).

In studying the impact of modernization on age relation and public policy, Davis and van der Oever (1981) assert that competition between generations, once muted by family ties of mutual dependency and co-residence, is now becoming increasingly impersonal. The family has been the most important institution in minimizing age-based conflict. Family solidarity actually provides a division of labour between the generations.

However, demographic changes in industrial societies have drastically changed both the family and the age structure: the aging of the population, compounded by the decline in family solidarity, has shifted the context of intergenerational relations to the wider economic sphere. With the development of public pensions, there is an improvement in the relative income of the elderly although their labour force

participation has been declining. The result is an increase of burden falling on the workers under 65 to support the aged and to rear the children.

One of their concerns, which is similar to that of Preston, is what kind of policies might lead to greater distributive fairness among the generations. It should be noted, however, that while Davis and van der Oever highlight the competition for resources and equity between the elderly and young adults of childbearing age, Preston's concern is for the children, using elderly people as a contrast group.

Two extreme reactions to the order-oriented theoretical models on age relations can be detected as follows. One extreme is the denial of any possibility of conflict. The other extreme is the endemic nature of conflict among the age groups.

#### 1.2.2.2 GENERATIONAL INTERDEPENDENCE AND CONFLICT MODELS

The theory of generational interdependence is used extensively in reaction to the Preston argument in the United States. Essentially, the argument from this perspective is that persons of all generations in the long term have a "common stake" in the programs set up for the elderly. For instance, younger persons will benefit indirectly from funds transferred to the elderly since the funds will soon circulate back through the economy. Moreover, these programs for the elderly will reduce intrafamily tensions and enhance the

dignity of family members who receive benefits. Thus, harmony among the age groups are emphasized. In fact, Ties That Binds (Kingson et al., 1986b) represents the official position of The Gerontological Society of America to debunk the use of intergenerational (in)equity as policy framework, as is illustrated in the Preston argument (see next section). We will review their position in more detail in Chapter 2.

The other extreme reaction to the major American theories is the development of generational conflict approach in Canada. This reflects in part the general impression that Canadian sociology has historically drawn more from Marxist and Weberian social and economic theory than the American counterpart.

Researchers like Marshall and Tindale (1979 and 1980), Myles (1980) in Canada, Dowd (1980) and Estes (1979) in the United States and Guillemard (1980) in France formulate the so-called generational conflict approach. This approach attempts to explicitly address the bases for and the processes of socio-political conflict and competition.

Unlike modernization and age stratification theories, the generational conflict approach focuses on the conflict as an endemic feature of social interaction among age groups. It builds on the insight from the age stratificationists concerning the concept of "generation" in analyzing social phenomenon. Generations, from the former perspective, exists as concrete social acting units and, for the latter, exist

only synthetically as analytical categories (Marshall,1987).

Different from the purely demographic approach which assumes that intergenerational resource allocation can be accomplished with considerate ease, the generational conflict perspective builds on neo-Marxist and conflict theories and views the elderly as individuals structurally placed with respect to an economy dominated by corporate capitalism in close association with the state. Reallocation of resources between generations is therefore viewed here as a feature of the political economy. As Marshall (1980:94) asserts,

if the aged are viewed as a growing group set off from the rest of society precisely through their structural position as consumers rather than providers of resources, then it must be admitted that at least a serious potential for generational conflict exists.

To conclude, among the different viewpoints regarding relationships between age groups in an aging society (which range from assumptions of intergenerational sharing to endemic intergenerational conflict), the Preston argument can be placed theoretically within the modernization theory, which, together with age stratification theory, dominates the major order-oriented models in American sociology of aging. Let us turn now to discuss and clarify some of the issues in the intergenerational equity debate in the United States.

### 1.2.3 INTERGENERATIONAL EQUITY

To better understand the issue of intergenerational equity, we need to briefly discuss the concepts of generation,

intergenerational contract, and intergenerational transfer. In terms of intergenerational equity and justice, we need to differentiate between two different kinds of intergenerational equity, namely, longitudinal and cross-sectional, to properly understand the Preston argument.

#### 1.2.3.1 GENERATION

Generation can be used in at least three different senses (Kertzer, 1983; Kingson et al., 1986b). Firstly, it can be used in the sense of cohort flow or the succession of people moving through different age strata, the younger cohort replacing the older cohort as time passes. Secondly, the term can refer to a particular segment in the life course such as the "college generation". Thirdly, generation can also be seen in the sense of kinship descent. This use of the concept has its root in social anthropology. This refers not to parent-child relations but to the larger aspect of kinship relations. The attempt by demographers to measure "the length of generation" or the estimation of population replacement based on reproduction of females in a population uses this sense of the term. Ryder (1965) had argued for restricting generation to this meaning of kinship descent. Kertzer (1983:128) notes that

There exists an unambiguous term -cohort- to refer to the succession of individuals who pass through a social system, and there exists a similarly clear term -life stage- to refer to a particular segment of the life course. Processes of family transmission should not be confused with processes of cohort and social change.

We should note, however, that the term used in the intergenerational debate literature uses the meanings of cohort and life stage (see Hirshorn,1991).

The concept of generation also represents an important link between economics and demography (see Kessler,1990). The idea of generation has always been emphasized in demography. It is only recently that the development of social security and pensions, the importance of public education, and last but not least, the impact of baby boom and baby bust cohorts on all markets bring the generational approach to the fore in economics. Spurred by the proposal of life cycle model in economics, the concept of generation is more related to the stages in the consumer's life cycle vis-a-vis the labour market.

#### 1.2.3.2 INTERGENERATIONAL CONTRACT

The terms "intergenerational contract" or "the compact between generations", according to Thomson (1989), refer neither to the statutory obligations and duties that may exist between one generation and another, nor to private legal contracts like trusts and wills. Simply put, there exists an implicit compact of values, habits, and conventions of behaviour which gives one generation an expectation of certain actions on the part of another. As Thomson explains,

much more important than statutory requirements, have been the implicit, unwritten, indeed largely unspoken compacts between successive generations. Compacts which have perhaps been all the more

powerful for being little explored and articulated. ... The legal compact between generations may have afforded the elderly scant comfort or protection, but the implicit one makes up for this by imposing obligations to assist upon successors (1989:372).

These senses of obligations and expectations to act in certain ways towards the elderly are under stress in an aging society. Rapid population growth with its subsequent halt shattered the historical pattern of each generation caring for a small number of elderly, and becoming in turn the responsibility of a larger group of younger generation (see also Keyfitz, 1982).

From this perspective, the rising populations of seniors in contemporary societies will affect the long-standing contracts between the generations in ways that are still unclear. A great deal of discussions on demographic aging have focused on the support requirements of population aging. Themes examined are, for instance, financial, medical, emotional, or familial support for the aging population. For example, opposing views were presented on setting medical limits in an aging society in order to achieve an equitable allocation of resource for different generations (Callahan, 1987; Homer and Holstein, 1990).

#### 1.2.3.3 INTERGENERATIONAL TRANSFER

Since Adam Smith, economists have noticed not only the importance of invisible hand and the division of labour, but also that decentralized competitive markets may fail to function properly. Theoretically, any viable society must

attempt to solve a set of economic problems associated with the maintenance of its productive potential over time (Willis,1982:209).

In the "overlapping generation model" formulated by Samuelson (1958), the simple demographic fact that individuals belonging to different generations, which implies that there are barriers to trade that cannot be overcome by the invisible hand, was brought to the fore front of research. Samuelson suggests that society must resort to social contrivances or nonmarket institutions. Specifically, Samuelson highlights three possibilities:

1. a system of private intergenerational transfers within households.
2. a public tax and transfer system such as social security.
3. the creation of real and artificial assets such as paper money, land, gold, or government bonds that serve as store of value.

In traditional societies, intergenerational transfer has taken place in the context of intrafamily transfer. Historically, people were mostly cared for by family, relatives and friends. Some of the other more obvious intergenerational transfers include private transfers such as bequests, attention and care (Kessler,1990). With the diminished cohesion of the family in an industrial society, the burden of support is now shifted to the public. Public transfers include public education, social security, and even public debt are instituted in many industrial countries.

Pension plans in particular are set up and administered as a kind of intergenerational transfer (see House of Commons, 1983f). In the absence of any pre-funding or savings, pensions and social security require an intergenerational transfer from a younger generation living at a particular time period to an older generation living at the same period. Generally, the working population is taxed to generate the pool of funding to support the retired elderly. In effect, this can be viewed as a kind of intergenerational redistribution of income (see Stiglitz, 1986:283).

Instead of relying on bonds among generations within the family, intergenerational transfer through social security system, for instance, requires, as Keyfitz (1982) points out, one's loyalty to the state. With each generation slightly larger than the preceding one, the expansion of welfare provisions for the elderly was encouraged. There was the belief that no limit was necessary as to what the elderly might be promised or offered. However, with the decline in birth rates, the contract between generations may be adversely influenced as higher taxes may have to be paid by the working generation to support the retired one.

In Canada, the design of the Canada and Quebec Pension Plans can be seen as "number of intergenerational commitments" (Economic Council of Canada, 1989:51-2). It is implicitly agreed upon by the public that the younger generation has to forgo a certain level of consumption to finance the

consumption of the seniors. Conventionally, the issue of equity comes into the picture because this kind of transfer of resources from the current working young to the current retired elderly may not result in a compensated return in the future. This is one of the causes of the heated debate when the Federal Government attempted in the late 1970s and early 1980s to reform the pension plan system in Canada.

It is important to note here that when most people refer to intergenerational transfer and equity, they are talking about the retired and the working generations. However, Preston is interested in a third generation, namely, that of young children.

#### 1.2.3.4 INTERGENERATIONAL EQUITY: SOME CLARIFICATIONS

Having briefly discussed the concepts of generation, intergenerational compact, intergenerational transfer, we are in a position to better understand the issue of intergenerational equity. There are different viewpoints and emphases with regard to the meaning of intergenerational equity (see Kingson, 1988). The key of the intergenerational equity controversy in the United States concerns the different criteria that are employed to guide the difficult choices over the allocation of resources in an aging society. Essentially, it is a matter of distributive justice, that is, how the proper distribution of social benefits and burdens are made.

Broadly speaking, while some emphasize the distribution

of resources primarily according to individual merits and social contribution, others highlight the importance of individual needs or equal shares to all. Depending on which principles are used, any income distribution situation can accordingly be termed as just or unjust. The nature of the problem is changed in the modern world when children and young people are trained in school for longer periods of time while more and more elderly survive to old age and retire earlier. Children are the future. Resource allocation to them is an investment while its counterpart to the elderly is mainly consumption (see Chesnais,1989).

The most vocal proponents of intergenerational equity in the United States assert that too many public benefits have been directed at elderly people; they are concerned about conserving resources for other age groups, other generations and other purpose (deficit reduction, strengthening the nation's infrastructure) (e.g. Longman,1987). They tend to rally for reduction of benefits for the current and future elderly, calling for increased investment. Others are concerned about children, especially poor children. They note the worsening plight for the children, in contrast to the much improved status for the elderly (e.g. Preston,1984a and b); they question the existing structure of allocation of resources, prompting for more help for the deprived children.

There are also those who tend to look at intergenerational equity more as an issue of conservative

reactions to government intervention through programs and services, than a real concern for the well being of the deprived and the vulnerable like children. Here the intergenerational equity debate can be seen as a calculated attempt to reduce the services for the elderly, especially social security.

In the literature, two different understandings in the use of the term "intergenerational equity" can be found. First, there is the use of the term in the inter-temporal context as to whether those who contribute to a certain plan will be able to get back their fair share in the future. This can be viewed as the longitudinal perspective of intergenerational equity (see for example, Government of Canada, 1982a and b; Stone and Fletcher, 1990). Second is the observation that the elderly are faring better in general nowadays while the other age groups, especially the young are not. This can be termed as intergenerational equity in the cross-sectional sense (Preston, 1984a and b; Marshall et al., 1991).

To illustrate the first sense of the term, many economists like to discuss this issue of intergenerational equity and transfer within the context of social security. On the one hand, from the perspective of social security as a saving and insurance program, equity and fairness would mean that the expected returns received by different people should correspond to their contribution. On the other hand, from the

perspective of social security as a redistribution program, equity and fairness would mean a reallocation of funds to the poor, i.e., the poor getting more than they contribute (Stiglitz,1986).

The current social security system in the United States is a pay-as-you-go system. It is a transfer of resources from the current young to the current old; in so doing, people may not be ultimately compensated for the transfer they have contributed. According to Hurd and Shoven (1983), a single, middle-income man who retired in 1970 will on average receive, when he dies, a transfer of \$25,000 (in 1980 dollar) more than he contributed. For those who retired in 1980, they will get an estimated net transfer of \$24,000 in 1980 dollar. Those of later generations, however, will contribute more than they can get back. For instance, a single man retiring in 2010 will pay in his lifetime \$69,000 more than he will receive. By 2020, i.e. for those who are 30 years of age in 1985, the difference will be about \$88,000.

If productivity is growing, this kind of income redistribution across generations is equitable since the current working generation will still be better off than the current aged. However, in view of marked slowdown in recent productivity growth, intergenerational equity may become a problem.

Palmer et al. (1988a:25-6) contend that this kind of "intergenerational equity" is actually a very speculative

matter. They argue that

it is clearly more speculative to compare the well-being of today's elderly to tomorrow's elderly (today's adults), and even more speculative to ask what will happen to today's children when they become elderly in the twenty-first century.

What stirs debates and discussions is the possibility that public support programs for the elderly will fail to provide adequate help for the baby boom generation and for their children in retirement (i.e. the pension plan crisis).

The use of intergenerational equity in the cross-sectional sense is evident in Preston (1984a and b), as applied to the United States. This refers to the argument raised above that the existing structure of public resource allocation benefits the elderly more than other age groups like the children. In Canada, the National Advisory Council on Aging (1989), along with Lewis (1989) and Marsden (1991), have made statements to this effect. We will discuss this in much more detail in Chapter 5 where we examine whether this issue has been discussed in public debates.

Priest (1990), for instance, argued that the 1990s will see fewer children than in recent decades, with more of them living in economically deprived families. While the education of young Canadians may well be the key to remain competitive in an increasingly technological world, the provision of universal access to higher education may not be possible. Putting this assertion into the intergenerational framework, he noted that universal access to higher education will be

hard in a deficit-conscious society already aware of the monetary and fiscal implications of providing for the special needs of a growing number of elderly people.

The use of the term intergenerational equity in the cross-sectional sense can be linked to its counterpart in the longitudinal sense since the disadvantages of children in their formative years is likely to stall their progress (Ryerse,1990; Cregheur and Devereaux,1991). This will potentially have an impact on productivity of the future economy which in turn influences the ability of the society to support the elderly (Barnhorst and Johnson,1991; Courchene,1991).

In this thesis, it should be made clear, however, that we are mainly concerned with the use of the term of intergenerational equity in the cross-sectional sense, which can, nonetheless, have an impact on intergenerational equity in its longitudinal sense. How applicable is the Preston argument in Canada? This will be the main focus of this thesis.

### 1.3 THE PRESTON ARGUMENT: KEY PROPOSITIONS

Intergenerational equity is the subject of very heated political debate in the United States. Hence, the Preston argument, interpreted by some to be the principal piece of work articulating the intergenerational equity stance (see Wisensale,1988; Marshall et al.,1991) was analyzed and

examined by many researchers in the policy and academic debate. However, Preston's main concern focuses on what is happening to the non-working age dependents, and especially the children, in an aging society. For instance, to Preston, the whole problem of the divergent paths for America's dependents can be summarized in two questions

First, do we care about our collective future-the commonwealth- or only about our individual futures? If only our individual futures matter, then our concerns will naturally focus on ourselves as older persons and we will continue down the road we appear to be on. But if we have collective concerns, we face a second and even more difficult decision about what mix of private and public childbearing responsibilities will best serve the needs of future generations? (1984:452)

It is unfortunate but perhaps inevitable that when he used the elderly as a comparison group, he was open to the criticism that he was scape-goating the elderly (Binstock,1985).

We can, in fact, broadly differentiate between two different viewpoints on the Preston argument. One, we can call the "weak thesis", which is that Preston only used the elderly as a contrast group, without the intention of victimizing the elderly. We believe this is Preston's original intention. Nevertheless, we can also discern a "strong thesis" in his argument as he concluded that

let's be clear that the transfers from the working-age population to the elderly are also transfers away from children, since the working ages bear far more responsibility for children than do the elderly (Preston,1984a:452).

Thus, the Preston argument is described as one of the conflict-based arguments prevalent in the literature on

intergenerational flow of society's resources (Hirshorn,1991). Indeed, seen from this perspective, the Preston argument takes the position that

population aging has had and will continue to have a negative effect on current, and possibly future, cohorts of younger people....[Preston] link(s) the increase in social expenditures on the elderly and the diminution of such expenditures on the young directly to what they maintain is an outcome of population aging - the concomitant increase in the political and economic influence of older people as they have become a greater proportion of the total population (Hirshorn,1991:180).

In other words, "equal shares" was used by Preston as criterion for distributive justice and the perception of a fixed pie. Viewed in this way, the Preston argument takes on the assumption of inverse relationship between the well-being of one group vis-a-vis the other (see also Kingson et al.,1986a and b; Minkler,1990).

The Preston argument also takes on an interest group perspective that puts the personal interest of the old and the young in antagonistic position. For instance, public spending for health care which catered especially for the elderly and education for the young are placed in adversarial positions. The amount of public expenditures for these various resources are related directly to the size, wealth, and empowerment of the people in the age groups to which the resources will go.

To conclude for this present chapter, according to the "strong thesis" interpretation of the Preston argument, it is asserted that, as population ages over time, elderly people receive more help than children and thus fare better. For

example, more public funding are allocated to the elderly people at the expense of the families with children.

Preston asserts that the keys to understanding the reversal of the well-being of the two dependent groups are, first, the divesting of care for children as evident, for example, in the rise of divorce and separation and, second, the increasing political power of the elderly, as a function of their increasing size, cumulative wealth, and the high degree of mobilization for concerted action. As Hernandez (1986:164-5) summarizes, while increased divorce and illegitimate fertility led to hard times for children but had minimal impact on the elderly, declining fertility led to a smaller and less effective political voice speaking for children but a large and powerful constituency, in view of the increases in the number of elderly in the society, speaking for the old. This results in larger amount of government transfer to the elderly than to other age groups. In light of these, we will examine the following assertions:

1. The well-being of elderly has improved more than that of children.
2. Elderly people and other older adults who do not have childrearing responsibilities are likely to opt for more resource allocation for the elderly people.
3. Elderly people are increasingly more politically active.
4. The emerging trend of relative well-being of the elderly and children is also reinforced by market mechanisms. In particular, the group with faster growth in size is better served by its specialized industry as the elderly are better catered for by

the health care system than the children by the educational system.

The following chapters of this thesis are devoted to examining these assertions in Canada. Burch (1987) suggests that the Preston argument should be seen in conjunction with the Davis and van den Oever (1981) hypothesis described earlier. Burch notes,

The Preston-Davis thesis, namely that a disproportionate share of the societal goods has begun to flow to the elderly, at the expense of children and perhaps of middle-aged adults, needs to be evaluated for Canada. It is political dynamite, but is potentially too important in terms of social and demographic implications not to be tested and answered one way or the other (1987:145).

The evaluation of the "Preston-Davis thesis", Burch suggests, is not entirely a scientific question as values and notions of justice and equity will have to be addressed (see also Holtzmann, 1989).

#### 1.4 SUMMARY

In this first chapter, the argument formulated by Samuel Preston in his presidential address to the Population Association of America in 1984 is reviewed. It hypothesizes that the American family has since 1960 divested itself of care of children, as reflected in the decline in fertility and the increasing absence of the father either due to illegitimate birth or divorce. As well, the elderly people, being more able to exercise their political rights, receive more attention in contrast to children, who are powerless

politically and thus become more vulnerable in the aging society. More government transfers and funding will thus be allocated to the elderly than to the children. In addition, the growth in demand for health care, in terms of both numbers of persons in the age groups of prime use and of entitlements, help create a booming health care industry; in contrast, the decline in the quality of teachers, partly caused by declining student population, leads to worsening educational environment for children. As a result, there are divergent paths for America's dependent groups. For instance, the seniors have lower poverty rate and much greater improvement in mortality than children.

To understand the context of the debate on the Preston argument, we have briefly discussed the impact of population aging by way of dependency ratio studies. Depending on the relative "weight" used for the elderly vis-a-vis the young in terms of expenditure, population aging is expected to shift the burden of support from the private sphere to the public domain. In such a scenario, conflict between age groups may occur. Here, different viewpoints regarding relationships among the different age groups in an aging society are introduced, ranging from perspective such as the intergenerational conflict model to the intergenerational sharing model. The Preston argument is placed theoretically within the modernization theory which, together with age stratification theory, dominates the major order-oriented

models in American sociology of aging.

The debate on intergenerational equity has also been discussed since the Preston argument is seen by some as establishing the parameters of the debate on the so-called intergenerational equity question. Concepts like generation, intergenerational contract, and intergenerational transfer are introduced and clarified. In addition, the different meanings and reasonings behind intergenerational equity are discussed. Preston's concern here is mainly the lack of societal commitment to children in the United States, in light of the relatively strong public commitment for the elderly. Since the focus of the Preston argument is with the inequitable allocation of public resources that disadvantages children, it is important to differentiate between the cross-sectional (i.e. present benefit structure by age) and the longitudinal (i.e. extent of return to pension contribution) aspects of intergenerational equity.

This thesis is an attempt to study some of the relevant evidence regarding Preston argument in Canada. For instance, are seniors faring better than children? Are the elderly in Canada, with their increasing size, cumulating wealth, and the high degree of mobilization for concerted action, gaining in public attention for resource allocation relative to the children? Is the group with faster growth in size better served by its specialized industry like education and the health care sectors?

**Chapter 2 THE PRESTON ARGUMENT: LITERATURE REVIEW**  
**2.0 INTRODUCTION:**

After a brief overview of the argument and the context of the Preston argument, we will examine the literature that grows out of the Preston argument. The aim of this chapter is to review the relevant reactions to the Preston argument, drawing out issues that merit our attention in the case of Canada.

After Preston presented his argument in the Presidential address at the 1984 conference of the Population Association of America, it was subsequently published not only in a scholarly journal (Demography) but also in a popular magazine (Scientific American) (Preston, 1984b). His hypothesis attracted much attention in both academic and policy making circles in the United States (see Kingson et al., 1986a and b; Hoskins, 1987; Palmer et al., 1988b; Daniels, 1990; Hirshorn, 1991; Marshall et al., 1991).

We will first discuss the general criticisms towards the presuppositions of the Preston argument and then review the examinations of the argument itself which can be grouped under the following headings: the well-being of elderly and children and the rise of the politics of aging. As well, the Canadian reactions to the Preston argument will be discussed.

**2.1 GENERAL CRITIQUES**

While many agree with Preston's general argument

regarding the reversal of well-being of children vis-a-vis elderly (see Pampel and Williamson, 1985 and 1990; Tietelbaum and Winter, 1985; Demeny, 1986; Callahan, 1987; Lesthaeghe and Meekers, 1986; Watkins et al., 1987; Bloom et al., 1987; Axinn and Stern, 1988; Smith, 1989; Grigsby, 1991), some criticize him for being too simplistic (see Binstock, 1985; Kingson et al., 1986a and b; Hoskins, 1987; Minkler, 1990); others agree with him for different reason than he asserted (Easterlin, 1987; Smolensky et al., 1988). Still others criticize him for methodological problems (see Duncan et al., 1986; Riley, 1987; Burkhauser and Duncan, 1988; Duncan and Smith, 1989). Hence, the debate continues.

We can in fact identify three different emerging perspectives from the review of the debate on the intergenerational flow of society's resource. First, Binstock's (1985) work represents the viewpoint of the heterogeneity-based argument which is one of the major criticisms of the Preston argument in the United States. From this viewpoint, the Preston argument overgeneralizes regarding the economic status and political power of the elderly (see Atkins, 1985; Binstock, 1985; Day, 1985; Hoskins, 1987; Crystal and Shea, 1990). The assertion is that the elderly are a group that is probably at least as diverse as among the younger age groups in terms of income security, health, living arrangement and political involvement.

Second, there is the solidarity-based argument which is

evident in the work of Kingson et al. (1986a and b), stressing the interdependence among age groups and generations. Third, the work of Callahan (1987 and 1991), and perhaps the Preston argument itself, represents competition-based arguments that emphasize inter-group inequities. We will discuss these various perspectives in more detail in the following.

#### 2.1.1 HETEROGENEITY-BASED ARGUMENT

In analyzing the impact of population aging on society, Binstock (1985) notes that there are existing images of the elderly in an aging society; the Preston argument is a glaring example. There exist many misconceptions, prejudices, stereotypes and myths about population aging and the elderly. Binstock states that

many of the contemporary issues implying age conflicts are spuriously constructed on the basis of inaccurate old age stereotypes, superficial reasoning, and unnecessary extrapolations from existing public policies (1985:420-1).

Binstock suggests that other ways of framing social welfare and health dilemmas may be more useful. The "axioms" of compassionate ageism that had prevailed in the 1960s and 1970s -- that the aged were poor and relatively impotent politically, and deserving because their disadvantaged plight was forced upon them by the frailties and social dependencies of old age as well as the prejudices of a youth-oriented society -- are, as he contends, replaced now by a new set of stereotypes. This fresh set of "axioms" are as follows:

1. The elderly are relatively rich, not poor.
2. The elderly are a potent political force since there are so many of them and they all vote in their self-interest.
3. Due to demographic changes, the aged are becoming more numerous and politically powerful and will be entitled to even more benefits and substantially larger share of the federal budget. They are costing too much and will in the future, impose an unsustainable burden on the American economy.

Both sets of "axioms" are, to Binstock, only partially warranted; they are generated only by the use of simplistic assumptions and aggregate statistics to the group called "the elderly" in order to gloss over the complex realities. He criticizes Preston for structuring the argument "so as to draw stark contrasts between children and the elderly with respect to their status and the funds expended on them, and characterized the two groups as being in direct competition" (1985:436).

As another example for the heterogeneity-based argument, Hoskins (1987:5) indicates that the general conclusion on the improvement in the economic situation of the elderly, as portrayed by the Preston argument, is misleading. First, in spite of government transfer that lifted millions of elderly above the poverty line, many elderly are living within just a few hundred dollars of the poverty line. Second, significant sub-groups of elderly continue to live in poverty (see Quinn, 1987). The fastest growing segment of the elderly, i.e. those 85 and above are twice as likely to live below the poverty line than the young old. Thirdly, old women not only

are more likely to be widowed but, due to their traditional care giving roles, to have erratic patterns of labour force participation and thus have lower Social Security benefits in old age. Fourthly, since the poverty line for elderly assumes less expenditures on food, the percentage of poverty among elderly is less than when the same yardstick as for others is used. Hoskins concludes that recent progress for the seniors merely brought them from the position of considerate disadvantage closer to parity with the rest of the population.

The remark that there is diversity of poverty situations also applies to the children. As Smeeding (1990:368) notes, while children living in white male-headed families had poverty rates lower than 10%, the corresponding figure for their counterpart living in female headed families had a poverty rate of 45.8% in 1987.

#### 2.1.2 SOLIDARITY-BASED ARGUMENT

A frontal attack on the Preston argument was attempted by Kingson et al. (1986a and b), who published their criticisms on the intergenerational inequity argument in general and the Preston argument in particular in their book called Ties that Bind. This book presents a comprehensive criticism on the intergenerational inequity and Preston argument. One of the main themes of this critique is that the relationship between individuals and generations is essentially interdependent and reciprocal in nature. Thus, all generations have a common

stake in social policies and intergenerational transfers that satisfy people's needs throughout the life course.

Intergenerational competition, they argued, reflected an unduly pessimistic and divisive view of the future. The fixed pie scenario portrayed in the age-competition perspective presupposes that new resources or new policies cannot be availed for the emerging needs of all age groups in the society. Moreover, the use of a "life-course" perspective encouraged the notion that at any given time, most individuals in general both give and receive help. This reciprocity of give and take among individuals of all ages is the common bond of interdependence that holds members of society together.

Specifically, Kingson et al.(1986b:120) noted that the trends of children's well-being as described in the Preston argument -- such as increasing poverty, family instability and federal cutbacks in programs supporting poor children -- should be alarming for the elderly. This is so both because of humanitarian reasons and because of the importance of having a productive future labour force for the economy and for future cohorts of elderly.

More succinctly, they criticize Preston as follows:

Preston has organized his argument in a manner that implies whatever the elderly receive is at the expense of the young, and vice versa. But an approach to social policy that suggests we trade off the quality of life of one group for that of another is neither politically feasible nor desirable. Increasing the poverty rates of the elderly is hardly a satisfactory solution to the high rates of poverty among children.

The Preston argument thus invites advocates of children and the elderly to engage in divisive competition and divert attention from more important questions such as the development of policies that meet the needs of our most vulnerable citizens, regardless of age.

In light of these observations, Kingson (1988) moved beyond ideas presented in the report and argued for a multi-generational agenda and strategy. He suggested that instead of focusing on intergenerational equity issues, aging interest groups should broaden the politics of aging by emphasizing justice between rich and poor. In advocating for all age groups, aging interest groups should provide continued support for universal programs on the principle that those most able to contribute to social progress, regardless of age, should bear the greatest burden.

### 2.1.3 COMPETITION-BASED ARGUMENT

In reaction to the generational interdependence perspective, Callahan (1987), a medical ethicist, wrote the book called Setting Limits: Medical Goals in an Aging Society. He argued that this life-course perspective on intergenerational equity helps to defuse the idea that the young and the old must necessarily compete for resources. One serious flaw he found in Kingson et al.'s reasoning is its failure to confront directly the historical fact that the relatively sudden demands made upon resources by the

elderly in recent decades threaten to unbalance any smooth flow of an equitable share of resources from one generation to the next. The assertions in Ties That Bind thus tend to ignore any problem of reallocation of resources to the elderly.

For example, as Kingson et al.(1986b) argued, since everyone is either old or will in due process become old, a policy of expenditures catering for the elderly will be a common stake for every one. In the case of health, health care benefits for the elderly have immediate value for younger generations. First, they help the young by relieving them from the "burden" of care for the aged. Second, in researching diseases which affect the elderly, the young will be benefited too. Health knowledge relating to the elderly will have application to the younger generation. Advances in geriatrics also give promise of relief for the younger generation's own future. It follows then that any amount of health care for the elderly would be beneficial to society since, according to this perspective, everyone would benefit. However, Callahan asserted that this perspective obscures some other important social considerations and priorities and may create a particular imbalance over the next few decades.

Instead, Callahan called for the need to limit medical treatment for the elderly. A radical response to the impending demographic aging and skyrocketing health care costs would require limiting medical interventions on the basis of age. Inevitably, this position leads to another round of heated

debate on the issue of intergenerational equity (e.g. Homer and Holstein,1990; Howe and Longman,1992).

These three perspectives, namely, heterogeneity-based, solidarity-based, and competition-based arguments will recur as we leave the philosophical and policy sides of debate on intergenerational equity in general and Preston argument in specific to review the statistical and methodological validity of the Preston argument. In the following, we will examine the well-being of the elderly and children and the rise of the politics of aging. We will specifically study the economic and political aspects, arguably the two most often discussed aspects of the Preston argument, and will briefly touch on the other indicators which will be examined in more detail in Chapters 3 and 4.

## 2.2 WELL-BEING OF CHILDREN AND ELDERLY

Well-being is an extremely broad concept (see Williams and Wood-Dauphinee,1989). It can be assessed from different perspectives, which include, among others, mental, physical, and economic aspects of life. Most studies in the related literature on the well-being of children and elderly, however, focused on the economic aspect.

### 2.2.1 ECONOMIC

#### 2.2.1.1 CAUSES FOR THE DIVERGENCE

Many have agreed with Preston's observation that the economic plight of the elderly in the United States has in

general been drastically improved (see Easterlin,1937; Hurd,1989; Smolensky et al.,1988; Smeeding,1990). Commenting on the economic status of the elderly, Smeeding (1990:364) notes that

since the early 1980s, the elderly have experienced both a faster increase in average money income and a faster reduction of officially measured income poverty than have the nonelderly.

This large and sustained decrease in poverty among the elderly is, to Smeeding, perhaps the most noteworthy accomplishment of the past 30 years. The official poverty rates for the elderly in the United States have fallen, in contrast to those of families with children which have increased since 1969. The year 1974 saw the poverty rate among children exceeding that for the elderly.

Some asserted that the differential allocation of public resources is related to the changing well-being of the elderly vis-a-vis children. For example, Thomson (1989) observes that in many countries including the United States, public resource allocation did advantage the elderly at the expense of children. He observes that health and social security, among other government spending programs, have reflected the trend of declining concerns of the young and the emphasis of the elderly. He argues that

Everywhere -- I am aware of no exceptions -- expenditure upon universal child or family benefits is declining as a proportion of national income or government expenditure, while comparable expenditures upon universal benefits to the aged are mounting.

In New Zealand, for instance, the value of the child benefit has increased just by four times in unadjusted dollar terms for the last 30 years. Over the same period, prices have increased by 8 times, wages by 9 times, and the universal pension for every elderly person by 16 times. There were also talks recently to do away with child benefit.

While the economic plight of the elderly has been drastically improved mainly by social security benefits, different opinions have been put forward about the cause of the rise of poverty among children (see Macunovich and Easterlin, 1990 for a discussion on ways to compensate for adverse economic conditions for families with children). For instance, Easterlin (1987) agrees with the phenomenon of the divergent paths of the elderly and children. However, he asserts that this would have happened without government programs. The increase in the poverty rate of children is, to Easterlin, a result mainly of market forces but not of government transfers.

Guided by the observation that two dependent groups actually rely on different sources for income, Smolensky, et al. (1988) assert, like Easterlin, that while government policy is of prime importance in producing the decline of poverty among the old, the rising poverty among children is caused by the disappointing trend in parents' earnings and the increase in number of children living in single-parent families which are usually poor.

Whereas historically the living standard of the dependent population of the young and the elderly was on the most part determined by the income of the working people with whom they resided, this remains true only for children in intact families. The elderly and many children in single-parent families are mostly relying on social security.

Since poor children, especially those who are in intact families, are more dependent on real earnings than the elderly, economic fluctuations impacting on growth in earning, but not on old age benefits, will have a greater effect on children. From the 1970s onward, social security benefits in the United States grew while earnings fell. Thus, poverty among the old fell while poverty among children rose. For child poverty, real income and living arrangements are important factors to be taken into consideration for analysis of child poverty. For the elderly, however, we need to examine the politically motivated changes in benefit levels. The increased relative economic position of the elderly is partly a result of the slow growth in incomes of working families caused by high inflation rates in the 1970s and the recession in the early 1980s.

Easterlin disagrees with Preston's assertion that expanded public programs to improve the economic status of the elderly have been at the expense of programs for the young. This assertion is a function of the juxtaposition of children and elderly. While such a trade off is theoretically and

logically possible, it is difficult to assess quantitatively.

#### 2.2.1.2 USE OF LONGITUDINAL DATA

The use of longitudinal data, often emphasized by those in the solidarity-based camp, gives us another picture of the divergent path of the dependents. Duncan et al.(1986) find that while the cross-sectional analysis confirms Preston argument, the longitudinal life-cycle perspective yields contrary result. From the cross-sectional perspective which provides a snapshot of people at one point in time, economic well-being of children has declined while that of elderly has increased. By the early 1980s, the elderly surpassed children in both average economic status and also in income stability.

The longitudinal perspective, which tells us what happens to individual people over time, shows that individual children in fact gain in economic status between 1968 and 1982 with individual elderly losing ground. The family income of children rose over time since they themselves went to work as they aged, and because their parents also aged into their peak earning years. Thus, children actually gained economically as they aged. Meanwhile, the elderly have family incomes that drop substantially due to their withdrawal from the labour force. The reasons for the improved financial position of the elderly nowadays, as seen in the cross-sectional perspective, are that the new cohorts, with more advantageous employment histories, greater accumulation of assets, pension rights and

other entitlements of social security, enter retirement in a far better economic position than the earlier cohorts.

Agreeing with the Duncan et al. (1986) analysis that a cohort approach i.e. to trace back through the lives of the component cohort members, will yield much different results than the conventional cross-section analysis, Riley (1986) contends that Preston's intergenerational inequity argument is oversimplified and misunderstood. The age strata in cross-section reveal remarkable improvement from the 1960s to the 1990s in the relative economic position of the aged vis-a-vis the young, with both strata fall much below the rest of the population. We will further discuss the difference between longitudinal and cross-sectional data in Chapter 3 and will now turn to the use of other indicators in studying the Preston argument.

#### 2.2.2 OTHER INDICATORS

Most studies that examine the Preston assertions on the divergent path of children and the elderly focused on the economic aspects of their well-being. Among the few studies that do otherwise, we will focus on the mortality and public resource allocation differentials.

Mortality reduction differential by age has been used to examine the Preston argument. According to Thomson (1989), mortality rates among elderly have been rapidly improving. Those for infants have been worsening. In the United States,

the rates of infant mortality have been rising, in contrast to a century-long pattern of improvement. In Britain, the government has had to acknowledge that infant mortality rates have begun to worsen. However, Thomson has not commented on the situation in Canada.

In their cross-national study of resource allocations, Pampel and Williamson (1985:782) examine the determinants of spending on public pension in some 48 countries, 18 of which are "industrial democracies" like Australia, Britain, Canada, France, Japan, the United States and West Germany. Percent aged, together with other industrialism variables like social insurance program experience, and family size, are found to be of dominant importance. In addition, the impacts of percent aged are found to increase with political democracy. Pampel and Williamson infer that, in these situations, the elderly can wield political power to increase pension expenditures.

O'Higgins (1988) examines the allocation of public resources to children and the elderly in the OECD countries, adjusting for population size and composition. While education expenses for all countries except Japan, Italy, and Sweden are proportionately declining, the corresponding expenses for health care are rising in all countries except for Canada and Australia. We will examine the response of health care and education to the change in population structure in Canada in the next two chapters and will now turn to review the Canadian reaction to the Preston argument.

### 2.2.3 CANADIAN DISCUSSION

The Preston argument has not attracted as much attention in Canada as in the United States. Most researchers refer to the Preston argument in passing (Dooley, 1988, 1989 and 1991; Canadian Council of Children and Youth, 1985; Hersak and Francolini, 1987; McQuillan, 1991). Others criticized Preston for relying mainly on American research insights (see Gee and Kimball, 1987; Walker, 1988). Still others (e.g. Hunsley, 1987; Wilkins and Adams, 1987; Burch, 1987 and 1990) applied the Preston argument to Canada.

Gee and Kimball (1987), in their monograph on Women and Aging, criticized Preston for scape-goating the aged as a major reason for declining economic status of children. Based on Binstock's (1985) comment, they argued that there is substantial diversity within the elderly age groups. Also, attention was diverted away from other more important issues that beset the economic recession of the time.

Similarly, Walker (1988), commenting on the potential of intergenerational class war in Canada noted in his address to the Canadian Association of Gerontology that

the concept of intergenerational equity is a misleading dichotomy, because inequities within age groups may be as great as those between them (1988:184).

In contrast, Hunsley (1987) applied the Preston argument to the Canadian case (see Burch, 1987). While the elderly deserve to be attended to, children who do not have affluent parents tend to be neglected by public policy. The retirement

system has been improved over the past 20 years, as evident in the declining incidence of poverty among the elderly. Meanwhile, child poverty has risen. Simply put, Canada, Hunsley argued, has not been providing enough help for children.

Beaujot (1991) likewise noted that transfer from working people to the elderly is a transfer away from children. Based on the observations that there are now greater number of old and near-old people relative to the young, he argued that there is a fairly natural tendency for an aging society to have policies benefitting the elderly. As he observed, the number of households including children below 18 is becoming a minority. Accordingly, there will be less votes for the young.

As well, Wilkins and Adams (1987), noting the importance of socio-economic status as factors for good health, suggest that the recent declines in mortality among the elderly may be related partly to their markedly improved material conditions. Whereas minimum income guarantees exist for the elderly, no such plan exists for persons under 65. Intergenerational problems may arise in the future if high rates of poverty, unemployment and lack of opportunity for the young weaken intergenerational understanding.

On the other hand, there are also those who argued from the solidarity-based perspective and asserted that the Canadian society is a complex organization of

intergenerational cooperation (Stone,1991). For instance, the establishment of a pension plan for the elderly is in fact a big help to the working-age children since the elderly may otherwise require voluntary familial transfer. In this light, intergenerational equity and conflict are not evident in Canada.

In the midst of worries and concerns over the pension plan crisis in Canada, much attention had been focused on the economic positions of elderly people (e.g. Stone and MacClean,1979; Powell and Martin,1980; Denton and Spencer,1984). The recent improved economic status of the elderly is well documented (see Oja and Love,1988; National Advisory Council on Aging,1991a). In contrast, most surveys of trends in income inequality and poverty do not focus on child economic welfare; only a few studies do (see Canadian council of Children and Youth,1985; Arnoti,1986; Freiler,1986; Dooley,1988).

Poverty among children in Canada is now increasingly a popular topic of discussion (e.g. Battle,1990, 1991 and 1992; Canadian Council on Children and Youth,1990; Dewar,1990; Social Planning Council of Ottawa-Carleton,1990; Ryerse,1990; Shifrin,1989 and 1990; Borbhorst and Johnson,1991). Moreover, the Standing Senate Committee on Social Affairs, Science and Technology (1991) also released the study on "Children in Poverty: Toward a Better Future" in January of 1991.

In the Luxembourg Income Study which involves comparable

cross-sectional income data files created for several Western industrial nations, adjusted for definitional differences in income and income-sharing units, striking consistencies were found in the comparison of several industrialized countries. By using several measures of poverty, both absolute and relative, Smeeding et al. (1988) find that Canada, Norway, Sweden, and the United States all have more child poverty than elderly poverty. Among these countries, the United States is found to have the highest child poverty, followed by Canada. Commenting on this result, Canada's Standing Senate Committee on Social Affairs, Science and Technology (1991:5) note the following:

Using this data, Canadian child poverty rates of approximately 16 per cent have remained lower over the years than those of the United States which has a child poverty rate of approximately 20 per cent. However, when we compare our rates to those of other industrialized nations, particularly the Scandinavian countries, the picture is not as encouraging with Norway and Sweden exhibiting rates of 5.6 and 5.2 respectively.

Marsden (1991), chairperson of the Standing Committee, observes, in a workshop on the state of the child in Ontario, that government policies are at best indifferent toward children.

Meanwhile, Donner (1991) also notes that the safety net in Canada is good for the elderly while it fails single-parent families and many children. In short, it is asserted that Canada has an age-biased safety network. Commenting on "the widespread and endemic problem of child poverty in Canada", Stephen Lewis (1989) challenges the country as a whole to

improve and change the lives of children just as Canada has managed to do for the seniors in a significant way since 1965.

Battle (1991), in his presentation to the Liberal Party's thinker's conference held in November of 1991, called the government's promise to eliminate child poverty as the "Phoney War on Child Poverty". In contrast, Cregheur and Devereaux (1991) caution us that even though one in six children are in poverty in Canada, the majority of Canadian children are still leading comfortable lives. In the following, we will examine the political aspect of resource allocation in an aging society.

### 2.3 POLITICS OF AGING

Political influence of the increasingly large elderly population could, as Preston asserts, shift the resources to cater to the need of the elderly. Preston argues that people tend to vote for their own self interest and that resources tend to divert to the group that has more people due to the political influence they can assert. Thus, the changing numbers of young and old are said to have changed the environment for public policy decisions (see Olson, 1965 and 1982; Knoke, 1990 for opposing view).

#### 2.3.1 CHILDREN: FORGOTTEN MINORITY OR TREASURED RESOURCE

One of the first reactions to the Preston argument was by Tietelbaum and Winter (1985). Commenting on the allocation of

resources between young and the old in an aging society, Tietelbaum and Winter (1985:108) observed that it is obvious that in democratic nations, population aging will shift public resources away from the smaller cohorts of the young towards the larger cohorts of the middle-aged and the elderly.

Commenting further on the Preston argument, Teitelbaum and Winter asserted that there has been recently a gradual and in some senses unintentional reallocation towards the elderly retired population. This, they argued, is perhaps an unexpected result of inflation indexing in public pensions and other old age benefits, as public decisions were made to protect the elderly from the inflationary spiral and from monetary policies adopted for other reasons. However, the increased level of aggregate resources reallocated from the young to the old may not preclude substantial per-capita rise in investment for education and child health services for the young. In view of the relative scarcity of the young, the society may attribute greater value to them. In fact, those interest groups like education ministries or unions may use their political power to oppose cuts in such allocations.

Alternately, Richman and Stagner (1986) find that children in general and poor children in particular are now treated as a forgotten minority in the United States partly because children are neglected in public policy. On the societal level, as other groups lobby for resources, public funding allocated to children may be cut back; the special

treatment of children as dependents deserving protection from adult pressures may have to be reversed. Moreover, an aging society may require its young people to work earlier to support its increasing elderly dependents, thus forcibly shortening the period of childhood. The declining number of children in an aging society may result in less resources allocated to children as argued by Preston (1984a and b). As children become not only a smaller part of each family but also a smaller proportion in the society, their interests can be overlooked and overshadowed by those of other dependent groups, for instance, the elderly. Since children are largely passive recipients of transfer from parents and society, they may be regarded as only another needy minority while other dependent groups strive for resources and attention (Richman and Stagner, 1986).

Other than the image of children as a forgotten minority, as portrayed by Preston, children may become more highly valued and thus are nurtured all the more. Richman and Stagner (1986) argued that due to their scarcity and importance to their nation's future, children in an aging society may become a treasured resource. The decreasing numbers of children would lead to more resources made available for each child. At the level of the family, the fact that fewer children are born may result in a trade-off between quantity and quality of children, i.e. the fewer number of children can be given better care with the same amount of resources available.

Moreover, people may come to acknowledge the need for healthy, well-motivated, and properly trained youngsters to provide for innovation and inspiration in an aging society; there will thus be public pressure for allocating resources to the children who will become the backbone, i.e. the providers, innovators, and defenders of the aging society. Finally, there is also the possibility that, as the elderly amass more wealth, the intra-family transfer in the form of bequest to their children would be considerable.

Pampel and Adams (1990) suggest that under the appropriate institutional and political conditions, governments actually respond to population aging with increased rather than decreased resource allocation to the young. They note that the United States, where intergenerational equity has generated much debate, appears atypical. For most European nations, an old age structure promotes along with higher pension spending a concern with demographic conditions of support for pensions, and thereby, indirectly for child and family programs. However, they did not comment on the Canadian situation in their argument.

### 2.3.2 SENIORS' POLITICS

In contrast to the competition-based arguments, Binstock (1985) argues from the heterogeneity-based perspective that Preston's emphasis on the elderly's political influence via their mere number, their high voting rates, and their self-

interested voting behaviour is not supported by evidence of any notable differential age pattern of voting. Only one question in one opinion poll was cited to assert the self-interested tendency for elderly. Moreover, the complicated issue of the tenuous link between voting and policy decision making is not touched at all.

Furthermore, Binstock also asserts that the elderly are a diverse group, and many of them identify with the middle-aged. They may feel incompetent, politically powerless, and may have few resources. Many election polls have shown that elderly votes distribute among candidates in about the same proportions as other age groups. The impact of old-age-based interest groups is mostly restricted to relatively minor policies in the United States.

The earlier political voting literature in the United States suggests that there is a general curvilinear relationship between age and voting and political interest. Different explanations given to account for age difference in voting and political interest include a person's integration in their community, availability of time, and health factors. Glen and Grimes (1968:563) summarize the argument as follows:

integration with the community develops gradually with marriage, job responsibility, and acquiring a family; thus participation rises gradually with advancing age, levelling off at about thirty-five or forty. Young children and other confinements delay the full opportunity for participation, especially for young mothers. Finally in the twilight years, physical infirmities probably account for most of the decline in participation.

Meanwhile, other studies suggest that when the appropriate controls like gender and education are made, the falling off of the voting activities is subsequently reduced (see Hudson and Binstock, 1976; Curtis and Lambert, 1976).

Hudson and Strate (1985) review a large body of literature and conclude that age per se has relatively little impact on political attitudes and behaviors. Jacobs (1990) affirms this conclusion by asserting that there is no fundamental political cleavage in the United States based on age. There are actually more similarities than differences in the political beliefs of the younger and older Americans.

Besides voting, one other important means to influence policy making is through pressure groups. Along with the emergence of the Preston argument, is, among others, the formation of an organization called AGE (Americans for Generational Equity) in the United States (see Marshall et al., 1991). This organization, formed by Senator Durenburger (R-Minn.), devoted itself to examine the burden to future generations of society's major social insurance programs. In response to warnings made by AGE concerning the potential of real generational warfare, the National Council on Aging and the Child Welfare League of America initiated the formation of Generations United, a coalition promoting the common stake of children, young people, elderly and the families. From this perspective, the focus on intergenerational equity as an issue for debate in the United States is partly politically

initiated (see Longman, 1987; Howe and Longman, 1992).

### 2.3.3 CANADIAN DISCUSSION

The perception that the elderly are politically active is evident in Statistics Canada's (1979a) comment:

Increasing proportions of the elderly will represent a larger fraction of the voting population. They will command more public attention and will exert a stronger influence on economic, political and social policies in the future.

The Government of Canada (1982a) also noted the potential political power of the elderly:

As the aging of the population in Canada accelerates, the perceived political power of older persons will correspondingly increase. This power might be manifested in a number of ways: their ability to organize in effective lobbying groups, their ability to create effective alliances with non-age-based groups, and their ability to make problems and issues related to the aging more politically visible through lobby groups of older persons and alliances with non-age-based groups.

Moreover, the report also noted that older people have traditionally exercised their franchise much more than those in other age groups. Similarly, Curtis and Lambert (1976) reported that they find no diminution in election interest between the age groups 61-65 and 66-70 in Canada.

Beaujot and McQuillan (1986:67) contend that an aging society may accord to the elderly more power just as a young Canadian population electing Sir John A. McDonald and Sir Wilfred Laurier to public office by the age of thirty. The potential of the increasing influence of the elderly as a group is evident in the drastic rise in the voting population

65 and above from 13.5% in 1981 to 23.3% in 2026. They conclude that

combined with the fact that elderly people are more likely to turn out to the polls, these trends suggest that senior citizens will be able to wield increasing political power in the future (1986:67).

A recent book has been published devoted to the role of seniors in politics (Gifford,1990). In fact, one of Gifford's purposes in writing his book on Canada's Fighting Seniors (1990) can be reflected in the following quotation:

We pensioners constitute a reservoir of expertise and of seasoned capacity for coping with personal and social problems. We have widespread experience of our country's political processes, and the numbers now to carry political weight. Above all, we have time -- most citizens now can look forward to spending at least one fifth of their productive lives in relatively good health, with about 2,000 hours a year of time at their own disposal.

There is surely a potential in Canada to have a further rise in grey power, especially after the 1985 de-indexation fight united the seniors together (see Rice,1987; Gifford,1990; Prussen,1991).

The above comments warrant a study of the extent of any rise of gray power, voting patterns by age, to be supplemented by attitudes of resource allocation study. Moreover, in view of the change in family structure, the increasing absence of children in people's lives may lead more people to act politically in ways that disadvantage children (see Davis and van der Oever,1981; Hunt and Hunt,1982; Preston,1984a and b; Kantrowitz,1986; Burch,1987; Richman and Stagner,1986; and Chew, 1989; Beaujot,1991). To further investigate the

political clout of the elderly in Canada, three types of evidence are used. In Chapter 4, we will examine voting patterns, attitudes towards resource allocation in an aging society by living arrangement, and the role of senior interest groups in influencing public policies.

## 2.5 SUMMARY

Criticisms of the Preston argument have been focused on the economic aspects of the divergent path of the well-being of children and the elderly. While the economic condition for many elderly is very much improved mainly due to public transfer, other forces like parental earnings are mainly responsible for the declining well-being of the children. In addition, the use of longitudinal data also reveals that individual elderly actually loses ground (due to withdrawal from the labour force) while children actually gained economically as they aged (since the family income of children rose overtime, since they themselves went to work as they aged, and because their parents also aged into their peak earning years). The rise of gray power as a cause of the divergence of well-being was also questioned.

In general, there are three different views that emerge in studying the Preston argument. First, agreeing with Preston, the competition-based argument suggests that the elderly have benefitted more than children by public resource allocation and have used their political power to that effect.

Second, the solidarity-based argument, in contrast to the competition-based studies, asserts that the relationship between individuals and generations is essentially interdependent and reciprocal in nature and that all generations have a common stake in social policies and intergenerational transfers that cater for people's needs throughout the life course. Third, the heterogeneity-based argument points to the complexity of reality, criticizing Preston for overgeneralizing. For instance, there is significant sub-group within the elderly, especially the unattached female elderly, who are not doing well economically.

As reviewed in this present chapter, the issue of intergenerational equity has not created a big debate in Canada. There is no formal attempt to study the Preston argument in Canada. This thesis is an attempt to fill a void in the literature to evaluate the Preston argument in Canada, bearing in mind the criticisms that emerge in the literature.

## CHAPTER 3 METHODOLOGY

### 3.0 INTRODUCTION

The key issues to be addressed in this chapter are as follows: what are the appropriate indicators and the forms of analysis to use in examining the propositions of the Preston argument. To this effect, we will first discuss the indicators of well-being of the age dependents and also study the different mechanisms highlighted by Preston as contributing factors to the divergent paths of the dependent groups.

We will focus on economic and health aspects of the well-being of dependent groups. With respect to the contributing factors involved in the observed phenomenon, we will examine the trend of government social security expenditure patterns, the potential rise of gray power, and the response of the respective specialized industries like education and health care sectors in Canada. In due course, we will take into consideration some of the critiques discussed in Chapter 2.

#### 3.1 SOME CLARIFYING REMARKS

To start with, it is useful to clarify the disagreement between intergenerational sharing and intergenerational competition. As discussed in Chapter 2, one main critique of the Preston argument is that the relationship between individuals across generations is essentially interdependent and reciprocal, not independent and competitive in nature. Thus, all generations have a common stake in social policies

and intergenerational transfers that cater for people's needs throughout the life course.

Intergenerational competition, they argued, reflected an unduly pessimistic and divisive view of the future. The fixed pie scenario portrayed in the age-competition perspective presupposes that new resources or new policies cannot be availed for the emerging needs of all age groups in the society. The use of the "life-course" perspective encouraged the notion that at any given time, most individuals generally both give and receive help. This reciprocity of give and take among individuals of all ages is the common bond of interdependence that holds members of society together. The Preston assertion therefore invites advocates of children and the elderly to engage in divisive competition and divert attention from more important questions such as the development of policies that meet the needs of our most vulnerable citizens, regardless of age.

It is true that we are all interdependent, and that relations in this society tend to involve a lot of reciprocity and sharing (Statistics Canada, 1987; National Advisory Council on Aging, 1991a and b). Yet, Callahan (1987) argued that the life-course perspective on intergenerational equity defuses the idea that the young and the old must necessarily compete for resources. The generational sharing theorists fail to confront directly the historical fact that the relatively sudden demands made upon resources by the old in recent

decades in the United States threaten to unbalance any smooth flow of an equitable share of resources from one generation to the next. The assertions in The Ties That Bind (Kingson et al., 1986), which promulgates intergenerational sharing, therefore tend to ignore any problem of reallocation of resources to the elderly. The extent of competition may not be as serious and evident as portrayed; but it is equally unrealistic to exclude any possibility of competition for resources.

Recent research on human support networks and help capacity also reveals that there tends to be limits to the potential for sharing and caring. For example, focusing on the social consequence of population aging, Stone and Ng (1991b) review literature on the human support dimension for seniors and argue that there is a practical limit to the amount of assistance that is available to a certain reference person in a support network. Another study by the National Advisory Council on Aging (1991b) also points to the importance of co-residence as one of the most important enabling factors in helping behaviour. Thus, there tends to be a limit to intergenerational sharing.

Bearing these thoughts in mind, we can proceed with our discussion of the methodology in examining the applicability of the Preston argument in Canada. First, we will track the trend of well-being. Second, we will study some of the mechanisms identified by Preston.

### 3.2 TREND OF WELL-BEING OF DEPENDENTS

The task in the section is to identify the appropriate indicators of well-being to be used in examining the Preston argument in Canada. This belongs to a general area of study called the quality-of-life research. According to Williams and Wood-Dauphinee (1989:65),

quality-of-life research has included the study of levels of economic, political, social, and psychological well-being resulting from governmental and economic systems, as well as policies and public programs related to health.

At the individual level, the elements of life to be graded can be objective indicators like job, wealth or income, or subjective perceptions like happiness and sense of self worth in life. For subjective indicators, global measures are often developed out of general questions about satisfaction in such areas as work, marriage, family, housing, and community. Because of the subjective nature of the measure, the inclusion of items can be debatable. For our purpose in this thesis, we will focus on the economic and health indicators.

#### 3.2.1 ECONOMIC INDICATORS

Income statistics are often used to discuss the economic well-being of societies or groups within societies. In choosing income instead of wealth and other in-kind income, we inevitably run the risk of neglecting part of the picture. However, income statistics seem to be the best objective indicator we have for the moment.

Although income statistics are objective indicators and thus should be easier measured, we must still be aware of certain difficult analytical problems. For instance, in comparing family income, we need to adjust for family circumstances and characteristics. It is, however, far from obvious as to how this is to be done. While some like Palmer et al. (1988a:12) use the income-to-needs ratio or an "adjusted" or "equivalent" income measure as an attempt to adjust family income statistics to account for different family circumstance, others construct a poverty or low income line, which, following Preston, we will emphasize.

### 3.2.1.1 POVERTY

Poverty or percentage of population in low income (or incidence of low income in Statistics Canada's terminology) is usually derived in terms of income levels, since income is the only aspect of the standard of living that can be measured adequately. To many, identifying and counting the poor means the construction of a poverty line. However, this is not as simple as it seems. Ross (1985:1462) notes that

one of the fundamental problems in estimating the number of poor people is agreeing on a definition of poverty. How badly nourished, housed and clothed, how much insecurity and stress, and how much withdrawal and powerlessness must people suffer before they are considered or feel poor? It is one task to describe the conditions of poverty, but establishing an objective measure is more difficult.

Although the construction of poverty lines attempts to correct

for the household situation, a certain degree of arbitrariness is still involved in different methods which yield different results (Wolfson and Evans,1989; Statistics Canada,1991b; Spector,forthcoming). People often differentiate among absolute poverty, relative poverty, and subjective poverty, to which we will return shortly (Petersen and Petersen,1986:731). In this thesis, however, we will use the Statistics Canada measure of low income as our indicator since it is the most commonly used measure in public and political debates.

On the one hand, subjective poverty relates to a personal or group perception of relative deprivation regardless of the income level. For instance, although the poor in North America are often better off than the majority of people in the less developed countries, the "highly paid" worker in a poor country would not likely trade places with an average poor person in the United States or Canada, *ceteris paribus*; this highly paid worker simply has more sense of accomplishment and self-worth in his own country (Kerbo,1983:296).

On the other hand, whereas absolute poverty refers to the condition of those who are unable to maintain themselves unassisted, by reason of age or incapacity, relative poverty denotes a standard specific to a particular society at a particular time. While the former includes the so-called "deserving poor" like the "paupers", the latter involves the derivation of poverty lines.

The use of different approaches to define poverty is

based on different assumptions of the cause and the solution to poverty (Ross, 1985:1462). The relative poverty approach argues that any definition of poverty needs to consider the prevailing standard of the society one lives in. For instance, Kerbo (1983:297) argues that poverty is not just a material condition; people who are far below that average standard of living in the country are, in that context, poor.

A strictly absolutist approach to poverty assumes that poor people require only the absolute necessities of life, things like substandard accommodation and bare essentials of shelter and food, and that these can be objectively measured. Poverty, according to this approach, stems from and is caused by the individual, and the poor person should be helped minimally by social assistance.

Both relative and absolute poverty measures are, as Perron and Vaillancourt (1988:2) observe, used in Canada. Firstly, the absolute (needs or budget) approach, used by both the provincial welfare administrations and the Social Planning Council of Metropolitan Toronto, estimates the income necessary to meet the needs of a family of a given size in terms of food, shelter, and other necessities. The levels of income estimated by these provincial and municipal authorities for those who need welfare ensure only minimal substandard of living.

Secondly, the relative (divergence) approach defines poverty in terms of the consumption or income of a reference

group. For instance, Statistics Canada defines a low income family as one which spends more than a given percentage of its income on food, shelter, and clothing. In 1961, this percentage is 70%, it became 62% in 1973 (1969 low income cut-offs or LICO's), 58.5% (1978 LICO's) in 1981, and 56.2% in 1986 (see Statistics Canada, 1991 for the set of LICO's used for 1990). Meanwhile, two other measures are often used in Canada, namely, that of the Canadian Council on Social Development and that of the Special Senate Committee on poverty. Among the three measures, the Statistics Canada is the most conservative, and thus is likely to underestimate poverty.

Since the 1986 set of LICO's was only officially adopted by Statistics Canada in 1991 and since some government programs would aim at lifting groups at risk at least out of the Low Income Cut-off's, we will use the 1978 Cut-offs in our analysis. Due to the availability of information from the official Statistics Canada source, we also decided to confine our analysis of the trend of poverty in the 1980s.

#### 3.1.1.2 COMPARISON OF POVERTY BY AGE GROUPS

Besides the limitations of income data and the possibility of using different measures of poverty and low income lines to study poverty, there are also problems involved in using these poverty data for comparisons. Three of the commonly used comparisons are, firstly, point-in-time

comparisons between different age groups, secondly, comparisons within similar age groups at a given time, and, thirdly, comparisons of similar age groups over time.

The most common comparisons involve point-in-time comparisons between different age groups. Here, the comparison is between levels of income for different subgroups in the same population at a single time-point. However, since the economic position of people varies systematically with age, labour force status, career advancement, and retirement, people with different levels of income may actually have the same pattern of income over their lifetimes.

The use of cross-sectional data to measure poverty produces only a snapshot of poor households for that particular time period (Ross, 1985:1462). Since the needs of people vary in accordance with their ages, in every poverty threshold that is derived, there are difficult assumptions. For instance, it is not known if the same household will be registered as poor in the preceding or succeeding years. No distinction, for example, is made between a university student with a temporary low income condition and a single mother or disabled elderly who would have lived in poverty condition for years, without much chance of escaping from the deprived situation. Nevertheless, this cross-sectional approach still provides a picture of the types and the number of people in poverty conditions.

The second approach involves comparisons within similar

age groups at a given time. While having conceptual and analytical problems of its own, this approach has less limitations than the above method. Since needs vary on dimensions other than life cycle stages, the comparison of economic status of elderly by gender is, for instance, much better than comparing to children.

The third category involves comparisons of similar age groups over time. This is conceptually and analytically better than the cross-sectional comparison mentioned above. For instance, if the average income-to-needs ratios of the elderly is twice as high as that of elderly 20 years ago, we can confidently conclude that, *ceteris paribus*, the elderly today fare better than their counterparts 20 years ago.

One confusion that emerges from the debate on the Preston argument involves the use of cross-sectional and longitudinal data to analyze the well-being of the dependent groups. As indicated in Chapter 2, researchers who focus on intergenerational sharing (e.g. Kingson et al., 1986a and b) note the importance of using longitudinal data to track an individual's economic status. For instance, Duncan and Smith (1989:262) note that cross sectional data do show strong economic gains for the elderly, relative to other groups in the population, especially in the last two decades in the United States. Rising Social Security benefits and, to a lesser extent, income from assets account for much of the increase; these have more than offset falling earned income

due to earlier retirement. In fact, while successive cohorts of elderly have attained higher levels of economic well-being, a review of longitudinal evidence also shows that some elderly individuals, especially women, are increasingly vulnerable as they age.

However, to conclude that the same elderly people who are still alive today are better off than they were 20 years ago requires panel data or several waves of cross-sectional data that allow analysis by tracking the members of a given age group over time. Cohort analysis ideally requires following the different cohorts longitudinally. The tracking of the cohorts for a long enough period will provide fruitful comparisons of economic status across generations.

The most difficult problem here, for our purpose, is data availability <sup>2</sup>. Such longitudinal data would allow us to compare the income of today's children to their counterparts half a century ago who become today's elderly. The goal would be to compare incomes or even consumption over the life cycle for different generations. However, the longitudinal approach to understand income dynamics will not be pursued here.

In this analysis, we will focus on the trend of low

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<sup>2</sup> In Canada, the Economic Council of Canada (S. Dumas, 1988), in attempting to understand the dynamics of poverty in Canada, plans to set up a data base that includes longitudinal income tax data and administrative social assistance records. This method of gathering data is inspired by the "pathbreaking work of the University of Michigan in the United States" which demonstrates that welfare dependence is a highly volatile behaviour for individuals over time (Powell, 1989).

income incidence in Canada. Moreover, in view of the critique given by the heterogeneity-based argument, the different family structures will have to be taken into consideration.

We must bear in mind that we are using income of economic families to estimate expenditure and living standards. We do not take into consideration any in-kind transfer, wealth, or discount available. Furthermore, we are also using the economic family as our analysis. In so doing, we are not considering any extra-household sharing of income. In other words, we are not able to explore the degree of intergenerational sharing if the different generations are not living in the same household.

Besides the economic aspect, Preston (1984a and b) treated extensively on health and education for his argument. Specifically, the trends of mortality and the school performance of children were used to present his case. In Canada, there is no nation-wide student performance indicator like the Scholastic Aptitude Test in the United States (more on this in Chapter 4). Here, we will focus on the health aspects of the dependents in Canada.

### 3.2.2 HEALTH

In terms of the health aspect of well-being, we will study mortality differential by age. First, we will offer a critique of the use of Coale-Demeny regional model life table to compare the extent of mortality improvement by age. Then,

we will offer our own suggestion of analyzing the change in age-sex specific mortality rates.

We realize that surviving longer does not mean the absence of sickness. For instance, the whole debate on the compression of morbidity (Fries, 1984; Buck, 1987; Schneider and Guralnik, 1987) concerns whether the decline in mortality is accompanied by the simultaneous decline in morbidity. People surviving longer may spend their time in sickness. Yet, we do not have the necessary data to study the pattern of morbidity with as much detail as the change in mortality in Canada. Even if we have hospital morbidity data dated back to the 1960s, there are problems in interpretation in view of changes in definitions through the years. The best data available are still the mortality level by age groups.

#### 3.2.2.1 CRITIQUE OF THE USE OF COALE-DEMENY REGIONAL MODEL LIFE TABLES

With regard to mortality differentials, Preston used statistical standards called the model life tables for comparison. Specifically, Coale-Demeny Model life tables (1983) are families of life tables that are constructed by identifying the various distinctive patterns in the variation of death rates by age. This statistical standard was used to compare the relations of death rates among different age groups with average historical and international experiences.

However, in so doing, we are imposing certain assumptions onto the complex reality that has changed from the time the

Coale-Demeny Model life tables were constructed. The Coale-Demeny regional model life tables were originally published in 1966 and revised in 1983. The original set of life tables were derived from a set of 192 life tables recorded from the various actual populations. The revised edition extends the original set of tables to accommodate populations with low mortality conditions. For instance, information in the model life tables for ages beyond 80 till 100 years of age were added to the new edition. Also, the highest expectation of life at birth of 77.5 years in the first edition was extended to 80 years for female.

In spite of these modifications, the Coale-Demeny regional life tables are based on mortality patterns that may not reflect the situation of mortality condition in countries like Canada. Since Canada has one of the lowest mortality conditions in the world, one wonders how appropriate the experiences summarized in the Coale-Demeny regional life tables are for evaluating the degree of mortality improvement in Canada. Even in Preston's own analysis of the American situation, he noted that the standard model life tables used failed to capture the experience among women who are over 80 years of age in the United States. Extrapolations had been used to obtain his results in the American case.

Since Canada has an even lower level of mortality, our own analysis of the Canadian situations, as will be evident in Chapter 4, would involve more extensive extrapolations.

Instead of using the Coale-Demeny regional model life table, we propose to use simple analysis of the age-sex specific mortality rates in Canada with the American rates as our comparison.

#### 3.2.2.2 ANALYSIS OF AGE-SEX SPECIFIC MORTALITY RATES

The absolute improvement in mortality for the different age groups can be derived by calculating the difference between the age specific mortality rates of the two reference periods. Alternately, the relative improvement in mortality can be obtained by the calculating the quotient of the age specific mortality rates for the same reference periods. A better summary indicator for the relative and absolute change in mortality for our dependent groups between the two reference time points is to standardize the age specific mortality rate by using a reference population (see Shryock and Siegel, 1976). In both cases, the American rates can be used to act as comparison.

The following discussions will involve analyses of social security expenditure patterns, political behaviours of the elderly, and the response of the respective specialized industries, namely education and health care, to the change in age structure. These are the different ways to examine the contributing causes to the trends of economic and health indicators studied.

### 3.3 CONTRIBUTING FACTORS TO THE OBSERVED TREND

#### 3.3.1 SOCIAL SECURITY EXPENDITURE PATTERNS AND ITS IMPACT ON POVERTY RATES

To the extent that there is a divergence of economic well-being between the two dependent groups, we will have to examine the role of government transfer on the different path of poverty for elderly and children respectively. First, we can also study the relationship between government transfer and poverty level for both elderly and children. Second, we can examine the pattern of social security expenditure.

To examine the impact of government transfer on poverty rates among the dependents in Canada, we will first review the relevant literature (e.g. Dooley, 1991; Messinger and Fedyk, 1988) and then analyze the 1986 Survey of Consumer Finances. The 1986 dataset on 1985 income is the ninth selected year starting from 1971 for which microdata tapes on census family incomes have been released. The corresponding 1974 Survey in the same series will provide a reference point of comparisons <sup>3</sup>.

From this set of microdata, the odds of an individual from a certain group falling below the poverty line, with and

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<sup>3</sup> The sample used for the 1986 Survey is in fact the Labour Force Survey sample, which is a multi-stage stratified clustered probability sample described in Methodology of the Canadian Labour Force Survey (Statistics Canada, 1976). Specifically, all persons over 15 years old in the two thirds (or approximately 39,000 dwellings) of the April Labour Force Survey sample chosen are requested to complete a detailed income information for the reference year and to report on questions about labour force activities. Basic demographic information on all persons in these selected dwellings are also obtained.

without government transfer, are derived. Furthermore, we also use the 1974 Survey of Consumer Finances data to act as a comparison to test the increasing role in government transfer in pulling people out of poverty.

In our analysis, the dichotomous variable, namely, low income status, will be used as the dependent variable; this will give us the chance to compare the odds of the various categories falling into poverty conditions with or without government transfer. Age, family characteristics, and the educational level of the head of the household will be used as independent and explanatory variables. Since we have a qualitative dichotomous dependent variable, the best model to use is the logit model.

Logit is useful for situations when the dependent variable is dichotomous or polytomous. In fact, it is a special case of the general log-linear model. Literature on the logit model can be located in Aldrich and Nelson (1986), Fox (1984), Haberman (1978), and Maddala (1977). We need to note here that the dependent variable of the logit model is the log-odds ratio or logarithm of the odds ratio, which is expressed as a linear function of the explanatory variables.

To elaborate, the dependent variable in a logit model is not the actual value but the log odds of the variable. An odds is "the ratio of the frequency that an event occurs and the frequency that it does not occur" (Norusis, 1988:334). Logit models the log of the odds of falling into category one rather

than category two of the dependent variable (see Swafford, 1980) and yields, in our context, the log-odds of falling into poverty vis-a-vis not falling into poverty. In due process, the odds can be derived from the logit coefficient by taking the antilog and then compared, after adjusting for the constant <sup>4</sup>.

An examination of the pattern of public expenditure will give us an understanding of the institutional structuring and priorities given to elderly vis-a-vis children. In particular, we can examine the trend of per capita benefit from main federal income security programs allocated to the elderly and children.

To the extent that there is a divergence in the trend of well-being between the two dependent groups in Canada, we will then want to assess the role of "gray power" has had in the observed phenomenon. The following section will involve a brief discussion of three aspects of the politics of aging in Canada, specifically, the rise of gray power, voting pattern and political behaviour by age, and resource allocation preference.

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<sup>4</sup> For example, if the observed number of those with university education falling into poverty condition is 5 while the corresponding figure for the same group of people not falling into poverty condition is 50, then the estimated odds for university educated people falling into poverty condition is (5/50) or 0.10. Otherwise, we can also treat this odds as the ratio of two probabilities of the cases involved. Since this is not a probability measure, but the ratio of two probabilities, the odds can be higher than one.

### 3.3.2 POLITICAL BEHAVIOURS OF THE ELDERLY

#### 3.3.2.1 THE RISE OF GRAY POWER IN CANADA

Concerning the rise of gray power, there is much literature which analyses political aspects of aging societies. We will review the relevant literature to obtain a sense of any possible rise of gray power in Canada. In particular, the famous de-indexation battle of 1985 will be discussed.

#### 3.3.2.2 VOTING PATTERN AND POLITICAL BEHAVIOUR BY AGE

In terms of voting pattern by age, Election Canada gathers voting statistics; but age breakdowns are not available. Neither does any other governmental agency gather these statistics. In contrast, the United States Government collects detailed information in this area.

Besides reviewing the existing literature on voting behaviours, we can use the National Election Study to examine voting and other political behaviours. The National Election Study is a nation-wide retrospective study conducted by Lambert, Brown, Curtis, Kay, and Wilson of the Universities of Waterloo and Wilfred Laurier in 1986. Canadians over 18 were selected randomly to answer questions concerning Canadian politics. Some 3377 interviews were conducted.

From the National Election Study, we will examine the participation of voting in federal elections of 1979, 1980, and 1984 by age groups. Also, a study of other political behaviours and activities will supplement the pattern of

political voting by age groups. For instance, we can examine the interest among age groups to read about or watch political news in the media.

### 3.3.2.3 ATTITUDES TOWARDS RESOURCE ALLOCATION IN AN AGING SOCIETY

The study on the voting pattern by age can also be supplemented by studies on attitude towards resource allocation in aging society. Even if the elderly are more active in voting, it does not mean that they will be pursuing policies that are disadvantaging children.

Preston cites survey results that point to the self-interested attitudes of the elderly without regard for the well being of children. How would the Canadian elderly fare in this regard? We will use a qualitative dataset from Middlesex-Oxford counties in Ontario to examine this preference <sup>5</sup>.

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<sup>5</sup> The data used here for analysis is gathered from 1989 to 1990 in Oxford and Middlesex counties in Ontario pertaining to the rationales used in the central decisions on marriage and childbearing. One of the objectives of this qualitative survey is to "determine the relative willingness to structure social policy in favour of children versus elderly" (Beaujot, 1989:7). Specifically, people interviewed were asked the following question:

The government has limited resources, if you were to choose, which do you think should be given more priority, programs for families with children or programs for the elderly?

While programs for families with children include support for education, health care and medication, subsidized day care, fiscal policies that direct money to families, etc., those for the elderly encompass services like home care, meals on wheels, and reduced costs for public transportation, not to mention programs like health care, pensions and tax deductions.

In response to the Preston argument, Burch (1987), Richman and Stagner (1986), and Chew (1989) hypothesize that there is a relationship between parental status (whether adults reside with children under 18) and support for children services and programs. Our concern here, however, can be expressed in terms of the relationship between parental status and preference for funding allocation. We will explore the responses in general and then examine the resource allocation preference by age and parental status.

Besides examining the differentials in income support expenditure and the rise of gray power in Canada, we will also examine the response of the respective specialized industries, like education and health care sectors, to the increase in the number of elderly people and the decline in the number of children. Education and health care are often highlighted since they are the two main programs benefitting children and the elderly respectively.

Since Preston had treated this aspect of his argument extensively, we have chosen to deal with the response of education to the change in age structure in spite of data deficiency. Admittedly, in view of the lack of appropriate data, this is the weakest part of this thesis.

### 3.3.3 RESPONSE OF THE RESPECTIVE SPECIALIZED INDUSTRIES: HEALTH CARE AND EDUCATION

In examining the response of education and health care to the change in age structure, we can examine the expenditure

patterns, recruitment, salaries for the professionals in both health care and education (see Chapter 4 for more details). For example, in the recruitment aspect, how many people applied and how many are enrolled in schools of medicine and schools of education in Canada? In terms of the school expenditure, since our focus is mainly on children under 18, we will confine our analysis to elementary and secondary school students and teachers.

### 3.4 SUMMARY

The key issues addressed in Chapter 3 are the appropriate indicators and the forms of analysis to use in examining the propositions of the Preston argument. Low-income or poverty statistics and mortality differentials as indicators of well-being of the age dependents will be used to examine the Preston argument in Canada. The use of the time trend of cross-sectional poverty rate gives us the types (e.g. age and type of family unit) and the number of people in poverty conditions, as measured by Statistics Canada's 1978 Low Income Cut-offs.

With regard to mortality differentials, Preston used model life tables for comparison. However, the Coale-Demeny regional model life tables are based on historical mortality patterns that may not reflect the situation of mortality condition in countries like Canada. Instead, we compare the absolute and relative improvement in mortality for the

dependent groups by taking the difference and proportion of the mortality rates by age for the selected comparison years. Also, standardized age-sex specific death rates are used to compare the change in mortality between the two reference time points. Moreover, we should also note that decline in mortality is not equivalent to the presence of health. People surviving longer may spend their time in sickness. Yet, we do not have the necessary data in Canada to study the pattern of morbidity as much as we can in the analysis of change in mortality.

To the extent that there is a divergence of well-being between the dependent groups, we need to examine the contributing factors to the observed phenomenon. Specifically, ways of studying the government social security expenditure patterns, the political behaviours of the elderly, and the response of the respective specialized industries like education and health care sectors are discussed.

Examination of the pattern of public expenditure pattern will give us an understanding of the institutional structuring and priorities given to elderly vis-a-vis children. We review the trend of growth of the main social security programs allocated to the elderly and children and use the 1986 Survey of Consumer Finances to study the impact of government transfer on poverty rates among the dependents in Canada. The 1974 Survey of Consumer Finances will be used as a contrast.

The section on gray power consists of literature review

and analyses for three aspects of the politics of aging. First, the rise of gray power (using literature review); second, voting pattern and political behaviour by age (using National Election Study); and thirdly, resource allocation preference (using qualitative survey gathered in Middlesex-Oxford counties).

For response of health care and education to the change in age structure, we examine the trend of expenditure in general. Moreover, we examine the recruitment and salaries for the professionals in both health care and education. Since Preston had treated extensively the response and performance of education to the change in age structure, we have chosen to examine this in spite of the lack of Canadian data. The lack of appropriate data makes this the weakest part of this thesis.

## CHAPTER 4 ANALYSIS

### 4.0 INTRODUCTION

The purpose of this chapter is to analyze the relevant data and to draw on research results to consider the applicability of the Preston argument in Canada. We will first examine the trend of well-being of the dependent groups in Canada. Specifically, incidence of low income and the mortality differentials will be used as indicators.

We will then examine the contributing factors to the observed phenomenon in light of the Preston's argument. Firstly, we will study the pattern of the main federal social security expenditure differentials for the elderly and families with children. We will analyze the impact of government transfer on the economic well-being of the age dependents. Secondly, we will study the potential rise of gray power, the voting and political behaviours of the elderly, and their attitude toward resource allocation. Thirdly, the response of the specialized industries, i.e., health care and educational systems, to the change in the two dependent groups will also be examined.

#### 4.1 PRESTON ARGUMENT: EVIDENCE IN CANADA

##### 4.1.1 INCIDENCE OF LOW INCOME OF AGE DEPENDENTS IN CANADA

Following Preston, we examine the proportion of the age dependents who are in poverty or low income economic conditions. Using the 1978 base low income cut-offs defined by Statistics Canada, we can study the changing economic well-

being of elderly and children in the past decade. Moreover, we can further examine the incidence (%) of low income by different sub-groups among elderly and children in view of their diversity.

#### 4.1.1.1 GENERAL TREND OF LOW INCOME

The economic situation of the elderly in Canada in general has been improving steadily throughout the past decade, whereas that of children has not. The proportion of elderly below Statistics Canada's Low Income Cut-offs (1978 base), for example, dropped by nearly half from 1980 to 1990, while the proportion of children under 18 in low income increased slightly in the same period (see Ng, forthcoming).

From Figure 4.1, we can identify three different phases in the changing economic well-being of the dependents in the past decade. First, from 1980 to 1984, the trend observed seems to support the Preston argument of the divergent path for dependents in an aging society. Whereas some 27.7% of the elderly Canadians were in low income situations in 1980, the figure was dropped by 6 percentage points to 21.6% in 1984 in spite of the recession. In contrast, the incidence of low income for children under 18 rose almost 6 percentage points from 14.6% in 1980 to 20.3% in 1984, reaching almost the same level as that of the elderly.

Second, from 1984 to 1989, instead of continuing divergent paths, the incidence of low income for both groups

started to decline together, partly because of the recovery from the recession in the early 1980s. While the proportion of elderly in low income conditions continued to fall to 15.9% in 1989, the incidence of low income for children stopped the upward climb and began a fall back in 1989 to 14.1%, which is virtually the same level as that of 1980.

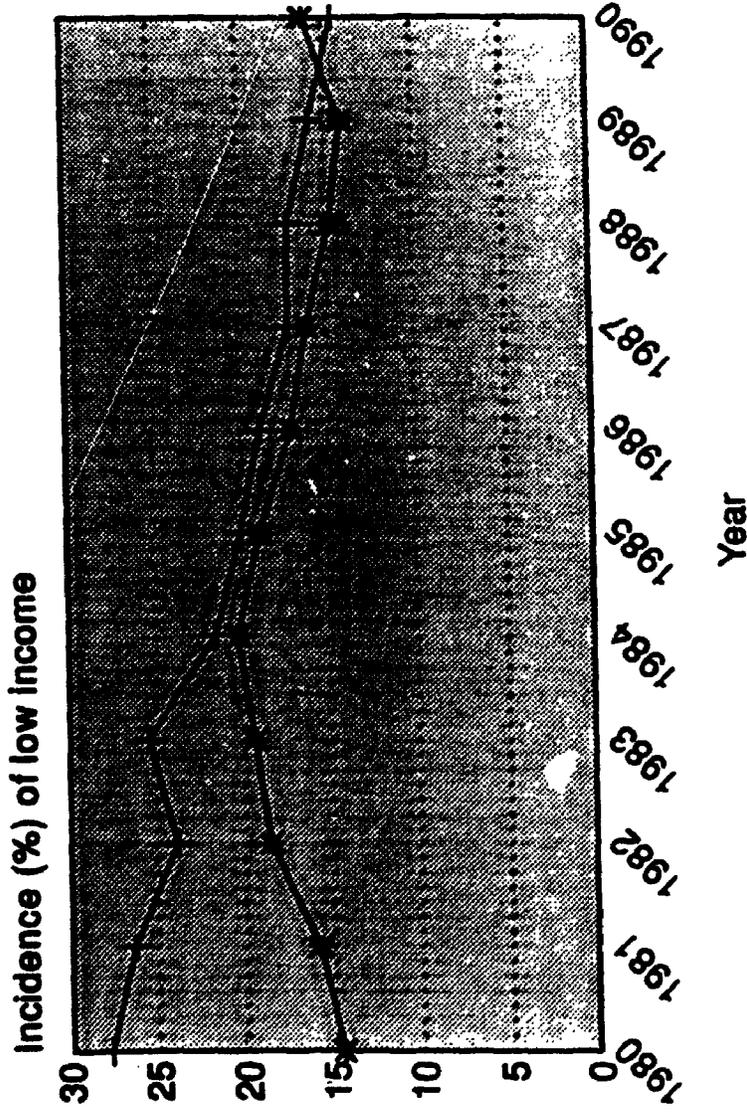
The third phase starts from 1990 when the incidence of low income for children actually rose in contrast to the continuing decline for the elderly. This once again reflects the fact that families with children are heavily influenced by the economy while the elderly have a much better social safety net providing a buffer from recessions. While the incidence for low income for the elderly dropped from 15.9% in 1989 to 14.5% in 1990 even in the midst of recession, the figure for children rose from 14.1% in 1989 to 16.2% in 1990.

For the first time in recent years, the incidence of low income for children is higher than that for elderly 65 and above<sup>6</sup>. As well, even though the incidence of low income among elderly was historically higher than that for children, the absolute number of children in low income was greater than

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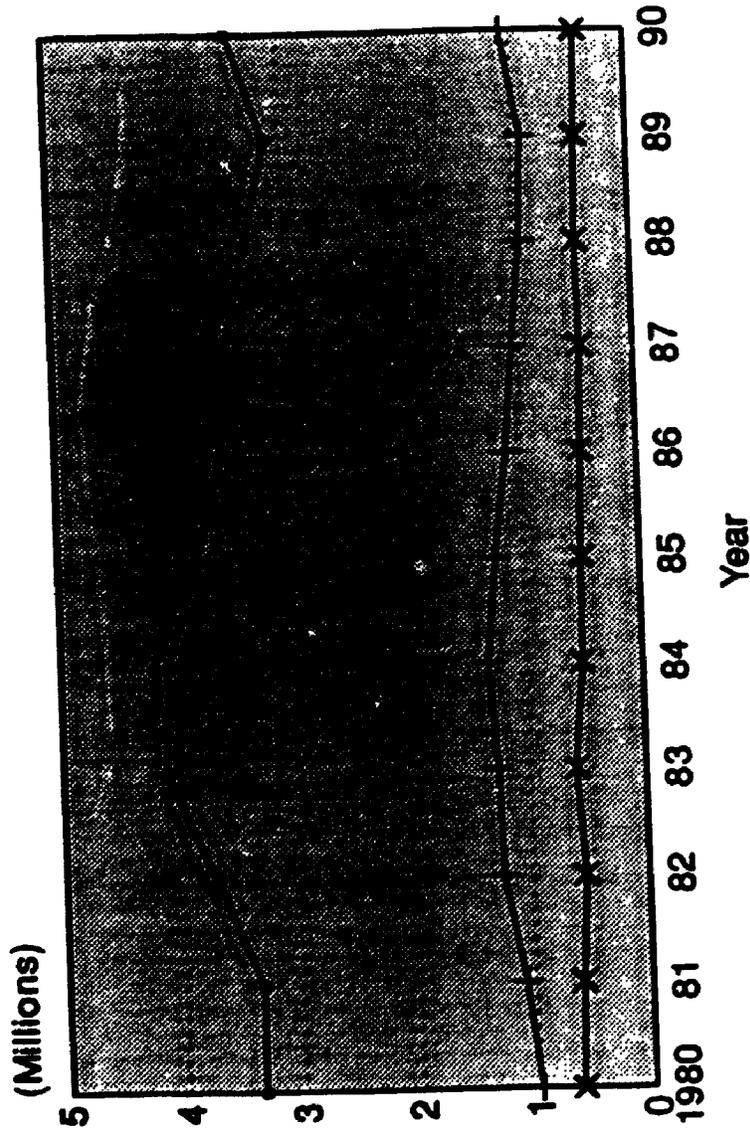
<sup>6</sup> A brief review of the low income incidence for the dependent groups in the 1970s shows that the elderly had much higher incidence of low income than children under 16. From the available data from Statistics Canada (1979c) using 1969 base cut-offs, we see that some 34.8% of elderly families and some 68.4% of unattached elderly were classified as having low income in 1971. By 1979, the corresponding figures dropped steadily to 14.9% and 50.3%. For children, the National Council of Welfare estimated from Statistics Canada data that there were some 24.5% children under 16 in low income in 1971.

Figure 4.1 Persons in Low Income in Canada, Elderly 65+ and Children under 18, 1980 to 1990  
(Estimates based on Low Income Cut-offs, 1978 Base)



+ Elderly \* Children (<18)  
Source: Statistics Canada, Survey of Consumer Finances, unpublished data

**Figure 4.2 Number of Children and Elderly in Low Income in Canada, 1980 to 1990**  
 (Estimates Based on Low Income Cut-offs, 1978 Base)



→ Total Persons + <18 children    x Elderly 65+

Source: Statistics Canada, Survey of Consumer Finances, 1990 and unpublished data.

that for the elderly. Figure 4.2 shows that all persons in low income situation are children, a slight increase from 29% in 1980. In contrast, all persons in low income situations are elderly, a decline from 18% in 1980.

One main criticism of the Preston's sweet spot is that the dependent age groups in an ageing society do not live in different household arrangements. In a heterogeneity-based argument, sizable sub-populations continue to live in low income situations at high risk for each of the dependent groups living in different conditions, depending on the type of household people live. Specifically, elderly unattached (mostly females) and children in lone-parent families (mostly female-headed) are more prone to have insufficient income.

#### 4.1.1.2 SPECIFIC TRENDS OF LOW INCOME FOR SENIORS AND CHILDREN

For both seniors and children, the presence of a spouse in the family reduced the likelihood of low income. Figure 4.3, the incidence of low income among children declined from 12.8% in 1980 to a relatively stable 12.5% in 1990. In contrast, for unattached elderly, low income fell from 61.9% in 1980 to 35.1% in 1990.

Similarly, lone-parent families with a spouse are more likely to be in low income circumstances than lone-parent families. Low income incidence for two-parent families was 12.5% in 1990, compared to 12.8% for lone-parent families.

with children under 18 rose from 9% in 1980 to 11% in 1985 and then fell below the 1980 level to 8% in 1989. In contrast, the incidence of low income for lone-parent families increased from 50.7% in 1980 to 56% in 1985 and then fell to 47.4% in 1989.

In 1990, however, incidence of low income rose for two-parent families with children to 8.9% and for lone-parent families to 52.2% whereas the corresponding incidence dropped for both elderly married couples and unattached elderly to 4.3% and 35.1% respectively.

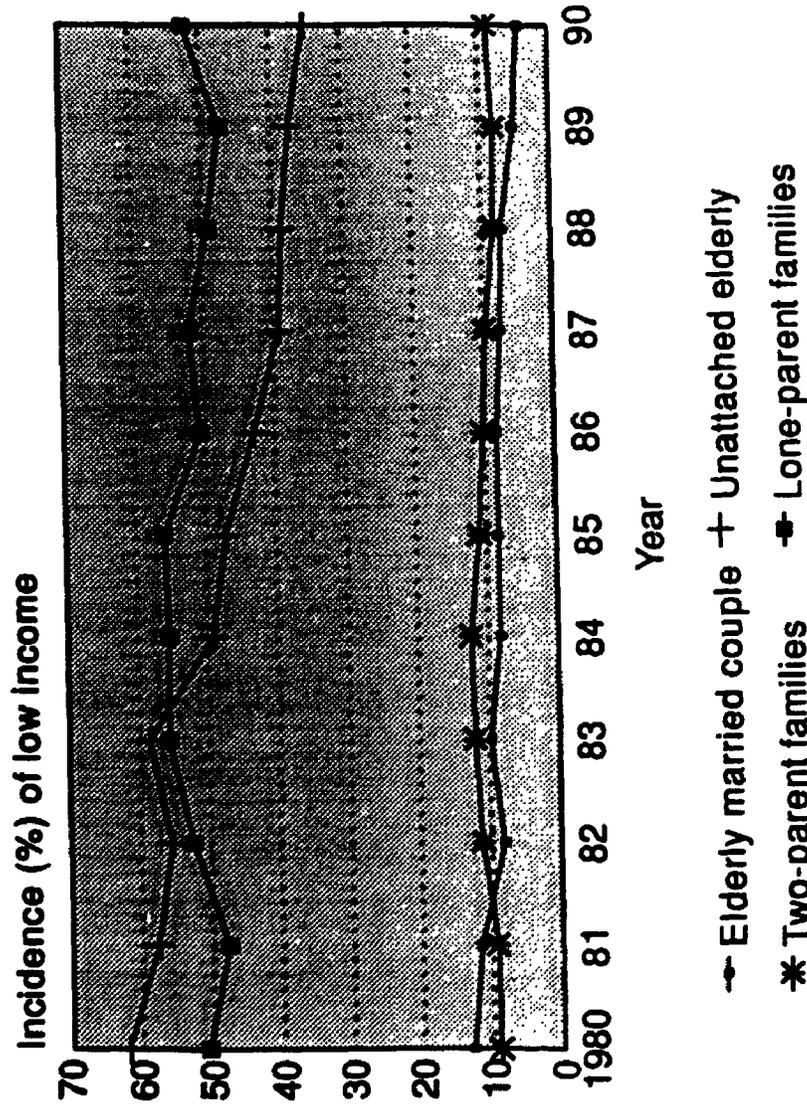
The most striking observation in Figure 4.3 is that controlling for the potential number of adults in the family, there seems to be a persistent pattern of improved economic well-being of the elderly household compared with the non-elderly counterparts. For instance, while the incidence of low income for unattached elderly dropped from 61.9% in 1980 to 35.1% in 1990, that for lone parent families rose from 54.5% to 56.8% in the same period <sup>7</sup>. This also applies to the comparison of elderly married couples and two-parent families.

Increasingly, more children living in low income are in single parent families, especially from those with a female

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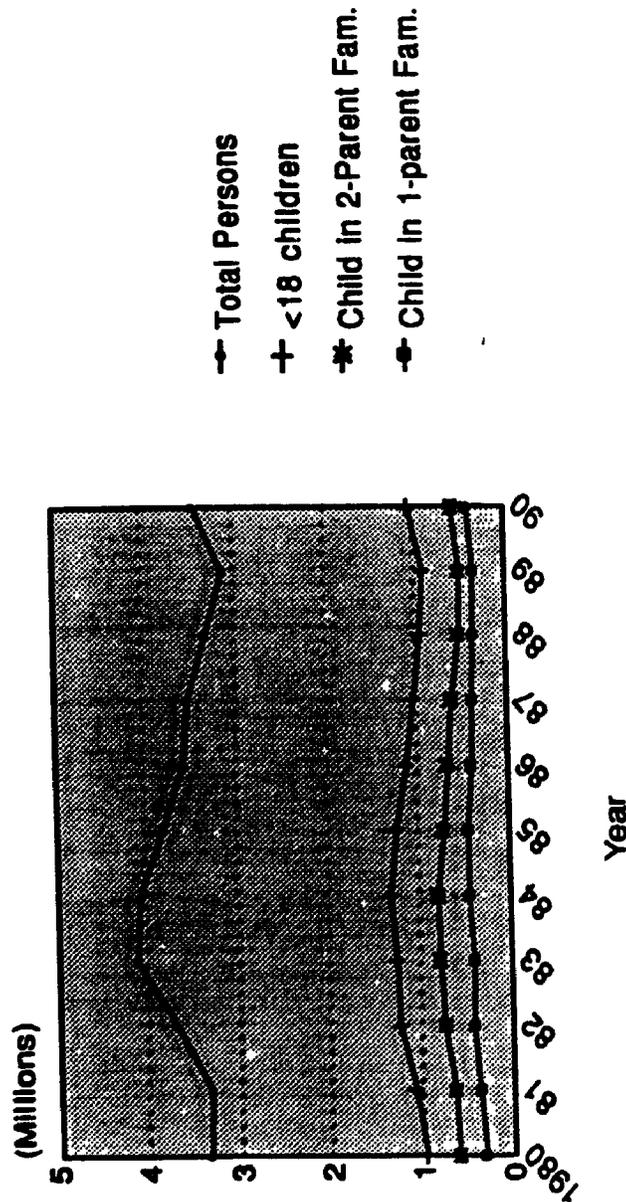
<sup>7</sup> Among lone-parent families, those headed by female have especially high proportion in low income. In 1980, some 54.5% of female lone-parent families were in low income conditions. This was slightly lower than the corresponding rate for female unattached elderly, a group which had one of the highest incidence of low income of 65.6% in the same period. Yet, in 1990, female lone-parents families had a higher incidence of low income than the unattached elderly females (56.8% vs 38.1%).

Figure 4.3 Incidence (%) of Low Income for Selected Family Unit Types in Canada, 1980 to 1990  
 (Estimates Based on Low Income Cut-offs 1978 Base)



Source: Statistics Canada, Survey of Consumer Finances, 1990 and unpublished data.  
 Note: Children in families are single and less than 18 years of age

**Figure 4.4 Number of Children in Low Income by Type of Families in Canada, 1980 to 1990**  
 (Estimates Based on Low Income Cut-off, 1978 Base)



Source: Statistics Canada, Survey of Consumer Finances, 1990 and unpublished data.

head. From Figure 4.4, some 32% of children in low income situations were from female lone parent families in 1980; this increased to 39% in 1990. However, the majority of children living in low income still came from two-parent families. Some 54% of all children in low income are from two-parent families in 1990, a decline from some 63% in 1980.

In general, there is evidence in Canada supporting the Preston argument in terms of the changing trend of the incidence of low income. The economic situation of the elderly in Canada in general has been improving steadily throughout the past decade, whereas that of children has not. However, there are significant sub-groups in each age group which have high risk of being in low income. For both seniors and children, the presence of two adults in the family reduced the likelihood of low income.

In Section 4.2, we will examine in further detail the role of government transfer with regard to the trends of low income observed in this section. We will in particular focus on the differential role of government transfer in supporting the economic well-being for the dependent groups. This helps to clarify the strong interpretation of the Preston argument that the increase in resource allocated to the elderly has benefited seniors at the expense of children. We will now turn to the analysis of the trend of mortality to explore the health aspect of well-being of the dependents in Canada.

#### 4.1.2 MORTALITY DIFFERENTIALS

While the mortality trend in the United States shows, according to Preston, a divergence in well-being with children faring much worse than the elderly, the situation in Canada is quite different. While Canada has experienced a general improvement in mortality conditions in the past decades, the largest gains in life expectancy for both sexes in the period up to the mid-1970s were due to decline in infant mortality. Compared with the spectacular improvement among the infants, the gains among elderly have been relatively modest (see Dufour and Peron, 1979; Beaujot and McQuillan, 1982; Ableson et al., 1983; Peron and Strohmenger, 1985).

From 1950 onward, infant mortality in Canada dropped dramatically from 31.9 per 1,000 in 1956 to a corresponding rate of 7.2 in 1986. Meanwhile, that for the United States dropped more slowly from 31 in 1956 to 10 in 1987 (see J. Dumas, 1990:28). Only in recent years did we see in Canada the increasing contribution of improvement of life expectancy for more advanced age groups (J. Dumas, 1988:57). For instance, from 1976 to 1986, survival probabilities have increased markedly among the elderly for both sexes.

To document the differentials in mortality patterns for elderly and children in Canada, we will first compare the Canadian trend of mortality decline with the historical and statistical standard as reflected in the Coale-Demeny regional model life tables. However, due to the limitation of the

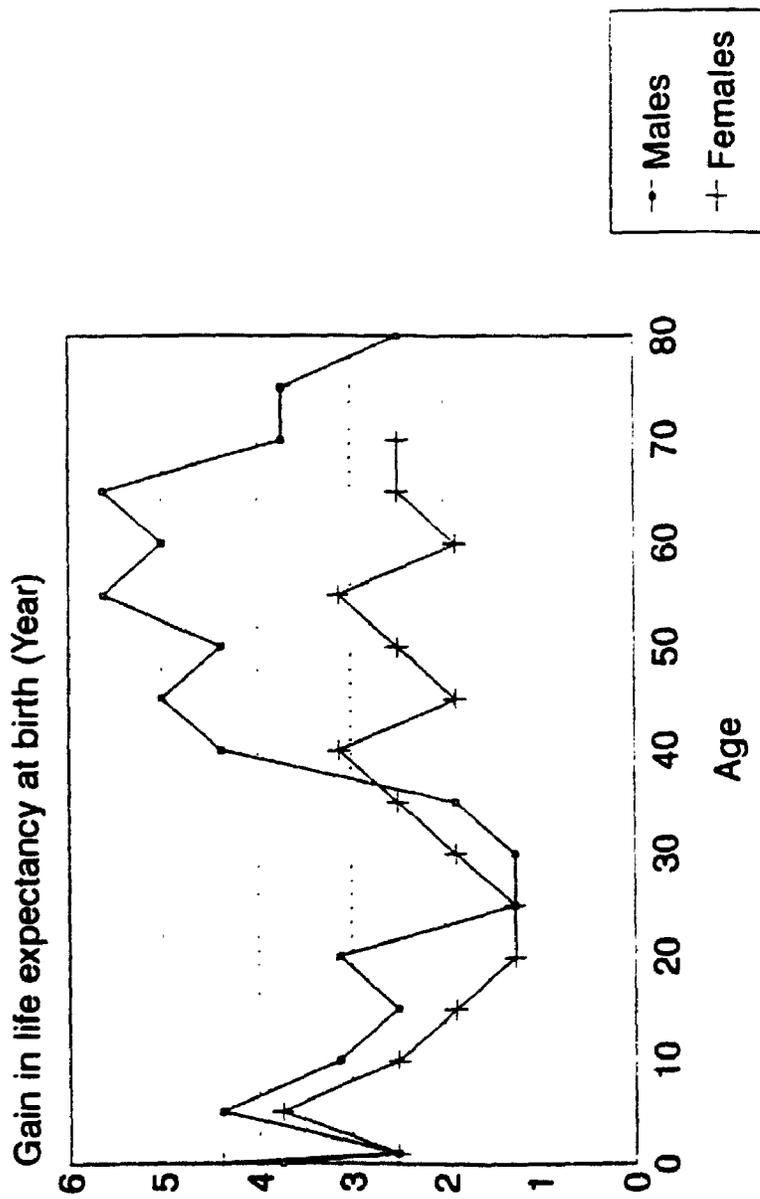
Coale-Demeny model life table, as discussed in Chapter 3, we will also compare the decline in mortality for our dependent groups with their counterparts in the United States by studying the proportional and absolute variation in the age-sex specific mortality rates. As well, the use of direct standardization to control for the change in age structure summarizes the differential decline in mortality of the two dependent groups in both Canada and the United States.

#### 4.1.2.1 COALE-DEMENY REGIONAL MODEL LIFE TABLES

According to Preston (1984a and b), changes in mortality rates at various ages can be compared by calculating the change in life expectancy at birth that is in general associated with each change in mortality. In the United States, the change in death rates between 1968 and 1980 for females aged 75 to 79 was estimated by Preston to be associated with a four-year gain in life expectancy in model life tables. In contrast, the corresponding gain for children at age 15 was less than a year. Thus, he concluded that elderly have improved far more than the young.

Using the model life tables to examine the improvement of mortality conditions by age in Canada from 1971 to 1989, we see that Canadian children have however been faring quite well in terms of mortality reduction. The reductions in mortality from 1971 to 1989 have not been concentrated among older people. Figure 4.5 reveals that men aged 65 to 69 gained some

**Figure 4.5 Reductions in mortality in Canada, 1971 to 1989**  
 expressed as gain in life expectancy at birth  
 (estimated from Coale-Demeny regional life tables)



Source: Statistics Canada (1974 and 1991c)

5.63 years in the corresponding model life tables. For male children, the gains were the equivalent of at least 2.5 years of life expectancy at birth in this same period. Among males aged 5 to 9, the gain was associated with 4.38 years at birth.

Among females, the change in mortality for elderly women aged 65 to 69 between 1971 and 1989 is associated with a gain of about 2.5 years in life expectancy. The gains for female children in the same period were at least 2.5 years. In particular, female infants gained more than 4 years of life expectancy at birth from 1971 to 1989. In general, compared with the elderly in Canada, children have a comparable performance in mortality reduction between 1971 and 1989. Thus, even though this analysis shows that it is especially men aged 40 to 69 who have made relatively large gains, there is no evidence in Canada for the divergent path of mortality decline for the dependent groups in United States as noted by Preston.

However, we run into the problem of the female mortality level being lower than that recorded in the model regional life tables established by Coale and Demeny. Also, while the use of Coale-Demeny regional model life tables for comparison gives us general ideas regarding the trend of mortality decline by age groups, they impose a specific pattern of historical and geographical change in mortality that are implicit in the tables.

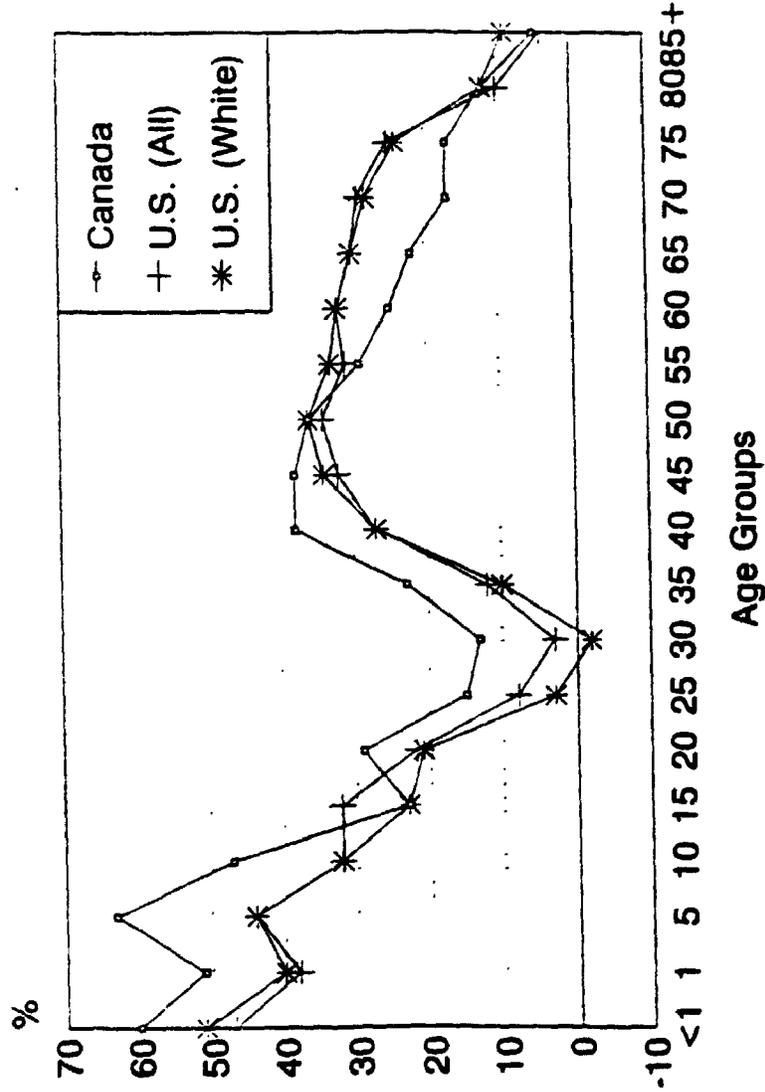
#### 4.1.2.2 AGE-SEX SPECIFIC MORTALITY RATES

To document the change in mortality conditions for the dependent groups, we study the variation in the age-sex specific mortality rates. Significant progress has been achieved historically for children in Canada. Abelson et al. (1983) quantified the reduction of mortality risks for broad age groups and found that the proportional decline among males and females under 16 was over 80% from 1931 to 1976. In comparison, the corresponding decline for men aged 60 to 85 was 6% and for women of the same age it was 27%.

Figure 4.6 shows the proportional change in age-specific mortality rates for males in Canada and the United States (all and White population only) between 1971 and 1989. In Canada, the proportional reduction in mortality of infant and child under 15 was greater than any of the elderly age groups. For instance, between 1971 and 1989, mortality declined 60% among infants. In contrast, the highest proportional reduction of mortality among the elderly was for persons aged 65 to 69, for whom the reduction was 22% (see also Table 4.1).

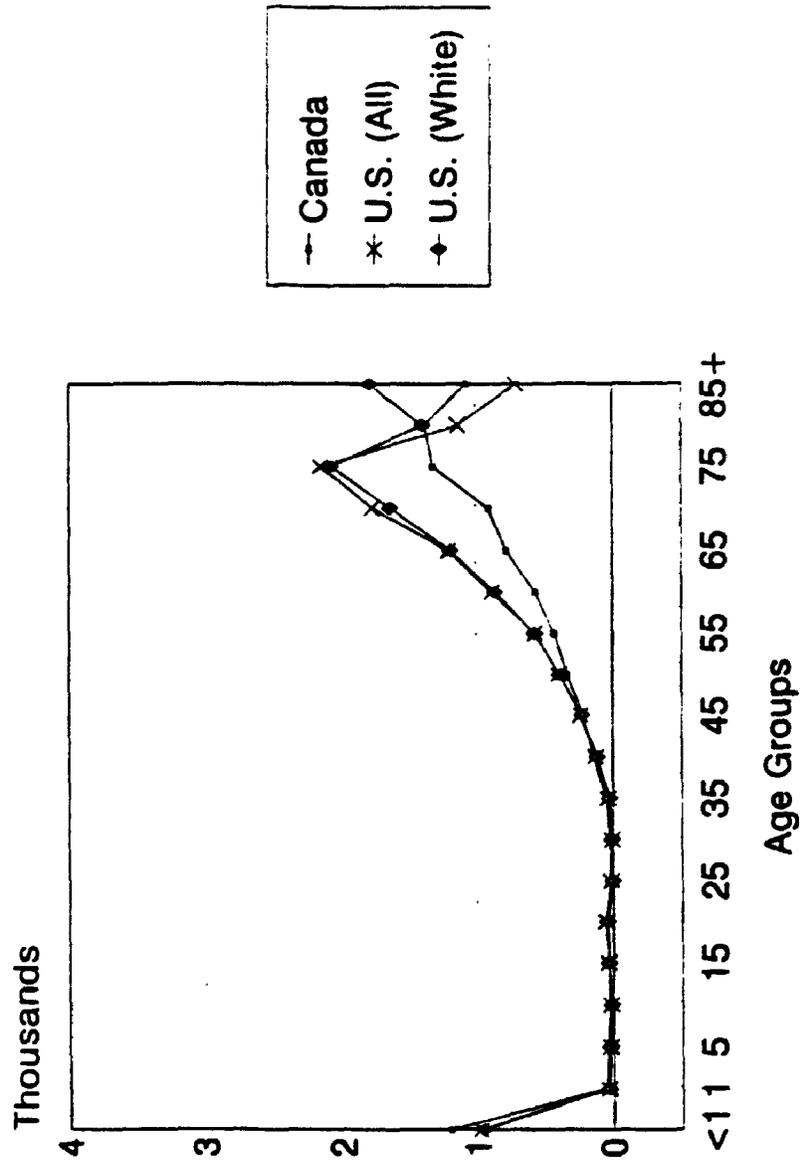
Figure 4.6 also reveals that the decline among male children under 15 in Canada was consistently higher than the American counterparts. This is the case even if we compare the Canadian decline with the White male population in the United States. Conversely, the mortality decline among the American elderly males seems to be stronger than their Canadian counterpart. This is especially the case at ages 65 to 79.

Figure 4.6 Mortality reduction among males (per 100,000), Canada and United States, 1971 and 1989  
Proportional reduction by age group



Source: Statistics Canada (1974 and 1991c), U.S. Dept. of Health, Education, and Welfare (1975) and U.S. National Center for Health Statistics (1992)

Figure 4 7 Mortality reduction among males (per 100,000), Canada and United States, 1971 and 1989



Source: Statistics Canada (1974 and 1991c), U.S. Dept. of Health, Education, and Welfare (1975) and U.S. National Center for Health Statistics (1992)

However, it is important to differentiate between proportional and absolute changes. The fact that infants had a large proportional decline was a partly function of their much smaller base. An examination of the absolute drop in age-specific mortality showed that elderly men generally had the largest improvement in mortality risk (see Table 4.1). For instance, age-specific mortality rates among men aged 80 to 84 fell from 11,880 per 100,000 in 1971 to 10,498 per 100,000 in 1989 (a drop of 1,382 points). Nevertheless, the absolute decline in mortality for infants was only slightly less than the decline in mortality for men aged 80 to 84. Infant mortality declined by 1,192 points to reach 798 per 100,000 infants in 1989.

Comparisons can also be made between the reductions of mortality in Canada with the corresponding declines in the United States. From Figure 4.7, the Canadian infants had better improvement than the American infants while the American elderly, especially those aged 65 to 79, fared in general much better than their Canadian counterparts. Thus, the divergent trend of mortality reduction in the United States, as observed by Preston, is not occurring in Canada among the male population from 1971 to 1989.

Figure 4.8 shows the proportional change in age-specific mortality rates between 1971 and 1989 for females in Canada and the United States. The proportional reductions of mortality among female infants and children were larger than

those for the elderly. For instance, between 1971 and 1989, infant mortality for females showed the largest proportional decline among all age groups. Specifically, mortality declined by 59% among infants and by 55% among children between 5 to 9, compared to 24% among persons aged 80 to 84 (the group which has the highest level of proportional reduction among the elderly women).

Figure 4.8 also shows that the proportional decline of mortality among female children under 15 in Canada was consistently higher than the American counterparts between 1971 to 1989. This is the case even if we compare the Canadian decline with the White female population in the United States. Conversely, the mortality decline among the American elderly females seems to be virtually of the same level as that for the Canadian counterparts.

In terms of absolute reductions in age-specific mortality, elderly women generally had the largest improvement in mortality risk among all age groups in Canada. As evident in Table 4.2, mortality rates among women aged 80 to 84 years declined by 1,943 points from 1971 to reach 6,297 deaths per 100,000 in 1989. However, infant mortality declined by some 889 points from 1971 to reach 621 per 100,000 infants in 1989. This was actually more than the declines among women aged 70 to 74, which had a decline of 625 points from 1971 to reach 2,205 deaths per 100,000 population in 1989.

As evident from Figure 4.9, the Canadian female infants

Figure 4 8 Mortality reduction among females (per 100,000), Canada and United States, 1971 and 1989

Proportion of reduction by age group

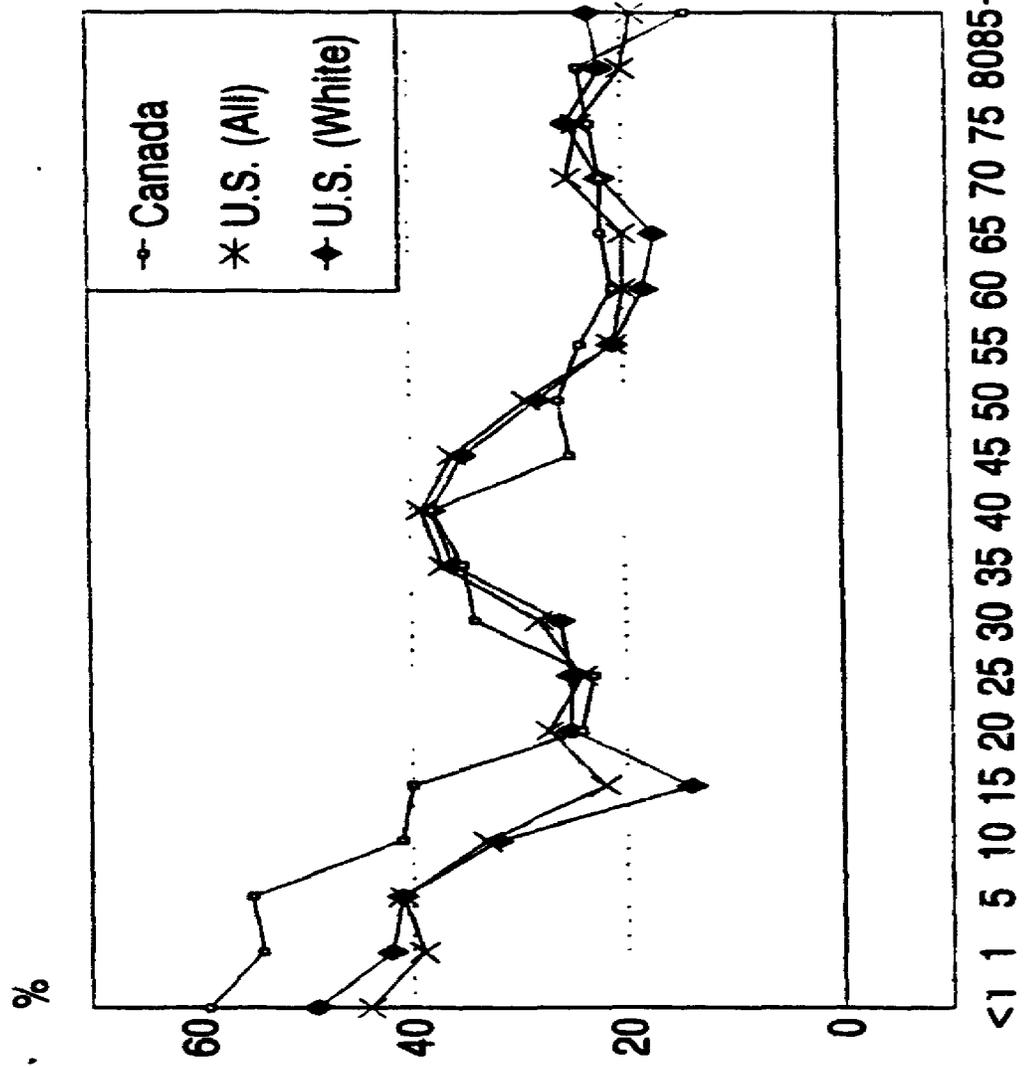
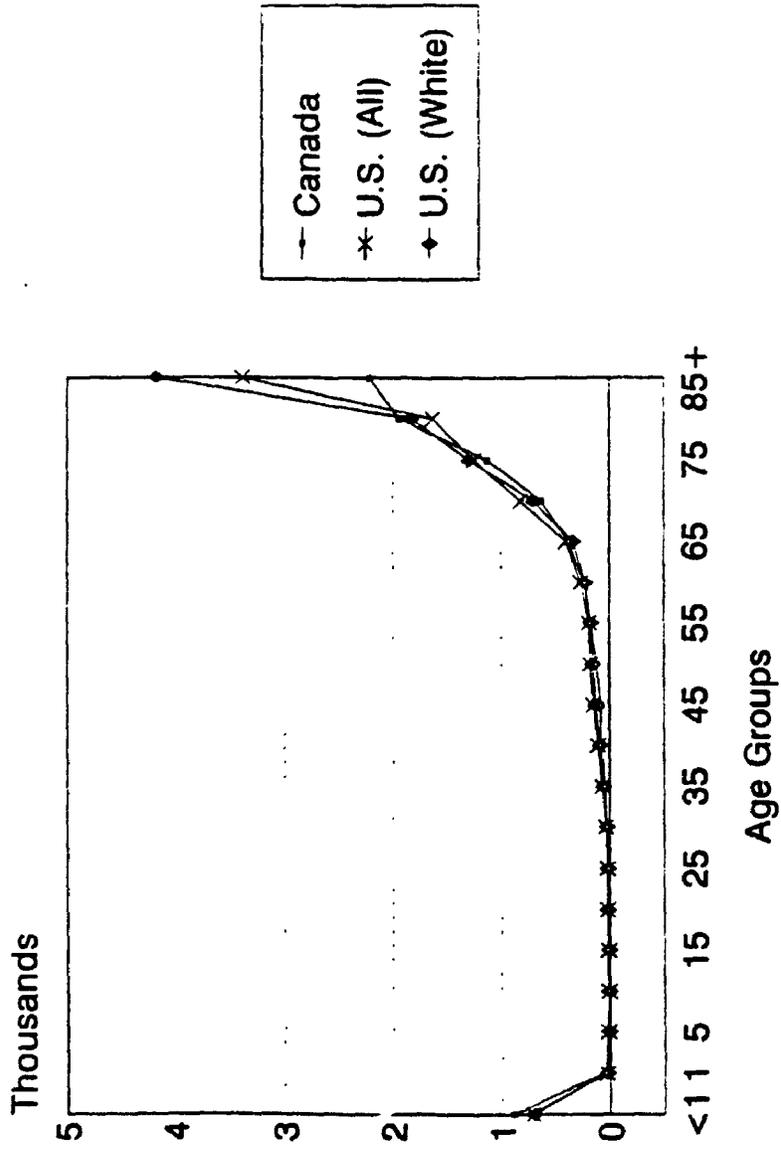


Figure 4.9 Mortality reduction among females (per 100,000). Canada and United States, 1971 and 1989



Source: Statistics Canada (1974 and 1991c), U.S. Dept. of Health, Education, and Welfare (1975) and U.S. National Center for health Statistics (1992)

**Table 4.1 Age-Specific Mortality Rates (per 100,000)  
for Males in Canada, 1971 to 1989**

Male	1971	1989	Proportional Reduction	Absolute Reduction
<1	1,990	798	60%	1,192
1-4	90	44	51%	46
5-9	60	22	63%	38
10-14	50	26	47%	24
15-19	140	107	23%	33
20-24	180	127	29%	53
25-29	150	128	15%	22
30-34	160	140	13%	21
35-39	220	170	23%	50
40-44	360	222	38%	138
45-49	570	356	38%	215
50-54	930	599	36%	331
55-59	1,460	1,035	29%	425
60-64	2,290	1,726	25%	564
65-69	3,470	2,694	22%	676
70-74	5,190	4,283	17%	908
75-79	7,900	6,581	17%	1,319
80-84	11,880	10,498	12%	1,382
85+	19,860	18,784	5%	1,076

Source: Statistics Canada (1974, 1991c)

**Table 4.2 Age-Specific Mortality Rates (per 100,000)  
for Females in Canada, 1971 to 1989**

<b>Female</b>	<b>1971</b>	<b>1989</b>	<b>Proportional Reduction</b>	<b>Absolute Reduction</b>
<1	1,510	621	59%	889
1-4	80	37	54%	43
5-9	40	18	55%	22
10-14	30	18	40%	12
15-19	60	36	40%	24
20-24	60	46	23%	14
25-29	60	47	22%	13
30-34	90	60	33%	30
35-39	130	85	35%	45
40-44	210	131	38%	79
45-49	300	224	25%	76
50-54	460	342	26%	118
55-59	720	547	24%	173
60-64	1,100	870	21%	231
65-69	1,730	1,356	22%	374
70-74	2,830	2,205	22%	625
75-79	4,810	3,683	23%	1,127
80-84	8,240	6,297	24%	1,943
85+	16,330	14,117	14%	2,213

Source: Statistics Canada (1974 and 1991c)

had better improvement in absolute mortality reduction than their American counterparts while the American elderly fared in general just as well as the Canadian seniors. Thus, the divergent trend of mortality reduction in the United States, as observed by Preston, is also not occurring in Canada among the female population from 1971 to 1989.

While there is drastic proportional decline in infant mortality, child mortality reductions (children under 15) for both sexes were not as dramatic. Obviously, this is due to their relative low mortality rates in general. One way to examine the well-being of the dependent age groups as reflected in the change in mortality pattern between 1971 and 1989 is through standardizing the age-specific mortality rates for both dependent groups by a standard population<sup>8</sup>. This allows us to have a summary measure to compare the extent of mortality decline for children and elderly. We will also use American data as a point of comparison.

#### 4.1.2.3 STANDARDIZED DEATH RATES FOR ELDERLY AND CHILDREN

Table 4.3 shows the change in age-standardized death rates for elderly and children in Canada. While decline in age-sex standardized mortality rates for female children under 15 was 56% from 1971 to 1989, the corresponding decline for the elderly women was 20% for elderly women in the same period. Among males, the decline in age-sex standardized

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<sup>8</sup> The 1989 Canadian population is used as the standard.

mortality rates for children was 58% from 1971 to 1989, the corresponding decline for the elderly was 14% for elderly men in the same period.

On absolute terms, there was a drop of 113 male deaths among children per 100,000 population under 15 in Canada from 1971 to 1989 and a bigger drop of 1,012 elderly male deaths per 100,000 population in the same period. Similarly, among female children, there was a drop of some 83 female children deaths per 100,000 population and some 930 elderly female deaths per 100,000 population of age 65 and over, between 1971 and 1989.

A comparison of the Canadian result (in Table 4.3) with the American situations (Table 4.4) reveals that regardless of whether the white population or the total American population is considered, the mortality decline for children in the United States, male or female, is both proportionately and absolutely smaller for children than their Canadian counterparts. For instance, among white male children in the United States, the mortality rate proportionately declined by 48% from 1971 to 1989, which is an absolute reduction of 84 per 100,000 male children. Among Canadian male children of the same age, the proportional decline is 58%, which is an absolute drop of 113 deaths per 100,000 children in the same period. Thus, the well-being of Canadian children in terms of mortality reduction is much better than the American counterparts.

While the mortality levels for both male and female elderly in the United States were consistently higher than their counterparts in Canada in both 1971 and 1989, the absolute mortality declines for the American elderly, regardless of sex, were in general larger than the Canadian counterparts. The proportional decline in mortality for elderly females was approximately the same magnitude while the corresponding reduction for elderly males was higher for the Americans than for the Canadians. For instance, among white male elderly in the United States, the mortality rate declined by 20%, which is 1,554 per 100,000 male seniors from 1971 to 1989. Among Canadian elderly men, the proportional decline is 14%, which is a drop of 1,012 deaths per 100,000 seniors in the same period. Thus, compared with the Canadian elderly, the American seniors seem to have a similar if not better magnitude of improvement in the past two decades.

Using direct standardization to control for the difference in age structure, we conclude that mortality decline for children in the United States is both proportionately and absolutely smaller than their Canadian counterparts. Even though the mortality levels for the elderly in the United States were consistently higher than their counterparts in Canada in both 1971 and 1988, the American seniors seem to have a similar if not larger magnitude of improvement in the past two decades.

**Table 4.3 Age-Standardized\* Death Rates per 100,000 population for elderly and children in Canada, 1971 and 1989**

	1971	1989	Relative Reduction	Absolute Reduction
<b>Male</b>				
<b>Children</b>	195	82	58%	113
<b>Elderly</b>	7,195	6,183	14%	1,012
<b>Female</b>				
<b>Children</b>	147	64	56%	83
<b>Elderly</b>	4,655	3,725	20%	930

Source: Statistics Canada (1974 and 1991c)

\* 1989 Canadian population used as standard

**Table 4.4 Age-Standardized\* Death Rates per 100,000 population for elderly and children in the United States of America, 1971 and 1989**

	1971	1989	Relative Reduction	Absolute Reduction
<b>Male</b>				
<b>Children (tot.)</b>	196	109	44%	87
<b>(white)</b>	178	93	48%	84
<b>Elderly (tot.)</b>	7,589	6,108	20%	1,481
<b>(white)</b>	7,653	6,099	20%	1,554
<b>Female</b>				
<b>Children (tot.)</b>	149	86	43%	63
<b>(white)</b>	133	71	46%	62
<b>Elderly (tot.)</b>	5,059	3,981	21%	1,978
<b>(white)</b>	5,065	3,941	22%	1,124

Source: United States Department of Health, Education, and Welfare (1975) and U.S National Center For Health Statistics (1992)

\* 1989 Canadian population used as standard

Overall, in spite of the recent much improved mortality conditions among the elderly, there is no evidence in Canada to assert that this is accompanied by the worsening of the mortality conditions for children, as Preston had concluded for the United States. Our evidence on mortality differentials does not support the argument of the divergent path of children vis-a-vis the elderly. This is due, among other important factors like personal lifestyle and environment, to the fact that medicare is based on needs but not age in Canada. We will further examine Canada's expenditure on health care in section 4.4, but will turn in the following section to study the aspect of the Preston argument that is more supported by evidence in Canada, namely, the trend of low income via the research on the impact of government transfer on low income.

#### 4.2 IMPACT OF GOVERNMENT TRANSFER ON INCIDENCE OF LOW INCOME

##### 4.2.1 PREVIOUS RESEARCH

As seen in Section 4.1, the incidence of low income for elderly in general was declining steadily over the past decade. In part, the elderly have benefited from the maturation of the Canada and Quebec Pension Plans, increased investment returns, and expansion of RRSP's in the tax system (Economic Council of Canada, 1989). Government programs are the main source of income for the elderly (see National Advisory Council on Aging, 1991a). In 1971, some 42% of their income was derived from Old Age Security (OAS), Guaranteed Income

Supplement (GIS), and the Canada/Quebec Pension Plans, while some 22% was from employment earnings. In 1986, the corresponding figure was 48% from government programs and 10% from employment earnings.

The Federal Government played an especially important role in pulling many elderly people out of low income situations, although their average incomes are still considerably below most other groups (Messinger and Fedyk, 1988; Economic Council of Canada, 1989). The amount of federal government transfer payments to elderly people has increased more extensively than those to children.

Focusing on child poverty in Canada, Dooley (1991:69) noted that while the total difference for married couples between the post-transfer and pre-transfer poverty rates increased from 4.3 percentage points (23.3% minus 19%) in 1973 to 7 percentage points (19% minus 12%) in 1986, the corresponding difference for lone mothers grew from 6.4 percentage points (79.3% minus 72.9%) in 1973 to 8.7% (68.8% minus 60.1%) in 1986. Dooley concluded that while government transfers have become increasingly effective in reducing child poverty among both married couples and lone mothers, the estimated change in the impact of transfers on poverty among children is quite modest.

McQuillan (1991) studied the role of family change and family income in Ontario. While labour market factors like wage rates, unemployment, and labour force participation play

a central role in the change in income pattern, he concluded with regard to the role of government transfer that

the growth of transfer payments appears to have offset the slower growth in earnings experienced by low-income families and to have prevented them from falling even further behind in terms of total income (McQuillan,1991:169).

McQuillan also noted that, for single parent families which seldom have additional labour force participants to supplement income for the family, transfer payments to lone mothers tend to grow at a slower rate than for other types of families.

Referring to the Preston argument, he noted that

the difficult situation of the young has been contrasted in a number of recent analyses with the continuing improvements in the economic situation of the elderly (Preston,1984), and, for some, has led to the conclusion that governments need to consider shifting resources away from the elderly in order to improve the situation of young families (McQuillan,1991:170).

This leads him to question the allocation of resources among different age groups.

A few studies focus on the age difference in the impact of government transfer on poverty in Canada (Perron,1987; Messinger and Fedyk,1988; Messinger, Fedyk, and Zeesman,1988; Perron and Vaillancourt,1988; Chawla,1991). For instance, Perron and Vaillancourt (1988) noted that government transfers had a substantially beneficial and significant impact on reducing poverty for the households headed by the elderly in the period between 1970 and 1985 in Canada. For the other age groups, increases in transfers only moderately reduced poverty.

Messinger and Fedyk (1988), using the 1983 Survey of Consumer Finances, measured the extent to which transfer payments alleviate or eliminate the income gap of poor households in Canada as defined by the 1978 base low income cut-offs set by Statistics Canada. Poverty for elderly couples was virtually eliminated since some 90% of all couples were moved out of poverty after government transfer. For those elderly who remained below the poverty threshold (mostly unattached individuals), the average income shortfall from low income cut-offs after government income transfer was much less than for non-elderly households. In spite of this drastic reduction of some 90% of income shortfall, government transfer moved less than half of the unattached elderly above the low income cut-off lines.

For the non-elderly, government income transfers moved about 40% of couples, with and without children, over the low income lines. Government transfers only moved 20% of single parent families out of poverty. Despite the fact that nearly all income transfers received by young single parents were effectively targeted at closing the income shortfall, still some 80% of them remained in poverty. As well, in spite of a reduction of income shortfall of nearly 60%, the average income shortfall for both couples with children and single parents after government transfer was more than \$5,000 (in 1984 dollars).

Among all households which were moved above the poverty

threshold, elderly were over represented with 60%, in spite of the fact that they only accounted for less than 40% of all pre-transfer poor. For non-elderly couples with and without children, their composition of the pre-transfer poor and the proportion moved out of poverty were nearly identical. Non-elderly singles and single parents made up more than 30% of all pre-transfer poor household, but were just 15% of all who were lifted out of poverty due to government income transfer.

Thus, while government income transfers were very effective at reducing the poverty gap for elderly, the corresponding impact for families with children is much less dramatic. In 1984, OAS and GIS provided with a basic guaranteed income equivalent to 99% and 76% of the average low income line for couples and unattached individuals respectively. Several provinces also provide income for poor elderly. Moreover, half of all income transfers directed to seniors went towards narrowing the size of the low income shortfall (Messinger and Fedyk, 1988).

As Messinger, Fedyk, and Zeesman (1988:275) summarized, there are virtually no poor elderly couples and although there are a large number of poor single elderly, their income shortfalls are relatively small and are highly concentrated near the poverty line; the poverty rate among families with children is quite low but their incomes on average fall well below the poverty line and are widely dispersed; and single parents fare badly on all measures.

Recently, Chawla (1991), using Survey of Consumer Finances, confirmed the effectiveness of government transfer in reducing poverty among elderly people in Canada. He noted

that, in 1989, income transfer from government kept 354,000 elderly unattached individuals, 360,000 married couples with heads aged 65 and over, and 572,000 non-elderly households out of low income situations. On average, unattached elderly received \$8,785 (in 1989 constant dollars) in 1989, compared to \$4,676 in 1971. The corresponding figures for elderly families were \$13,719 in 1989 and \$7,222 in 1971. Transfer thus pulled 38.5% of all unattached elderly and 51.4% of all married couples with elderly head out of low income in 1989.

From our review thus far, the emerging evidence is that government transfer played a much more important role in reducing poverty among the elderly than children. While Messenger and Fedyk's (1988) study is the most relevant one, the focus of their study is however on just one time point. Moreover, the economic situation of the old-old (e.g. those aged 75 and over) is seldom studied. To supplement the research findings reviewed above, we will briefly examine both the 1986 and 1974 Surveys of Consumer Finances to study the impact of government transfer on the changing odds of falling into poverty.

#### 4.2.2 THE 1986 SURVEY OF CONSUMER FINANCES: LOGIT ANALYSIS

To examine the impact of government transfer on poverty rates among dependents, we will employ the 1986 Survey of Consumer Finances which was introduced in Chapter 3. In 1986, there were 7549 families sampled in the 1986 Survey of

Consumer Finances in Ontario. In this sample, under the low income cut-offs (1978 base) and Statistics Canada; however, when government transfer payments were removed, the poverty rate is some 30.1%.

Logit analysis was used to assess the impact of income and family structure on poverty in Ontario, controlling for education. Among persons not in the labor force we have separated those who are below 65, between 65 and 75, and those who are 75 and above. The same age classes were used for those couples who do not have children and those who have children. Besides these six groups, we have couples with children staying with them and the single parents who are female.

Government transfer here consists of all payments from federal, provincial and municipal governments. For instance, Family Allowance, Old Age Security, Guaranteed Income Supplement, Spouse's Allowance, Pension Credit, Canada/Quebec Pension Plans, Unemployment Insurance, and refundable tax credits and others are included.

#### 4.2.2.1 GOVERNMENT TRANSFER AND BEING POOR IN ONTARIO

The logit derived from the logit model is reported in Tables 4.5 and 4.6. Bearing in mind that the logit gives probabilities, but ratio of probabilities, we will report the odds ratio results. Without government transfer, the odds ratio effect is estimated to be 0.63; that is without

family characteristics and education, the odds of being poor is 0.63. This compares with an overall effect value of 0.15 when the transfer is included. Thus the initial observation is that with government transfer, the odds for poverty is considerably lower.

Among people not in a family, the odds of being poor is higher for the elderly than those below 65. This is especially so when the pre-transfer income situation is examined. As evident from Table 4.6, while the odds for being poor is 0.07 for those below 65, those for the age group between 65 and 74 and above 75 are 2.31 and 2.61 respectively. The latter figures reflect the situation that the old-old are economically worse off than the young-old. However, from Table 4.5, when the government transfers are taken into account, the picture changes drastically as the odds of being poor are reduced dramatically to 0.38 and 0.51 for the two elderly groups, comparable with 0.35 for those under 65. Thus, the effect of transfer on the economic well-being of the elderly not in families as measured by the low income cut-off is quite substantial <sup>9</sup>.

A similar picture emerges when we look at husband and wife families with no children staying with them. While the

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<sup>9</sup> It seems strange that the odds for being poor among people under 65 and not in families increases from 0.07 with no transfer to 0.35 with transfer; this can be explained by realizing that odds ratio is a relative measure. If the economic situation for every other category is improved except for those under 65 and not in families, the odds of the latter group falling below poverty can actually increase.

odds of being poor once again increases with age with the old-old more so than the young-old, the odds for being poor changes even more radically when transfers are included. The odds for being poor falls to 0.06 and 0.03 from 1.02 and 1.46 for the young-old and old-old respectively.

The odds of being poor is extremely small if the family is composed of just the husband and wife couple without children staying with them, compared to people not in families. With or without government transfer, the odds of these families being poor are just respectively 0.05 and 0.08, compared with the much higher odds of being poor among those not in families.

This is also true for husband and wife with children. While the odds of falling into poverty condition is 0.09 when no transfer is considered, the corresponding figure is 0.07 with government transfer. In contrast, the single parents do not fare well. While their odds of being poor is not as high as the elderly when no transfer is included (1.34 compared with 2.31 and 2.61 for elderly not in families), the effect of government transfer only reduces the odds of single parents of being poor to 0.53, which is the highest odds among all groups considered to become poor.

Thus, government transfer in Ontario did favour the elderly more than any other group. However, those old-old not in families are also at high risk of being poor. Although they are helped tremendously by transfers, with their odds of being

poor falling from 2.61 to 0.51, the figure is comparable to that of the single parents, which has an odds of 0.53. As well, although the single parents with children have their risk of falling into poverty lowered with transfer, they remain the group that has the highest odds of being poor.

An examination of the changes in odds for the various education levels show that they follow the expectation that increases in education is accompanied by decreasing odds of being poor. The effects of transfer are, firstly, the lowering of the odds of being poor for all educational levels, and, secondly, the narrowing of the range of the odds of being poor. In other words, transfer does have an income equalization effect among the educational levels. This also occurs with regard to the different family structures, except that transfer tends not to favour as much those not in families or in single parent situations, comparing to those in intact families.

#### 4.2.2.2 GOVERNMENT TRANSFER AND BEING NEAR POOR IN 1985

The logit analysis presented here supports the general conclusion of earlier research reviewed in Section 4.2.1 and, specifically, the Preston argument that the economic situation of the elderly people are very much helped by government transfer. Yet, one criticism can be that the transfer may only lift the elderly above poverty; many may be in the near poverty situations, and thus are still at risk economically

(Hoskins, 1987; Messinger and Fedyk, 1988; Messinger, Fedyk, and Zeesman, 1988). To address this issue, we design a near poverty index, which is to adjust the poverty level for each size of residence and family size by a factor of 1.1. Using this newly created variable to be the dependent variable will help address this criticism.

A comparison of Tables 4.5 and 4.7 yields information about the impact of raising the poverty threshold on post-transfer income, *ceteris paribus*. Comparing the last row of the two tables gives the impression that many elderly are in near poverty conditions. While the odds of falling into the newly defined poverty is just slightly raised from 0.7 to 0.8 for parents with children, that for single parent families is also slightly increased from 0.53 to 0.59. In contrast, for husband and wife household headed by elderly, the odds for those between 65 and 74 raised from 0.06 to 0.10; the corresponding raise for those elderly in this group who are above 75 is from 0.03 to 0.11. The situation is worse for the elderly not in families. For those who are between 65 and 74, the change of odds is from 0.38 to 0.73; for those who are above 75, the respective change is from 0.53 to 1.34. Overall, this alternative poverty line reveals that many of those elderly not in families may be living just above the poverty line. This result coincides with that of Messinger and Fedyk (1988).

Similarly, we can also examine the situation in terms of

near poverty when there is no government transfer. An examination of the changed risks of the various groups in Tables 4.6 and 4.8 show that the odds for most groups are slightly increased in view of the hypothetical raise in the poverty threshold, except for the most drastic change for those below 65 and not in families. The odds of this group falling into poverty increases from 0.07 to 0.57 (see discussion earlier in this section for caution needed to interpret this odds value of 0.07). As well, for the single parents, a drop from 5.15 to 0.75 is observed. Once again, these may be influenced by realizing that the odds ratio is a relative measure. Relative to other groups which have decreasing odds of falling into poverty, the odds of a certain group falling below a poverty threshold can actually decrease.

Overall, these comparisons imply that while the elderly are very much helped by the transfer from government, many of them, especially those not in families, are actually in a near poverty situation. As for the plight of the other dependent groups, most of children in two parents situation are faring well above poverty conditions while those in single parent families are helped by government transfer, but not as much as the elderly. The fact that their odds of falling into poverty does not change much when the poverty threshold is raised implies also that not too many of them are in near poverty conditions. This is because many of them are in more serious poor conditions; those who are not poor are also not in near

**Table 4.5 Parameter estimates and odds ratios of poverty derived from logit model (with government transfer) for Ontario, 1985**

Variable	logit coefficient	odds	combined effect #
Constant	-1.88*	.15	
<b>Family Characteristics</b>			
1	.86*	2.36	.35
2	.92*	2.51	.38
3	1.22*	3.39	.51
4	-1.02*	.36	.05
5	-.96*	.38	.06
6	-1.56*	.21	.03
7	-.72*	.49	.07
8	1.26*	3.53	.53
<b>Education</b>			
1 LO	.54*	1.72	.26
2	.06	1.06	.16
3	-.04	.96	.14
4 HI	-.56*	.57	.09
Chi-Square	53.15		
df	21		
p	.000		

Source: 1986 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiplying the constant with the respective odds

**Family Characteristics**

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present, head aged below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

Table 4.6 Parameter estimates and odds ratios of poverty derived from logit model (without government transfer) for Ontario, 1985

Variable	logit coefficient	odds	combined effect #
Constant	-.46*	.63	
<b>Family Characteristics</b>			
1	-2.18*	.11	.07
2	1.30*	3.67	2.31
3	1.42*	4.14	2.61
4	-2.02*	.13	.08
5	.48*	1.62	1.02
6	.84*	2.32	1.46
7	-1.94*	.14	.09
8	2.10*	8.17	5.15
<b>Education</b>			
1 LO	.88*	2.41	1.52
2	.02	1.02	.64
3	-.10	.90	.57
4 HI	-.80*	.45	.28
Chi-Square	29.95		
df	21		
p	.093		

Source: 1986 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiplying the constant with the respective odds

Family Characteristics:

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present, head aged below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

Table 4.7 Parameter estimates and odds ratios of near poverty derived from logit model (with government transfer) for Ontario, 1985

Variable	logit coefficient	odds	combined effect #
Constant	-1.42*	.24	
<b>Family Characteristics</b>			
1	.70*	2.01	.48
2	1.10*	3.00	.72
3	1.46*	4.31	1.03
4	-1.30*	.27	.06
5	-.90*	.41	.10
6	-.82*	.44	.11
7	-1.14*	.32	.08
8	.90*	2.46	.59
<b>Education</b>			
1 LO	.68*	1.97	1.68
2	.08	1.08	.75
3	-.04	.96	.65
4 HI	-.72*	.49	.31
Chi-Square	32.20		
df	21		
p	.056		

Source: 1986 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiplying the constant with the respective odds

Family Characteristics:

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present, head aged below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

Table 4.8 Parameter estimates and odds ratios of near poverty derived from logit model (without government transfer) for Ontario, 1985

Variable	logit coefficient	odds	combined effect #
Constant	-.34*	.71	
<b>Family Characteristics</b>			
1	-.22*	.80	.57
2	1.26*	3.53	2.51
3	1.38*	3.97	2.82
4	-2.02*	.13	.09
5	.48*	1.62	1.15
6	.94*	2.56	1.82
7	-1.88*	.15	.11
8	.06*	1.06	.75
<b>Education</b>			
1 LO	.86*	2.36	1.68
2	.06	1.06	.75
3	-.08	.92	.65
4 HI	-.84*	.43	.31
Chi-Square	33.01		
df	21		
p	.046		

Source: 1986 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiplying the constant with the respective odds

**Family Characteristics:**

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present, head aged below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

poor situations (see Dooley, 1991).

#### 4.2.3 THE 1974 SURVEY OF CONSUMER FINANCES: FURTHER CHECK OF THE PRESTON ARGUMENT

The Preston argument hypothesizes that as population in a society ages, more resources will be allocated to the elderly and this may be at the expense of other dependent groups like children. Thus, the 1986 results should be compared with data from earlier years. Here, the Ontario data from 1974 Survey of Consumer Finances is used as a contrast group, with the 1985 low income cutoffs revised back to 1973 dollar figures by the Consumer Price Index. Without going into as much detail as with 1985 data, it should be noted that there are 7044 families sampled in 1973 and that we have reclassified the different family structure with age and education to make the results comparable.

In the case of no government transfer, the overall odds of being poor is estimated to be 0.58 in 1973 (see Table 4.10), which is lower than the corresponding odds of 0.63 in 1985 (see Table 4.4). When transfer is included, the overall odds of being in low income is lowered to 0.33 (see Table 4.9). However, this is not as low as the respective odds of 0.15 (see Table 4.5) in 1985. Thus, the role of transfer is greater in 1985 than in 1973 in reducing poverty in Canada.

An examination of Tables 4.5 and 4.9 shows that the elderly people in 1973 had much higher risk of falling into poverty conditions. Among the seniors in 1985, while only those elderly not in families, especially the 75 and above

group, are at considerably high risk of being poor, their counterparts in the 1973 situation fared worse. From Table 4.9, we see that the 1973 odds for those elderly between 65 and 74 and those above 75 were 0.91 and 1.39, compared to 0.41 for the under 65 group. A similar situation occurred for the husband and wife families. The odds of being poor in the 1973 data were 0.06 for the non-elderly and 0.26 and 0.39 for the elderly between 65 and 74 and the above 75 groups, compared with the stability of the odds ratios in the neighbourhood of 0.03 to 0.06 of the 1985 data.

In the scenarios of no government transfer, we see from Tables 4.6 and 4.10 that those above 75 years old had higher risks of being poor in 1973 with odds of 2.81 and 1.61 in the non-family and family situations, compared with 2.61 and 1.46 for their counterparts in 1985. However, the situation is reversed for the elderly between 65 and 74. This group of elderly in 1973 had smaller odds of being poor than their counterparts in 1985. While the odds of being poor were 1.61 and 0.71 in the non-families and families situations, their corresponding groups in 1985 have higher odds of 2.31 and 1.02 respectively.

Overall, the comparison of Tables 4.5, 4.6, 4.9, and 4.10 reveals that the transfer indeed drastically reduced the odds of elderly people falling into poverty in 1985, compared with 1973. Specifically, while comparing Tables 4.5 and 4.6 gives us a drastic drop of odds especially for those elderly in

families from an order of 1.02 and 1.46 to 0.06 and 0.03, comparing Tables 4.9 and 4.10 yields a reduction of odds, but not as dramatic. For instance, if we focus on those between 65 and 74 in families, the odds of being poor did drop considerably from 0.71 to 0.26; yet, this is nowhere near their counterpart in the under 65 age group which had an odds of 0.06. In contrast, their counterpart in 1985 have their odds of being poor dropped to 0.06, a level almost to the same as the under 65 group, i.e. 0.05.

Meanwhile, the odds of husband and wife families with children falling into poverty did not change much over the years. A comparison of Tables 4.5 and 4.9 gives a picture of stability as the odds remains at 0.07. For single parent families, the respective odds actually dropped slightly from 0.55 in 1973 to 0.53 in 1985. An examination of the pre-transfer situation of the single parent families from Tables 4.6 and 4.10 reveals that transfer also played an increasingly important role in reducing the odds of this type of family in falling into poverty; the effect of transfer is much greater in 1985, a reduction of odds from 5.15 to 0.53, compared to a drop from 0.68 to 0.55 in 1973. In contrast, the elderly not in families in 1973 had the largest odds of being poor even with transfer.

To address briefly the question of whether the transfers just lift people marginally out of poverty, an overview of Tables 4.7 and 4.11 shows the odds of falling below the

Table 4.9 Parameter estimates and odds ratios of poverty derived from logit model (with government transfer) for Ontario, 1973

Variable	logit coefficient	odds	combined effect #
Constant	-1.10*	.33	
<b>Family Characteristics</b>			
1	.22*	1.25	.41
2	1.02*	2.77	.91
3	1.44*	4.22	1.39
4	-1.66*	.19	.06
5	-.24*	.78	.26
6	.18	1.19	.39
7	-1.48*	.23	.07
8	.52*	1.68	.55
<b>Education</b>			
1 LO	.96*	2.61	.86
2	.14*	1.15	.38
3	-.04	.96	.32
4 HI	-1.06*	.35	.12
Chi-Square	51.54		
df	21		
p	.000		

Source: 1974 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiplying the constant with the respective odds

**Family Characteristics:**

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present, head aged below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

**Table 4.10 Parameter estimates and odds ratios derived from logit model (without good transfer) for Ontario, 1973**

Variable	logit coefficient	odds
Constant	-.54*	.58
<b>Family Characteristics</b>		
1	-.20*	.82
2	1.02*	2.77
3	1.58*	4.85
4	-2.08*	.12
5	.20*	1.22
6	1.02*	2.77
7	-1.70*	.18
8	.16	1.17
<b>Education</b>		
1 LO	1.00*	3.79
2	.14*	1.15
3	-.06	.94
4 HI	-1.08*	.34
<b>Chi-Square</b>	60.36	
df	21	
p	.000	

Source: 1974 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiply constant with the respective odds

**Family Characteristics:**

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

Table 4.11 Parameter estimates and odds ratios of near poverty derived from logit model (with government transfer) for Ontario, 1973

Variable	logit coefficient	odds	combined effect #
Constant	-.86*	.42	
<b>Family Characteristics</b>			
1	.14*	1.15	.48
2	.96*	2.61	1.10
3	1.36*	3.90	1.64
4	-1.70*	.18	.08
5	-.18	.84	.35
6	.38*	1.46	.61
7	-1.44*	.24	.10
8	.48*	1.62	.68
<b>Education</b>			
1 LO	.94*	2.56	1.08
2	.14*	1.15	.48
3	-.08	.92	.39
4 HI	-1.00*	.36	.15
Chi-Square	57.31		
df	21		
p	.000		

Source: 1974 Survey of Consumer Finances

\* Statistically significant at .05 level

# combined effect is calculated by multiplying the constant with the respective odds

Family Characteristics:

1. People not in family, below 65
2. People not in family, between 65 and 74
3. People not in family, above 75
4. Husband-wife family with no children present, head aged below 65.
5. Same as above, head aged between 65 and 74
6. Same as above, head aged above 75
7. Husband and wife family with children
8. Single parent family

redefined poverty level was consistently higher for almost all of the family situations, including those for both the elderly and children in 1973. However, incorporating Tables 4.5 and 4.9 into the comparison gives us the impression that the higher odds of being in near poverty, particularly for the elderly, was in 1973 a function of the larger odds of people falling into poverty in general. As well, among the over 75 in 1985, raising the poverty line by 10% yields a rise of the odds from 0.51 to 1.03, compared to a rise from 1.39 to 1.64 in 1973. Thus, there may be more elderly people, especially in non-families situations, who are in near poverty situation in 1985 than in 1973.

#### 4.2.4 SOCIAL SECURITY EXPENDITURE ALLOCATION:

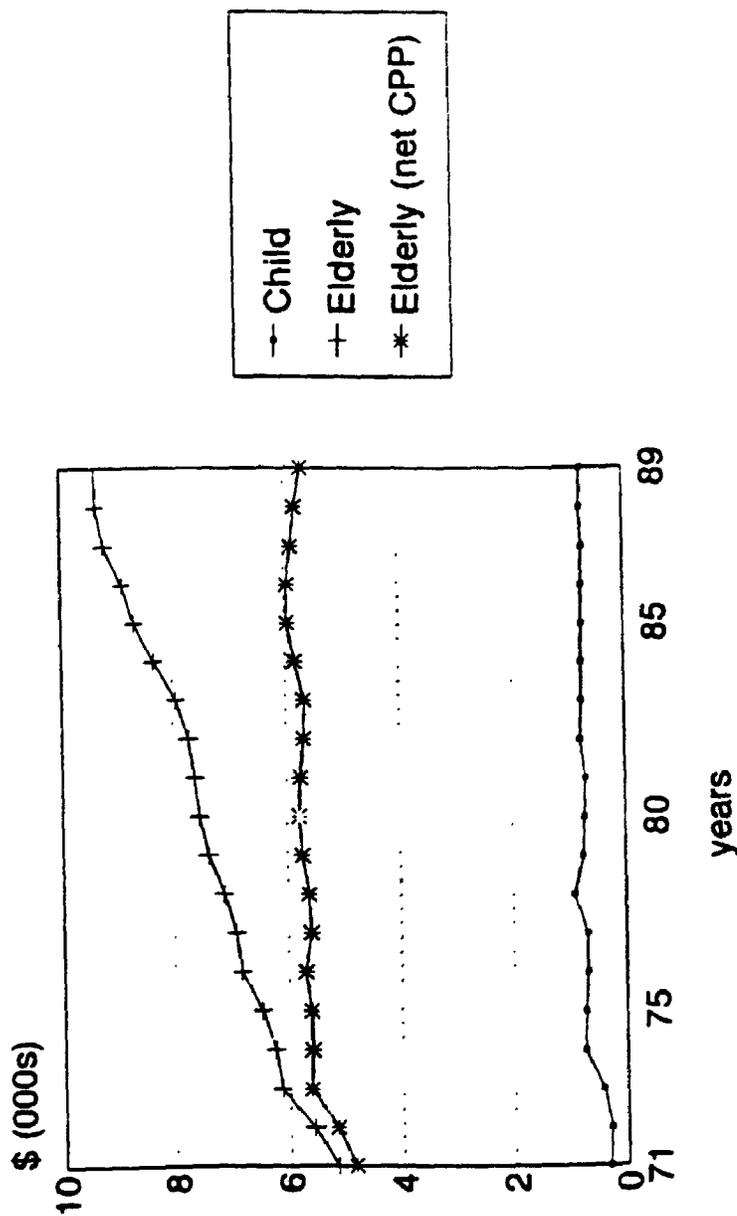
While the analysis in Sections 4.2.2 and 4.2.3 examined the impact of all government transfer on the odds of being poor, this present section focuses on federal income security and insurance programs. The federal benefit programs for the elderly and children have evolved over many years. Main federal government transfers to the elderly include income support plans such as Old Age Security, the Guaranteed Income Supplement, Spouse's Allowance, and benefits from such income insurance programs like the Canada and Quebec Pension plans for Canada's seniors. While OAS is a basic benefit for every elderly person, the GIS is an additional support paid to seniors below a given income level. The percentage of elderly

who receive full GIS has been dropping during the past decade. All these significantly improved elderly people's standard of living. While 53% of the elderly received some GIS and 15% received full GIS benefits in 1981, only 43% of the elderly were receiving some GIS with 7% getting full benefits in 1990. These payment levels reflect the improving economic status of the elderly as a group. Also, there are the federal contributory retirement plans (Canada/Quebec Pension Plans) which provide all members of the paid workforce a monthly retirement benefit.

As seen in Figure 4.10, the total benefit is \$9,358 per elderly person on average in 1989, compared with \$5,164 in 1971 (in 1990 constant dollars). Excluding the C/QPP, the corresponding figure was \$5,164 in 1989, up from \$4,843. The trend of overall federal government old age income transfer has seen a continuous upward movement. The maturation of the public pensions particularly boosted seniors' income.

Government transfers for children are designed to be a supplement to the regular employment income of families with children. Regular federal government transfers to families with children include Family Allowance, the Child Tax Credit (started in 1978), and the Youth Allowance (phased out in 1972). These income support for children increased from an average of \$317 per child in 1971 to a peak of \$913 in 1978 (see Figure 4.10). However, the amount dropped to \$751 in 1989, a 18% decline from the 1978 peak figure.

Figure 4.10 Average Income Benefits for Children and the Elderly in Canada, 1971 to 1989  
(from Federal income support and income insurance programs)



Source: Statistics Canada (1979b, 1983, 1988 and 1990c) and Health and Welfare Canada (1989 and 1990)  
 Benefits for elderly include OAS, GIS, Spouse's Allowance and CPP/QPP  
 Benefits for children include Family Allowance, Child Tax Credit and Youth Allowance

There is thus a divergence in the way public expenditures are allocated to these two dependent age groups. While federal government transfers have become the prime source of income for the elderly and are increasing, those for families with children are declining in real terms per child. However, even though government transfer tends to benefit and help the elderly much more than children, it is not true to say that the differential in government transfer is wholly responsible for the economic plight of children in Canada. The economic condition of children is tied to the circumstances of the families to which they belong. While family income mostly fluctuates with the economy, the substantial rise of average real family income in the 1960s was followed by a flattening out in the mid-1970s (see Statistics Canada, 1991b).

Between 1974 and 1989, families with head aged under 65 would have, for instance, almost no real family income growth if they had to rely only on the husband's earning. Specifically, in two-parent families with children, average income in the two earners situation in 1989 was \$54,697. Their counterparts with one earner had average income of just \$42,171, which is below the average income for all families of \$42,420 in 1974. It is mostly through the increasing participation of married women in the labour force that real family income was bolstered. Thus, different major income sources are at work for the two dependent groups in Canada. The following section will consider some possible political

reasons for the observed trends.

#### 4.3 THE POLITICS OF AGING IN CANADA

Preston argues that people tend to vote for their own self interest and that resources tend to be diverted to the group that has more people due to the political influence that they can assert. Thus, the political influence of the increasingly large elderly population would shift the resources to cater for the need of the elderly. The changing numbers of young and old are said to have changed the environment for public policy decisions. Preston's position is that public decisions in modern democracy are influenced by the power of special interest groups, which in turn is determined in part by their size, the wealth, and ability to mobilize for concerted action (see Olson, 1965 and 1982; and Knoke, 1990 for contrasting views)<sup>10</sup>.

##### 4.3.1 THE RISE OF GRAY POWER

There is evidence for the increasing role of the elderly in Canadian politics. Statistics Canada (1990a:54) reports

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<sup>10</sup> In contrast, Olson's theory of collective action (1965) explains the paradox that large groups, if they are composed of rational individuals, will not act in their group interest. Olson (1982:31) argues that as the number of individuals that would benefit from a collective good increases, the incentive for group action will decrease because of the corresponding decline in the share of the gains. In the absence of selective incentives, it is hypothesized that the larger the group, the less able it is to act in their common interest.

that the elderly in Canada are more than twice as likely to be involved in political organizations in 1988 than any other type of organization, including neighbourhood community, school related organizations and religious associations. Specifically, more than half of the 65 and over were involved in political organizations. However, it is not sure how effective the gray power is in influencing policy decision making. In the following sub-section, we will focus on two aspects of the potential rise of gray power, namely, the effectiveness of gray lobby and the nature of political process in Canada.

#### 4.3.1.1 EFFECTIVENESS OF GRAY LOBBY

Different views are expressed regarding the effectiveness of gray power in Canada. While many argue that the seniors only enjoyed limited success in influencing policies (Pratt, 1987; Prince, 1991), others (Begin, 1987; Gifford, 1990) observe the elderly's relative political ease in mobilizing public opinion and resources.

According to Pratt (1987), the elderly have been successful historically in selected areas of policy concern. He identifies different policy arenas for seniors and notes the different roles either senior citizen organizations or the federal bureaucracy can play in these areas. Specifically, seniors organizations tend to have great impact in advancing "new" policy proposals, the federal bureaucracy is found to

exert its impact more in the "old" existing programs.

In the past, seniors in Canada have been influential in proposing new programs. In Canada, there were successive waves of political initiative in seniors programs<sup>11</sup> as "the culmination of a succession of prior programs: means-tested old age pensions (1927), noncontributory pensions for all the aged (1951), and contributory earnings-related social insurance (1965) augmented by income-tested supplementation of the universal pension (1966)" (Pratt, 1987:62). While seniors' groups remained relatively unorganized through the 1950s when the 1951 Old Age Security Act and the pension increase of 1957 were enacted, the National Pensioners and Seniors Citizens Federation, according to Bryden (1974), undertook active lobbying in Ottawa. This resulted in substantial changes in the universal plan that had not been originally proposed by the government.

Pratt argued that once these programs were established, the seniors' organizations tended to recede into the background with federal civil servants in the Ministry of Finance playing vital parts in the continuing expansion of the OAS/GIS program. For instance, in the 1977 decision to amend the OAS statute to provide for a partial pension to retirees who had come to Canada as immigrants after working in a

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<sup>11</sup> This is unlike the United States, where the Social Security Act in 1935 registered a sudden break with past policy and has served, with remarkably little change, as the basis of subsequent state policy in the field.

foreign country, little or no input was obtained from the seniors.

As well, in the 1973-75 review of the social security system in Canada which marked a fundamental turn from the traditional emphasis on universality of programs (e.g. CPP/QPP) towards targeting (e.g. GIS), seniors were not encouraged to participate. Pratt (1987) noted that the National Pensioners and Senior Citizens Federation, the largest pensioner organization, seemed unaware that the review was actually taking place. For example, the official briefs of this organization for the years during and just following the review make no reference to the event of any social security review.

However, Pratt seems to neglect the fact that while seniors tend to recede into the background in the expansion and change of these programs, they have increasingly become an important group for the government. Eight out of the nine real increases in the basic pension and in GIS from 1952 to 1985 have come when a federal election had just been held or was impending. Thus, even though it was the simple logic of electoral politics that prompted the timing of increases in basic federal pension, the government was in effect trying to ensure that its policies gain broad public appeal from seniors.

Pratt suggested that the elderly recently have more influence on new programs which are smaller in scale than the

large programs such as GIS. For instance, the Office on Aging and the National Advisory Council on Aging were formed partly because of lobbying activities by seniors. Even though the resolution calling for the creation of a National Office on Aging by the federal government was approved in the 1966 Canadian Conference on Aging, various high level officials, whose several branches and programs had elderly persons as a client groups, had effectively blocked the proposal. The breakthrough came with increasing pressure from new outside pressure groups. According to Pratt (1987), Monique Begin, then minister of National Health and Welfare, announced the creation of a Bureau on Aging in her department. Two years later, the same minister, partly as a result of further lobbying of the same group and others, announced the creation of a National Advisory Council on Aging, modelled after the Canadian Advisory Council on the Status of Women.

According to Yelaja (1989), the 1960s and 1970s saw the formation of radical organizations drawing our attention to the deplorable plight of older people in Canada. He suggests that "gray power", or the political influence of the elderly, came to prominence in the 1970s, denoting the increasing number of elderly people who were ready to stand up for their rights.

The 1985 de-indexation of OAS and Family Allowance illustrates the potential power of the politics of aging and thus deserves more attention. The Wilson budget of 1985, was

based on the assertion that 10 years of indexing particular social security programs had led to an ever-widening gap between revenues and expenditures. To correct for the situation, the budget altered the indexation formula for both expenditures and taxes to only include increases in excess of 3 percent of the consumer price index.

The reaction to this budget was astonishing. While groups were organized and petitions written within two weeks of the budget speech, a non-confidence motion had been put forward in the House of Common. The Wilson budget of 1985 was seen as a betrayal of the "sacred trust" of universality promised by the Prime Minister. A strong consensus emerged as 85% of the respondents in a national survey disapproved of de-indexing pensions. Under mounting pressure, Wilson had to restore full indexation of pensions, but not Family Allowance, on June of 1985.

The 1985 de-indexation of OAS saw the power of the Senior Citizens Organization Coalition which is now lobbying on Bill C-22 regarding generic drugs. Other groups like United Senior Citizens of Ontario, the Consumer Advisory Panel on Seniors Health Issues, and Veterans Against Nuclear Arms all became active in influencing the political decision process.

According to Novak (1988:331), three lessons can be learned from the 1985 de-indexation debate:

First, seniors can act as a group to change federal policy, but only if they speak with a single voice. Second, seniors can use opinion polls, the media and direct confrontation to pressure the

Government. Third, seniors need to ally themselves with other power blocs in society - political parties, business and service groups.

Pratt, however, downplayed the role of gray power in the partial de-indexation of pensions. The de-indexation plan, he argued, was originally put forward through routine budgetary channel as a rational response to a serious budgetary problem. Underlying the proposal were various studies conducted by the ministry revealing the consequence of an aging society, the strong prospect of persistent high inflation, and a low productivity growth rate for Canada. These would undermine the possibility of using anticipated revenue increases to finance pension increases. Even in the case of the de-indexation battle which the elderly won, the elderly did not provide the policy agenda. They were reactive to the agenda provided by the programs themselves and the budget cycle.

As well, according to Prince (1991), the seniors in Canada, in spite of their success on the OAS de-indexation issue, have little influence on the Mulroney government's pension and social policy reform agenda. For example, they have not been excluded from the impact of increase in the Federal tax increase and expenditure control introduced since 1984. In 1990, the average elderly couple would have to pay about \$854 more tax than in the previous year. The corresponding increase for a single elderly person is \$244. Also, senior organizations have not been exempted from cutbacks. Financial constraint in Ontario resulted in the end

of the publication of the newspaper of the Ontario Advisory Council on Senior Citizens, in 1992. Also, the government was successful in 1989 to clawback on OAS for those having incomes of more than \$50,000, even though the impact of the clawback on Family Allowance involved higher total savings.

However, if we compare the influence of gray power with other age groups, we see that the seniors are relatively powerful in this context. While the 1992 budget fundamentally changed the child benefit by anticipating the elimination of the Family Allowance, the income security program for the elderly was not mentioned in the budget speech. The government also announced one day after the budget that the plan for a national child care program, as promised since the Tory campaign in 1984, would not be carried out. In view of the impending election in 1993, these show that the government seems more afraid of the power of the elderly than children.

According to Begin (1987), the elderly, compared with other age groups, were the clear winner in the 1980s, while groups concerned for children were least successful in achieving their objectives. Using a client approach in analyzing the social policy implication of population change, Begin seems to have the Preston argument in mind as she sees the elderly as the most successful client group in mobilizing political support for program funding.

In speaking about the improved plight of the elderly, Begin (1987:126) comments:

They (Canadians over the age of 65) receive the benefit of the largest block of direct expenditure by the federal government on payments to individuals -- almost three times the amount directed to children. In the past 15 years, despite difficult economic conditions, senior citizens have improved their financial situation through increases in benefit rates, indexation of benefits, and adjustments in public pension programs.

She attributes this success to their relative success in mobilizing public opinion and resources, especially in difficult economic situations, in favour of programs and policies for the elderly. In Canada, networks of associations have been set up by senior citizens to maximize their political voice.

Children, according to Begin, are the least powerful group in mobilizing support and thus are the most vulnerable. It is observed that the traditional constituency of the Liberal Party, benefits for children, namely the women's movement, has changed its focus to issues of pay equity, social security provision, and other programs that would make political participation more equitable. Thus, children would be a powerless group. Even though many commentators claim that seniors have not been completely successful in influencing government in social policies, the elderly seem to be a stronger than groups that took up the cause for children in Canada.

#### 4.3.1.2 NATURE OF POLITICAL PROCESS IN CANADA

Beyond the selected impact of the elderly on social policy areas, there are major differences in the political process in Canada.

process of politics in Canada and the United States (Gifford, 1985 and 1990; Leman, 1980). Comparing senior organizations in Canada and other countries, Gifford (1985) notes that the seniors organizations in the United States and Europe tend to have the following characteristics:

1. a large membership and a strong financial base.
2. sponsorship by another organization (e.g. political parties, unions, etc.).
3. monies and subsidies from the government.
4. collaboration between the organization and an advocacy group.
5. large membership fees among middle class, professional groups.
6. national coalition groups which provide research and lobbying staff.

There seems to be a lack of any active research by lobbying groups in Canada with the exception of Federation de l'age d'or du Quebec. The anglophone pensioners' organizations, suggests Clifford, seem not interested in raising membership fees to fund an effective national research and lobbying staff. The average Canadian senior citizens organizations are content with playing reactive roles rather than advisory roles in face of government policies. Alliances and coalitions were formed in the 1980s as more of these organizations emerged.

Groups like the National Pensioners and Senior Citizens Organization and the Canadian Council of Retirees acted as the key lobby for policy making regarding the elderly. In March

1987, One Voice, the Canadian Seniors Network was founded after the 1985 success in stalling the government in implementing the de-indexation of OAS. One of its main goals is to unify and facilitate the efforts of all the seniors groups.

However, there is uncertainty about the effectiveness of One Voice. According to Drabek (1989:167), One Voice committed the mistake of coming out against free trade in the Summer of 1988. The implications of this decision were enormous. Since those fifty and above were just as likely to be split in opinion regarding free trade as the rest of the population, it would have been less divisive to take a neutral stand. By taking a partisan stand, One Voice is being treated as opposing the very issue on which the Mulroney government based its mandate. This became a big setback for One Voice in terms of achieving the status of non-partisan lobbying group, and attracting new members.

We can differentiate between the deductive nature of the traditional Canadian policy making approach and the inductive approach of the American system (Leman,1980). Specifically, the deductive context is such that there are high level negotiations among the competing bureaucracies and among federal and provincial governments. Since settlement and accommodation often emerges at this stage, the public phase of policy debates seldom has much impact on the decisions. This is in line with the reactive role of the different interest

groups in Canada (see also Dobell and Mansbridge, 1986). Conversely, public opinion plays a much more important role in the United States since private settlements often yield to the pressures of public debate centred in the Congress. This may be why welfare policy in Canada has not been particularly controversial, in spite of the fact that welfare policy in both countries falls within the jurisdiction of the provinces or states, in conjunction with the federal government in a cost-sharing setting.

Moreover, according to Clifford (1990:216), the fact that the federal and state elections are being held every two years means that political campaigning and organizing are continuous. This is especially so in California with the inclusion of referenda on the ballots during the election. This kind of referenda provide educational and political opportunities for the public in general, and in particular the elderly organizations, to devote themselves to a particular issue.

In addition, the loose association between elected politicians and their parties in the United States enables the lobby groups to have more flexible leeway to influence various politicians for policy decisions. In fact, fulltime lobbyists are hired to work on politicians in the United States. In contrast, there is stronger party discipline in the Canadian political scene.

Thus, the political context and atmosphere are less

conducive to the rise of gray power in Canada (Gifford,1985; Prince,1991). Nevertheless, seniors seem to be the more powerful lobby group among the different age groups. We will now examine whether they have voted as a bloc for their own interest.

#### 4.3.2 VOTING AND POLITICAL BEHAVIOUR BY AGE

According to Drabek (1989), evidence revealed in The Elder Statesman newspaper suggests that 90 percent of the elderly reported they voted in 1984, compared with 75 percent in the general public. There is, however, a general criticism that age may not be a potent rallying point. Many researchers (e.g. Hudson and Binstock,1976; McPherson,1983; Wigdor and Foot,1988) comment that the elderly people may not have voted as a bloc for their own interest. For instance, Carlie (1969:26) states that

one of the necessary conditions for the formulation and maintenance of interest groups is a homogeneity of characteristics among the membership.... [Members] should have more in common than just age. Other important shared characteristics may be ethnicity, nativity, educational background, occupational status, race and rural-urban residency.

In general, McPherson (1983:256) observes that although the number of elderly is increasing, representing approximately 15% of the eligible voters in many countries, there is no evidence for their voting as a bloc.

According to Widgor and Foot (1988:112-3), the relationship between age and voting patterns in Canada seems

to be weak, in large part due to the lack of ideological consistency in the social policies of the major political parties. It is likely that politics of aging will be nonpartisan, cantering around issues (see also Clarke, Jenson, Leduc and Pammett, 1984 and 1991 for similar discussions on the Canadian electorate in general). This is evident in the largely non-partisan age-based politics in 1985 regarding partial de-indexation of OAS payment.

Reflecting the heterogeneity-based argument, Yelaja (1989:120) comments on older people as a political group as follows:

The older people are not a politically homogeneous group. Their political affiliations vary, their participation in political activities ranges from docility to extreme activism, their voting behaviour fluctuates unpredictably, and their influence on election outcomes is essentially of little consequence.

Although the trend appears to be that older people are becoming more politically active, empirical evidence is still far from convincing. Their influence may continue to be marginal at best, contends Yelaja, if they continue not to vote as a block, diverging on many policy issues. To further investigate the political clout of the elderly in Canada, we will examine their voting and political behaviours and their attitudes towards resource allocation in an aging society.

#### 4.3.2.1 VOTING PATTERN BY AGE

The 1986 National Election Study, which is a

retrospective study of the voting behaviour in 1979, 1980 and 1984 federal elections, provides us with voting pattern by age groups (see Chapter 3 for more information on the sample and purpose of the survey). Table 4.12 shows that participation of voters in the three federal elections by age groups. The elderly people interviewed in the National Election Study have in general very high rate of self-reported participation in federal elections in 1979 (95.6%), 1980 (92.7%) and 1984 (88.9%). This pattern is only surpassed by the middle-aged adults who have even higher rate of participation in voting (96.1%, 94.3%, and 90.5%) for the three elections mentioned.

There was a general tendency for the participation rates to decline over time, except for the youngest age groups. Partly due to the fact that some of those between 18 and 24 were not eligible to vote in the three federal election years, this youngest group reported increased level of participation in federal elections (43%, 54.8%, and 72.2% respectively).

As well, there is the problem concerning whether people really remember their participation in federal elections a few years earlier. This also partly explains why the number of "no answer" increases with the years lapsed between the 1986 interview and the year of election, as seen in the last column of Table 4.12.

In spite of these limitations, the National Election Study revealed that elderly people, together with the middle-aged adults, do in general have very high rate of self-

Table 4.12 Participation of Voter by Age Groups in Federal Elections in Canada, 1979, 1980 and 1984

Age Election Yr	18 - 24	25 - 44	45- 64	65+	Total Respondents	No answer
1979	39.5% (225)	85.8% (1,184)	96.2% (882)	95.5% (342)	2,633	747
1980	51.6% (295)	86.1% (1,295)	94.0% (914)	93.1% (367)	2,872	508
1984	71.3% (625)	86.2% (1,363)	90.2% (951)	88.2% (379)	3,318	62

Source: The 1986 Canadian National Election Study

Table 4.13 Selected Political Involvement by Age Groups in Canada, 1984

Age Political Involvement	18 - 24	25 - 44	45 - 64	65+	Tot. Resp.	No Answer
Interest in 84 election	61.8% (625)	69.4% (1,364)	79.9% (949)	76.5% (379)	3,317	63
Attention to politics	42.7% (625)	58.9% (1360)	72.3% (949)	73.4% (379)	3,314	66
Read about politics	58.9% (625)	73.6% (1,363)	80.3% (949)	77.1% (379)	3,316	64
Watch pol. programs	50.3% (624)	66.5% (1,363)	78.3% (949)	81.3% (375)	3,312	68
Discuss politics	58.4% (625)	63.6% (1,363)	66.7% (949)	57.9% (379)	3,316	64
Convince friends vote Same	15.3% (624)	17.7% (1,360)	21.7% (946)	16.7% (378)	3,308	72
Attend pol. meeting	8.3% (624)	14.2% (1,360)	21.6% (948)	18.7% (379)	3,311	69
Contact politicians	15.0% (624)	21.9% (1,362)	21.4% (946)	15.0% (377)	3309	71
Money to pol. party	6.6% (623)	11% (1,357)	18.5% (946)	15% (379)	3,305	75
Work for pol. party	9.5% (624)	12.1% (1,361)	15.1% (947)	11.4% (479)	3311	69

Source: The 1986 Canadian National Election Study

reported participation in federal elections in 1979, 1980 and 1984. This result is also reflected in other aspects of political behaviour, to which we now turn.

#### 4.3.2.2 POLITICAL BEHAVIOUR BY AGE

Other indicators can be used to study the political behaviour of people by age, like attention paid to politics, reading of politics, and watching of political programs on television. While the elderly scored high in these aspects of political behaviour and showed relatively high level of interest in the 1984 federal election, they are less likely to discuss politics than most other age groups. They are also slightly less inclined to convince friends to vote the same party as they do. However, most people, regardless of age, are less likely to attend, contact, and/or work for political parties. This also applies to monetary contribution to political parties.

There is evidence from this brief study from the 1986 National Election Study that the elderly, along with middle aged people, were more politically active than others in voting. However, it does not follow that there will be an age difference in how people vote. Elderly are found to be less likely to discuss politics and less inclined to convince friends to vote for the same party. This warrants the study of attitude towards resource allocation in an aging society.

#### 4.3.3 RESOURCE ALLOCATION PREFERENCES

As discussed earlier, even if the elderly are more active in voting, it does not mean that they will be pursuing policies that are disadvantaging children. Preston cites survey results that point to the self-interested attitudes of the elderly without regard for the well-being of children. How would the Canadian elderly fare in this regard? This question will be addressed in this section by analyzing a 1989-90 qualitative survey on marriage and childbearing from Middlesex and Oxford counties (see Chapter 3 for more information on the nature of the study).

As mentioned in Chapter 3, one of the questions in the Middlesex-Oxford Counties survey on marriage and childbearing concerns the priority given to the two dependent groups in an aging society. Out of the 444 respondents, there are 21 interviewees who refused to or who do not know the answer; these include people who never think of this kind of question. Among the 423 respondents who answered the question on resource allocation preference, more respondents (34.5%) assert that priority should be given to the young than the elderly (24.4%). Among the 146 respondents who suggest that children and families should be helped more, some 62 see children as important resources for the future of the society. Reallocation of resources to children is thus an investment.

For example, a 23 year old cohabiting man (ID=02011)<sup>12</sup> asserts that if the children are helped today, they will have a good start so that they will not become a burden for the society in the future. After they learn how to stand on both feet, they do not need that extra help from government. Another 39 years old married woman (ID=23142) comments further that this is particularly true since "children need a lot of guidance without which they may easily go astray".

Others emphasize the cost of raising children especially with regard to education and day care (e.g.ID=20131). In fact, some 17 of the respondents assert that families with children need financial stability. One comments, for example, that it is very hard to work and raise children at the same time. Furthermore, a few (e.g.ID=16061, 17111) note that there are simply more poor children and single mothers, and they should be helped more.

More generally, some 33 respondents observe that families simply have more needs. For example, a 26 year old single man (ID=05071) laments that people are not having kids any more; he asserts that resources should be allocated to children so as to keep the country populated.

In addition, some 18 compare the plight of the children to that of the elderly, asserting that the elderly are being taken care of already. The rationale is that since elderly

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<sup>12</sup> ID corresponds to the ID number assigned to a particular individual in the survey.

have already lived most of their lives, resources would be better spent if they are allocated for the children who have a long life ahead of them. Others comment that elderly should have planned for their retirement while children could not support themselves. For instance, a 61 year old man (ID=10081) suggests that one should prepare for one's old age and that the needs of the elderly are not as great as those of the children.

Some even observe that elderly people do not need more money; for instance, a 73 year old widower (ID=28121) asserts that seniors are already well served so that families need the resources more. A 58 years old married woman (ID=06161) notes that elderly have a lot of security nowadays, compared with families; and it takes some twenty years to raise kids. A married woman aged 47 (ID=08091) argues that money allocated to children is well spent while the elderly tend just to save their money. Some suggest that it is the family's responsibility to support the elderly. The government should put more emphasis on supporting the family so that the next generation will feel the responsibility to support their elderly; this will ease the public burden.

Among the 103 respondents or 24.4% who argue that elderly have more needs, 22 suggest that the elderly have made their contributions and thus should be helped more. For example, one 43 years old divorced man (ID=28161) notes that since the elderly people worked through all their lives, they now

deserve to be helped. Another 65 year old married man (ID=17061) says that they have paid their due by all the tax they paid; they deserved more priority. Furthermore, a 36 years old divorced woman (ID=06112) comments that the elderly have done their share for us, and they now deserve help from us. Another 35 year old divorced woman (ID=08131) notes that young families are mostly healthy unless one is sick or between jobs; she observes that elderly people have generally lower income and thus need help more. A 45 years old married woman (ID=15112) suggests that she probably leans more toward the elderly out of respect and consideration for them.

Similar to the case of children, some referred to the cost of services for the elderly; for instance, a 44 years old married woman (ID=24171) observes that nursing homes are very expensive. Many assert that elderly have fewer options since they are not able to make money by working; in contrast, children have parents to care for them. In general, some 70 respondents argue that elderly people have more needs.

Otherwise, some argue from a demographic perspective that since there are more and more elderly people in this aging society, the elderly deserve to be helped more. One 19 year old single woman (ID=08092) comments that more people are living longer, and many are not being well cared for. A 32 years old married woman (ID=27042) reveals that her parents are not prepared for retirement, so that the present day elderly people have more needs. She adds that she herself will

be prepared for her own retirement and thus the government should help children more in the future.

As well, 7 respondents suggest more resources should be allocated to the elderly simply because one should not have kids if one cannot afford them. Essentially, the argument suggests that while you cannot resist growing old, having children is now a controllable private decision; everyone should be responsible for their personal decisions.

Even more respondents answer that both age groups should have equal priority. Among those 151 or 35.7% of the respondents who say that both the elderly and the families with young children are equally important, some add that the main principle should be one of need. For instance, a 86 year old widow (ID=12061) remarks that those who are needy regardless of age should be helped. One 38 year old married woman (ID=04092) argues that the government should stop funding crazy projects in order to redirect resources to both groups. Another 39 year old married man (ID=20191) responds that more user fees may be implemented. Meanwhile, a 24 year old single woman (ID=11022) notes that while programs for the elderly are terribly right, the kids also need a support system since many parents do not know what they are doing. Another 29 year old married man (ID=26072) comments that the elderly should have planned for their retirement while children do need a good start. However, since there will be more and more elderly people in view of population aging,

**Table 4.14 Frequency Distribution of Rationales  
Program Priority by Age groups**

	18-24	25-44	45-64	55+
Children as future resources	10	29	10	1
Families need financial stability	1	10	4	
Families have more needs	5	16	6	
Elderly taken care of already	3	10	1	
Elderly have more needs	12	27	22	
Elderly have contributed a lot already	3	11	6	
No kid if cannot afford	3	3	1	
Equally important	15	84	24	2
People should be self sufficient	3	8	4	
Others have more needs	0	2	1	
Other	2	3	1	
<b>TOTAL</b>	<b>57</b>	<b>203</b>	<b>80</b>	<b>6</b>
No answer or no rationale stated	5	16	9	

Source: 1989 to 90 Survey on Marriage and Child

Table 4.15 Response for Program Priority by Age Groups

Preference	18 to 24	25 to 44	45 to 64	65+	Respon- dents
Young	40%	35%	25%	39%	146
Elderly	22%	20%	35%	19%	103
Both equal	25%	40%	35%	33%	151
Neither	3%	5%	5%	10%	23
Total Sample	100% (60)	100% (210)	100% (83)	100% (70)	423

Source: 1989 to 90 Survey on Marriage and Childbearing governments to pay for expenses.

Table 4.16 Response for Program Priority by Age and by the Presence of Children

Age Presence of children	18 to 24		25 to 44		45 to 64		65+	
	Y	N	Y	N	Y	N	Y	N
Young	0	22	43	23	4	16	4	13
Elderly	3	16	27	12	8	16	0	9
Both equal	3	12	48	31	12	13	1	17
Neither	0	2	5	3	2	2	0	5
Total	6	52	123	69	26	47	5	44
Don't know	0	2	5	4	4	2	0	4

N.B. Only those who respond to the question on the presence of children are included.

Source: 1989 to 90 Survey on Marriage and Childbearing

there should be a balanced allocation of funding. Many in this category find themselves balancing the pros and cons listed in the above two sections for either the elderly or the children, reaching a compromise that involves both. For instance, a 31 year old married man (ID=20081) asserts that both groups should receive equal priority, but that both should try to do it on own strength.

This brings us to the last category, which is the group which thinks that neither should receive help (with only 23 or 5.4% of respondents). In its mild form, one 59 year old married woman (ID=17041) comments that people should not be just given money; she suggests that the provision of programs might be more beneficial. In its extreme form, a 32 year old married man (ID=20091) contends that people should be responsible for their own needs and cares. Indeed, some 20 respondents assert that people should be self-sufficient.

If we focus our attention on the preference of resource allocation by age groups of respondents, most age groups prefer to give priority to programs for the young than the elderly (see Table 4.15). For instance, among the 210 respondents between 25 and 44 who answered this question, some 40% are neutral and some 35% are for allocation to the young. In contrast, only 20% of this age group give higher priority for the elderly. The ratio of young versus elderly is to 1.76 (i.e. 35% divided by 20%).

Those who live with children do tend to support transfer

of funding to children and thus provide support for the Preston argument. Proportionately speaking, some 79% of this group of 219 interviewees between 25 to 44 are married, compared with 50% of the young people aged 18 to 24. From Table 4.16, among those 123 respondents in the 25 to 44 age group who have children at home, some 35% argue for more allocation of resources to the young while only 22% argue for the elderly, as Preston would predict.

Surprisingly, the ratio of young versus elderly is even larger for those 65 and over, since 39% of the 70 respondents of this age group advocate for the young while 19% argue for allocation to their own age group. This yields a ratio of 2.08 (i.e. 39% divided by 19%). In this group of elderly people, only 5 are staying with their children as reflected in Table 4.16; most likely, these children would themselves be adults. Most of the elderly have their children staying away from home, and yet more among them contend that children should be helped more than the elderly. This points to the possibility that the elderly would have some sense of solidarity with their own children who are perhaps finding it hard to get established while having their own children.

However, from Table 4.15, 34.9% of the 83 respondents between 45 and 64 give priority to the elderly while just 25.3% opt for the young. This gives a ratio of 0.72 (i.e. 25.3% divided by 34.9%) and is the only group that favours the elderly more than the young. This may be because they are to

become elderly soon and that they may have elderly parents to support, as Preston hypothesizes.

As seen in Table 4.16, among the 26 respondents in this age group of 45 to 64 who have children sharing the same dwelling, 8 respondents support allocation of resources to elderly, compared to only 4 who are for children. This seems to be contradictory to the Preston argument; but it may well be that the children are already grown up, and thus are not counted as a burden for the parents. Overall, this age group seems to confirm the Preston argument in their self-interested decision making rationales.

Thus, the Preston argument is only partially supported in this qualitative survey data. Most of the respondents in the survey, besides arguing that both elderly and children should be helped, contend that children should be given more priority. Principally, many see children as the resource for the future for the country (see Table 4.14). Among the 146 respondents who suggest that children and families should be helped more, close to half see children as important resources for the future of the society. Reallocation of resources to children is more often seen as an investment. It is only among the 45 to 64 age group that more people want more funding for the elderly. The elderly themselves are not as likely to seek self-interested allocation for resources. In effect, the relative preference for allocation to families with children reaches one of its highest point among elderly respondents.

However, this cross-sectional data analysis does not show how people's attitudes may change towards the matter of allocation of resources as they age. For instance, we do not know how the elderly of the next century will think of this matter. The 45 to 64 year old of today will be retiring over the next 20 years time. Our study indicates that this group may prefer allocation of resources to elderly more than to the young.

Besides the political aspect of resource allocation, there is also the role of industry, as Preston called it, in influencing the well-being of the dependent groups. To continue our study of the applicability of the Preston argument in Canada, we will now turn to examine the response of the specialized industries of health care and education to population aging.

#### 4.4 RESPONSES OF THE RESPECTIVE SPECIALIZED INDUSTRIES

Health care and education sectors are highlighted by Preston as mechanism helping to bring about the divergent path of well-being. The rising number of elderly helps to expand the health care industry while the decrease in number of children results in the decline of education industry. However, different elements are operating in Canada that may make these arguments less applicable.

##### 4.4.1 HEALTH CARE

Preston argues that population aging results in a growth

in demand for health care services, both in terms of numbers of people in the prime use ages and of entitlements that were negotiated from demographic strength. This may be true for a country that instituted only limited public health facilities. Specifically, health care for most Americans except for the elderly (Medicare) and the needy (Medicaid) are privately arranged. While health care in the United States is partly an industry determined largely by market forces, the Canadian health care system is under more public control.

#### 4.4.1.1 HEALTH CARE SYSTEM IN CANADA

The health care system in Canada is regulated by the government who largely pays the medical bills (on behalf of the public). The Canadian system is marked by heavy government control (Lalonde, 1974; Evans, 1987; Meyer and Moon, 1988; Marshall et al., 1991). At least in principle, the Canadian system provides equal access to health care to people of different age and socioeconomic backgrounds, according to need and without user fees. Thus, although population aging does tend to draw more resources to the elderly people (Denton and Spencer, 1983; Wolfson and Cameron, 1990), the Canadian system also attempts to cater for the needs of the other age groups, including children.

In Canada, there is no strong evidence that the elderly have benefitted from the health care system at the expense of children. Universal access tends to equalize the distribution

of this kind of in-kind transfer by age. The principal concerns with respect to equity in health status are socio-economic (Wilkins et al., 1989; Ryerse, 1990; Task Force for Child Health, 1991) and racial (Boyle, 1991) in nature.

As seen in Section 4.1, mortality conditions for Canadians have been improving for both dependent groups. To a certain extent, the general reduction of mortality may reflect, among other factors, the effectiveness of the medical care system in treating the various age groups in Canada. In the discussion that follows, we will focus on the assertion that health care system will be an expanding industry due to an aging population. To that effect, we will examine indicators like expenditure, salary, and recruitment.

Canada's achievement in mortality decline and health care did not come without cost. According to Statistics Canada (1991a:101), total expenditures on health have been rising rapidly; in 1987 the amount was \$47.9 billion. However, this involves a fairly stable percentage of the GDP, which was 8.6% in 1987 and was a modest rise from 7.3% in 1975 (see Table 4.17). In contrast, the total health costs in the United States rose drastically from 8.4% in 1975 to 11.2% in 1987 (OECD, 1990).

#### 4.4.1.2 MEDICAL SCHOOLS AND DOCTORS IN CANADA

Both the salaries for the medical doctors and the entrance requirement for medical school remain high. According

Table 4.17 Total Health Expenditure as a percent of  
GDP, Canada and the United States, 1975-87

Year	Canada	U.S.
1975	7.3%	8.4%
1980	7.4%	9.2%
1985	8.4%	10.6%
1987	8.6%	11.2%

Source: Organization for Economic Cooperation and  
Development (1990)

Table 4.18 Selected Statistics on Canadian Faculties of  
Medicine, 1970 to 1989

Year	Total Enrolment (a)	1st yr. Enrolment (b)	Applicants (c)	Admiss- ion rate (b)/(c)
1970/71	5,424	1,452	3,537	41.05%
1971/72	5,852	1,601	4,602	34.79%
1972/73	6,325	1,763	5,900	29.88%
1973/74	6,759	1,773	7,272	24.38%
1974/75	7,012	1,779	7,593	23.43%
1975/76	7,209	1,807	7,423	24.34%
1976/77	7,262	1,819	7,042	25.83%
1977/78	7,308	1,826	7,156	25.52%
1978/79	7,309	1,829	6,891	26.54%
1979/80	7,347	1,854	6,987	26.53%
1980/81	7,387	1,887	6,769	27.88%
1981/82	7,436	1,881	7,071	26.60%
1982/83	7,492	1,882	6,912	27.23%
1983/84	7,484	1,887	7,417	25.44%
1984/85	7,473	1,858	7,887	23.56%
1985/86	7,350	1,812	7,828	23.15%
1986/87	7,301	1,803	7,908	22.80%
1987/88	7,206	1,744	7,724	22.58%
1988/89	7,124	1,786	7,392	24.16%
1989/90	7,072	1,780	7,160	24.86%

Source: The Association of Canadian Medical Colleges (1990)

to OECD (1990), while the average income of physicians in Canada increased from \$34,360 in 1970 to \$101,800 in 1987 (in current Canadian dollars), that of their counterpart in the U.S saw a rise from \$41,100 in 1970 to \$132,300 in 1987 (in current American dollars).

According to Statistics Canada (1991a), there was one physician, excluding interns and residents, for every 525 Canadians at the end of 1988. The rate of growth of doctors also exceeds that for the general population. Enrolment statistics for Canadian medical schools show that there was an historical increase in the number of people studying medicine until the early 1980s (The Association of Canadian Medical Colleges, 1990). Both the total and first year enrolments for Canadian faculties of Medicine have been increasing since the 1960s (see Table 4.18). This trend prevailed until mid-1980s when it started to fall slowly.

As well, the admission rate, defined as the number of first year enrolment per applicants to Canadian medical schools, fell from 41% in 1970/71 academic year to 22.58% in 1987/88. This means that there was increasing demand for enrolment between 1970 to 1987. However, there are signs of a rise in the rate from 1988 onward (see also Canadian Association of Medical Colleges, 1990:117-8).

#### 4.4.1.3 CHALLENGES TO THE MEDICAL SYSTEM

Given the economic weakness of the federal government in

recent years, the federal support for health has been cut back in a series of decisions by the federal government to reduce the deficit (National Council of Welfare, 1991). Some groups advocating for children fear that, in this limited resource scenario, children, as a minority, may be neglected. For example, one significant factor impacting on the amount of health care budget allocated to children, as the Task Force for Child Health (1991:18) pointed out in the Ottawa Conference for Canada's children, is the increasing elderly population. The task force asserts that

The portion of the health care budget targeting the 0-19 population must be sufficient to meet the health care needs and provide a fair share for the child and youth population. A balanced health care system is needed with a greater emphasis on the promotion of health, prevention of disease and disability, and early intervention to prevent long-term negative health outcomes.

Similarly, Linton (1992), the president of the Ontario Medical Association, warned that doctors are forced to make rationing decisions in times of budget constraint. In effect, as Leitch, president of the United Senior Citizens of Ontario, noted, pensioners might be denied beneficial treatment.

Nevertheless, between 1960 to 1980, the impact of population aging on hospital use was softened by the reduction in use among women whose fertility was drastically declining (Auer, 1987). Specifically, the increase in the number of seniors, who require more hospital care, was offset by the decline in the admission rates for young women. Population growth and change thus only accounted for 10% of the rise in

hospital cost in the period between 1960 and 1980. Otherwise, while the rate of hospital admissions varied only slightly between 1960 and 1980, the cost per admission rose drastically due to the higher salaries of the hospital staff and the kind of services provided for each patient (increase in both case intensity and task intensity). Thus, the challenge faced by the Canadian health care sector is not based primarily on demographic change (Aeur,1987; Brown,1987; Evans,1987 and 1991; Barkin,1991). There is over-utilization of high technology and over supply of medical doctors (Evans,1991). In 1993, it is expected that less openings will be available in the Canadian medical schools as the provinces attempt to restructure the entire medical system.

There is no evidence that the health care industry has served the elderly more or better than the children. Since the Canadian health care system is heavily regulated by government, the expenditure for health care has been rising slowly. Given the higher use of the system by the seniors, the expansion of the health care system did especially benefit the elderly. It is also important to note that since 1986, the total government expenditures for health have been higher than for education (Beaujot,1991:258). We will turn next to the educational system to examine how this sector reacted to the decline in the young population.

#### 4.4.2 EDUCATION

The deterioration of the education system in the United States is, Preston asserted, a product of the decline in enrolment for elementary and secondary schools. Essentially, the demand for teachers shifted downward as a result of the drop in the school age population. The shift leads to a decline in wages for teachers, in spite of increases in expenditure per child and a rise in experience and qualifications among teachers. The lower wages thus induce a disproportionate number of the better teachers to leave the field or to avoid it altogether.

##### 4.4.2.1 PERFORMANCE OF CANADIAN STUDENTS

While Preston pointed to the decline in SAT scores as his indicator of the worsening academic standard of American children, there is no overall indicator of the performance of students in primary and secondary schools in Canada. Education in Canada is principally a provincial responsibility. No national standardized test exists across the country, and it is not easy to evaluate the outcome of the school system for the nation as a whole (see Wilkinson, 1986; Easton, 1988). It is only recently, in late 1991, that all provinces agreed to participate in testing school children's performance through the National Indicator Program.

There is no conclusive evidence to support the assertions that standards of education have been declining in the school

system (see Vol.II, The Royal Commission on the Economic and Development Prospects for Canada,1985). For Verner and Lee (1978) found that Canadian secondary performance improved as often as it had declined. Educational officers surveyed in their nation-wide believed that standards had risen in the sciences, steady in mathematics, but declined in language literature.

More recently, statistics on this question are cited from the Economic Council of Canada (see Lazear). For instance, Canada has a relatively high secondary dropout rate. Nearly 30% of Canadian 17 year olds do not participate in a formal education or training compared with 13% in the United States and a mere 6% in Japan. Also, Canada has failed to rank above the middle in several international competitions in mathematics and science. Nevertheless, it is not our main purpose to measure the performance of Canadian students. Our purpose in this study is to examine the response of the education sector to the decline of child population in Canada, particularly with regard to the change in the salary level of teachers.

#### 4.4.2.2 ENROLMENT TREND AND SALARY OF TEACHERS

After World War II, Canada's enrolment in secondary education increased very fast, spurred in part by unpre-  
cedented population growth. Consequently, many new elemen-

secondary schools were built to meet growing student demand. This was the expansionary period of the 1960s when "a system of allocating funds based on the number of student enrolments became firmly entrenched" (Myles and Boyd, 1982:270). According to Statistics Canada (1992), it was in the early 1970s that the elementary enrolment began to drop due to the decline in the birth rate. By the mid 1970s, secondary enrolment began to decline as a ripple effect of the falling birth rate. Between 1970 and 1985, the Canadian elementary and secondary educational system had an enrolment decline of 17% (from 5,885,800 in 1970 to 4,927,800 in 1985). In the 1980s, the declining birth rate and the economic down turn led to restraint in educational spending.

According to the Preston argument, with the reversal of the enrolment trend, teachers would be threatened with lay-offs and lower salary increments. However, things did not happen this way in Canada. According to Statistics Canada (1992), there were nearly 282,000 full-time elementary and secondary teachers in 1988-89. This registered a minimal 1% decline from the high level of 284,000 teachers in the academic year 1976-77. Between 1976 and 1986, the elementary and secondary sectors had their teaching personnel reduced slightly annually, except for one year. However, there was a 5.5% increase from 1986 to 1989. Also, in spite of the decline in elementary and secondary school enrolment in the late 1970s, the total dollar expenditure for the school system has

increased. When the enrolments was at record high in 1970, expenditure on education was 19.2 billions (1990 constant dollars). This is increased to 26 billions by 1980. As well, the pupil-teacher ratio in public elementary and secondary schools in Canada had been stable at around 16 to 17 students per full-time equivalent teacher between 1984 to 1988 (Statistics Canada, 1990b:211).

The change in the size of the client population has not resulted in declining salaries for Canadian teachers. In fact, Canadian schools are "well-staffed with well-paid teachers" (Lawton, 1990:35). Not only do the salaries of the teachers in Canada increase faster than their counterpart in the United States, their wage increase has also fared better than broad classes of other income earners in Canada (Easton, 1988). Specifically, while the Canadian teachers received roughly 60% of the average salary obtained by the United States teachers in 1950, their relative position has reversed after 1970, and since then enjoyed a relative advantage of 30% over their American counterparts. Similarly, compared with the manufacturing and industrial workers in Canada, the Canadian teachers' salaries rose from 80% of the industrial wage in 1950 to 150% in 1983. As Easton summarizes,

both in terms of domestic income growth and by international comparison, Canada's teachers have made remarkable progress in raising their income over the last 40 years. This income growth is well above that enjoyed by the average of the other members of Canadian society and is certainly greater than that which has taken place in the United States (1988:48).

There are different reasons why the salaries of teachers are increasing (see Wilkinson, 1986). Besides increase in experience of teachers, teacher's unions have played an important role in the rising trend of salaries for teachers in Canada. Unlike in the United States, the unions have been able to sustain and increase the level of salary for teachers in Canada.

Thus, the demographic decline of the number of children did not result in a fall of salaries for teachers in Canada. The increase in enrolment in schools of education and the high admission standards make it likely the graduating teachers have maintained a reasonable level of quality.

#### 4.4.2.3 FACULTIES OF EDUCATION AND TEACHERS

Information concerning the trend of admission for Canadian Faculties of Education is hard to locate. The Teacher's Education Council of Ontario, however, produced in 1991 a consultation report, pointing out that it is increasingly hard to get into the field of education. In Ontario, the admission rate for Faculties of Education has been dropping since more applicants have been applying. The proportion of the applicants who have graduate degree is also increasing. From 6% who have a Master's degree and 0.3% who have Ph.D. in 1986-87 school year, the corresponding proportion rose to 10% and 1.2% respectively in the 1990-91 school year. In fact, Hunt (1991), Professor of Education at

the University of Toronto, suggests that the rise in the demand for enrolment in schools of education is partly a function of the much improved working conditions for teachers, both in terms of its newly gained respect as a profession and the well paid salary. Other factors may include the aging of the existing teaching staff and the slight rise in the number of students as a result of the baby boomlet.

According to Hinnigan (1991:16), in the case of Faculty of Education at the University of Western Ontario, there were 6100 individuals applying for admission in 1991, out of which only 680 were accepted. While the minimum requirement for admission for 1991-92 was an acceptable baccalaureate degree with an overall 70% average, a student, normally needs an 'A' average in an honours degree to compete. Some high demand specialized areas like French, music or computer science may require an average of 85% for the application to be considered. If the experiences at Western and in Ontario are representative of other schools of education in Canada, there is certainly a rise in the standard for admission for students into the teaching profession in recent years. As well, Statistics Canada (1990b) reported that the enrolment rates for all levels of studies in education have been increasing from 1984 to 1989 (see Table 4.19). These include full-time and part-time for both undergraduate and graduate studies.

In response to the decline of the number of students, the educational sector, particularly the elementary and secondary

**Table 4.19 Level of Enrolment for Study in Education in  
Canada, 1984 to 88**

<b>Year Level</b>	<b>1984-85</b>	<b>1985-86</b>	<b>1986-87</b>	<b>1987-88</b>	<b>1988-89</b>
<b>Full-time Undergrad</b>	26,935	27,369	28,439	29,162	29,954
<b>Part-time Undergrad</b>	24,423	24,158	25,213	26,049	28,019
<b>Full-time Graduate</b>	4,951	4,882	5,145	5,245	5,374
<b>Part-time Graduate</b>	10,037	10,307	10,301	10,621	10,741

Source: Statistics Canada (1990b)

levels, has not been underfunded, at least in the 1980s, relative to the post-secondary level of education. Starting in the mid-1980s, faculties of education in Canada required higher qualification for their students. However, it is not proven that better teachers are the main determinant of educational performance of students (see Moss and Rutledge, 1991). It is also not true to say that education students with high qualifications will automatically be good teachers. It is beyond the confines of this thesis to examine these issues.

#### 4.5 SUMMARY

The purpose of this chapter was to analyze the relevant data and to draw on the results from other research to assess the applicability of the Preston argument in Canada. We first examined the trend of well-being of the dependent groups in Canada. Specifically, incidence of low income and the mortality differentials were used as indicators.

The economic situation of the elderly in Canada in general has been improving steadily throughout the past decade, whereas that of children has been worsening. However, for both seniors and children, the presence of two adults in the family reduced the likelihood of low income. Whereas female unattached elderly were the group with highest incidence of low income in 1980, children living in female lone-parent families are most likely to be in low income

situation in 1990. As well, 1990 is the first time in recent years that the incidence of low-income for elderly is lower than that for children. Thus, in terms of the incidence of low income does provide evidence on the reversal of economic well-being for the elderly and children.

With regard to health, Canada witnessed an overall drop of mortality rates. The examination of the pattern of mortality decline by age groups with the Coale-Demeny regional model life table showed that the improvement in life expectancy has not been concentrated among the elderly in Canada. Improvement in mortality conditions was found for both elderly and children. A comparison of the proportional decline of age-specific mortality rates showed that children in Canada consistently had higher mortality reduction than their American counterparts between 1971 and 1988. The decline among the elderly in mortality rates is however similar between the two countries. The use of direct standardization to control for the change in age structure in Canada showed that while absolute decline of mortality rate for the elderly is greater than children, the proportional drop is more for children between 1971 to 1988. Thus, there is no evidence to assert that improvements for the elderly are accompanied by the worsening of the mortality conditions for children, as Preston had observed in the United States. This is due, among other important factors like personal lifestyle and environment, to the fact that medicare is based on needs but not age in

Canada.

The improved financial situation of the elderly followed the introduction of government income support directed to this age group. Our analysis shows that in 1985 government transfer in Ontario does favour the elderly, especially those in husband-wife settings, more than any other of the groups considered. The single parents with children have their risk of falling into poverty considerably reduced through transfers; nevertheless, they remain the group that has the highest odds of being poor. From 1973 to 1985, government transfer has benefited the elderly more than children especially those in single parent families. However, there is a higher tendency for some elderly to be pulled just out of poverty than for other groups considered in 1985.

An examination of the federal income and security program showed that there has been in the past two decades a divergence in the way public expenditures are allocated to these two dependent age groups. While federal government transfers have become the prime source of income for the elderly and are increasing, those for families with children are declining in real terms per child. However, since different major income sources are at work for the two dependent groups in Canada, it is hard to assert that the improvement of the economic well-being of the elderly is gained at the expense of children.

With the increase in government income support directed

to the elderly, the question is whether this is a function of the rise of gray power. A review of the question of gray power in Canada shows that the gray lobby has not been as effective as its counterpart in the United States. This is partly due to the different nature of political processes in Canada. However, the seniors are probably much more successful than other groups, like those concerned mainly with children in influencing policies.

There is evidence from the 1986 National Election Study that the elderly, with the middle aged people, were more politically active than others in voting. However, it does not follow that there will be an age difference in how people vote. Elderly are found to be less likely to discuss politics and less inclined to convince friends to vote for the same party as they do. Analysis of the 1989-90 qualitative survey on marriage and childbearing from Middlesex and Oxford counties shows that while elderly may be more active in voting and in most other political behaviours, their attitude towards resource allocation is as much in favour of the young generation, reflecting intergenerational solidarity. In contrast, it is those between 45 and 64 who are most likely to give preference to programs benefiting the elderly, rather than those benefiting families with children.

Finally, the response of the specialized industries to the change in the size of the dependent groups has not conformed with what Preston observed in United States.

Since the Canadian health care system is heavily regulated by government, the expenditure for health care has been rising slowly. There is no sign of special political pressure for the health care industry to respond particularly to the elderly at the expense of children. However, the growth of health care budgets did specifically benefit the elderly since their utilization rate is much higher than other age groups. Since 1986, the total government expenditures for health have been higher than for education.

In the case of education, we do not have objective national indicators for student performance in Canada. However, the decline of the number of elementary and secondary school students has not resulted in a lowered salary for teachers. Recently, evidence shows that there has been high pressure for admission to faculties of education. The increase in enrolment for schools of education and the high admission standards make it likely that graduating teachers have maintained a reasonable level of quality. Thus, there is no clear evidence that the educational environment of children has declined.

**CHAPTER 5 THE PRESTON ARGUMENT AND INTERGENERATIONAL EQUITY IN  
CANADIAN POLITICAL DEBATES  
5.0 INTRODUCTION:**

This chapter addresses one aspect of the Preston argument in Canada by examining whether questions of intergenerational equity and transfers, aging, youth, and old age poverty are part of the discussion in the formulation of policy or its change over time. We will review the relevant policy discussions and reports to consider these questions in this chapter. While many issues can be considered in an intergenerational context<sup>13</sup>, we will mainly focus on income security programs since poverty is, as seen in Chapter 4, the aspect that resemble most closely to the situation of the divergent paths observed in the United States.

**5.1 INTERGENERATIONAL EQUITY IN POLITICAL DEBATES IN CANADA**

In assessing the importance of intergenerational equity in political debate in Canada, Marshall et al. (1991) conclude that intergenerational equity, defined as the concept that different generations should be treated in similar ways and should also have similar opportunities, has not been an issue of recent political debate in Canada. In contrast, intergenerational equity was the subject of a heated debate in the United States in mid-1980s. However, depending on how one

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<sup>13</sup> For example, the national debt issue, interest rate policy, and even the mandatory retirement debate can be seen in light of intergenerational equity and transfer.

defines intergenerational equity, we can argue that the matter has been an underlying current in Canadian social policy.

For instance, questions of intergenerational equity and transfers are definitely part of the discussion in the formulation of policy or its change over time in the pension debate in the late 1970s, as detailed in section 5.1.1 (see Economic Council of Canada, 1979; Government of Canada, 1979 and 1982a,b; Stone and MacLean, 1979; House of Commons, 1983f; Asch, 1984). The whole system of pension and retirement policies involves intergenerational transfer to the extent that the working population agrees implicitly to support the elderly and instead be supported by the succeeding generation.

Our argument here is as follows. From the late 1970s to 1983, discussions on pension and intergenerational issues focused on the adequacy of income for the elderly. From 1984 onwards, the federal government partly aimed at dealing with equity within given age groups, i.e., intragenerational equity instead of among age groups. However, one can argue that intergenerational equity, as will be seen later in this chapter, is once again emerging to be an increasingly important matter. This time, the issue will be the adequacy of income support for families with children, especially among poor families. We will examine the two periods in more detail in light of the Preston argument.

### 5.1.1 ELDERLY, GAINING GROUND

The benefit programs for the elderly and children have evolved over many years<sup>14</sup>. Since their introduction, constant attempts have been made to adapt the programs to the changing needs of the dependent groups. As Epp (1985:7) notes,

while program enrichments have been the general rule, other changes, particularly when the country has been faced with resource constraints, have included reallocation between program components and even program reductions.

However, most program reductions affected those for the children. For instance, the de-indexing of Family Allowance in 1976, the reduction of Family Allowances in 1979 coupled with the implementation of the Child tax Credit, and the 1980 budget provisions which froze the child tax exemption, were all targeted towards children.

#### 5.1.1.1 PROVISIONS FOR OLD AGE

Historically in Canada, the first significant federal government intervention in the provision for old age was in 1927 with the introduction of the Old Age Pension Act. By 1965, when the Canada and Quebec Pension Plans were formulated, the foundation of the Canadian national retirement program was established. In view of the demographics of a

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<sup>14</sup> According to the 1985 consultation paper on Child and Elderly Benefits (Epp, 1985), whereas the main benefits for children include Family Allowances, the child tax exemption, and the Child Tax Credit, major elderly benefits consist mainly of Old Age Security (OAS), Guaranteed Income Supplement (GIS), and the Spouse's Allowance programs (SPA).

aging society, the consequence of double-digit inflation on pensions and savings, and the agitation on behalf of poor pensioners, particularly unattached elderly women, retirement benefits received much attention in this period. For instance, the impact of high inflation rate in the neighbourhood of 5 to 10% on employer-sponsored plans that lack automatic indexing has proved devastating to the elderly (see Government of Canada, 1983; Guest, 1985:209).

A series of studies and reports were aimed at ways to improve the existing system of retirement benefits. These reports emanated from governments, both provincial and federal, and interest groups representing the voluntary social welfare sector, women's groups, business groups, and the insurance industry. The reports led to a series of regional and national conferences. By 1983, when a parliamentary committee conducted its hearings on the subject, pension reform had been thoroughly examined.

A review of the 38 issues of minutes of Proceedings and Evidence of the Special Committee on Pension Reform (e.g. House of Commons, 1983 a,b,c,d and e) reveals a major concern over whether there is equity over the different generations, mainly the working generation and the retired generation. One of the main thrusts of the House of Commons' (1983f) discussion on pension focuses on intergenerational transfer which pertains to the equity of transferring funding and resources towards the elderly. Intergenerational transfer was

thus very much discussed in the pension plan reform hearings. While there were those who agreed to the need of institutionalizing intergenerational transfer by way of pension plans <sup>15</sup>, others disagreed <sup>16</sup>. Moreover, Mr. Jacques Samyn, president of the Manitoba division of Canadian Union of Public Employees, hinted at a potential of intergenerational

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<sup>15</sup> For instance, Mr. Art Coulter, Manitoba Federation of Labour (House of Commons, 1983c:107-8) argued that people who have worked all their lives to generate the standard of living that the younger people are expecting and benefiting from today should be prepared to maintain a standard of living for those who have gone in the past. The transfer principle between generations, he argues, was one that has to be relied on.

Mr. Bob White, Canadian Director and International Vice-President, United Auto Workers Union, fundamentally rejected the idea that it was up to each person to look after himself and that you only help on the basis of need. A universal program which has to be funded properly is needed. "I have two sons working now. I would not mind if they had to pay some more so that I could enjoy my retirement years; that would not bother me too much". (House of Commons, 1983c:93)

Likewise, Miss Jane I. Armstrong, a Researcher Associate of Canadian Airline Employees' Association, also agreed to the importance of intergenerational transfer. She stated,  
We have done it for education in the 1960s. we have done it for airports, for transportation. Generations in the past have paid for what we are now benefitting from... I believe our membership would also support an intergenerational transfer. (House of Commons, 1983b:40-1)

<sup>16</sup> In contrast, other people had reservations about further expansion of the pension system. For instance, Mr. Pearce Bunting, President of Toronto Stock Exchange, feared the further expansion of pension plan because of the potential expansion of the size of government vis-a-vis the private market (House of Commons, 1983d:49).

Moreover, Mr. W. Paul McCrossan, V.P. Canadian Institute of Actuaries, raised the issues of undercharging the present elderly for the benefit they were receiving and overcharging the baby boom since there would be more elderly people when they retire (House of Commons, 1983a:21-2).

conflict. He argued that people may not be willing to pay more tax to help the elderly out of poverty (House of Commons, 1983c:120).

On the whole, however, there appeared to be some consensus concerning a type of "contract" between the generations to support one another when the other was not working. This consensus was reflected in the two main publications related to the Pension Reform, namely, "Better Pension for Canadians" (Government of Canada, 1982b) and the report of the Parliamentary Task Force on Pension Reform (House of Commons, 1983f). In both documents, intergenerational transfer and equity were examined.

The first document explained the need for reform of the pension plan system by broadly pointing to the questions of fairness across generations (Government of Canada, 1982b:15). Among the various views of this issue, the most commonly held was the concern that today's generation, through establishing the pension arrangement, should not place an undue burden on future ones. Specifically, two guiding considerations were highlighted:

First, the current working-age generation should bequeath sufficient means -- social capital, resources, and productivity capacity -- to succeeding generations to ensure that accrued pension entitlements will not be excessive in relation to national output... Second, the current generation should treat the elderly today at least as well as it expects to be treated by future generations (Government of Canada, 1982b:15).

The final report of the Parliamentary Task Force on

Pension Reform even devoted a whole chapter to this issue of pensions as transfers between generations. In fact, this transfer could be seen as the heart of their discussion (House of Commons, 1983f:12). However, their emphasis was on whether the transfer across generations would create a burden to future generations, but not on whether the diversion of funding from the present working population to the retired would perhaps disadvantage the children.

#### 5.1.1.2 CONSULTATION ON CHILD AND ELDERLY BENEFITS

In 1984, considering that the basic framework for the retirement policy settled, the newly elected Mulroney Tories started to review benefits towards both children and the elderly. In *A New Direction for Canada: An Agenda for Economic Renewal* (Government of Canada, 1984), the federal government highlighted the importance to ensure that the existing social policies were sensitive to the changes in the Canadian society. The twin tests of social and fiscal responsibility formed the basis of any improvement and redesigning of social programs. While social responsibility suggested that scarce resources should be allocated first to those in greatest need, fiscal responsibility asserted that the best income security for Canadians is a job.

In fact, Michael Wilson, then Finance Minister, questioned the wisdom of paying universal benefits like OAS and Family Allowances. Many interpreted this to mean the

phasing out or targeting of the child and elderly benefits programs. An uproar was created in the House of Commons debate over this attack on universality (Rice, 1987).

The 1985 consultation paper on Child and Elderly Benefits reflected the change in the government's position to reaffirm the importance of universality. The main emphasis was the need to target age-specific programs to lower income groups. Moreover, Jake Epp, then Minister of Health and Welfare, stated that only child benefits, not benefits to the elderly, would be targeted for change. For instance, families in the \$20,000 to \$30,000 range should receive larger benefits like child tax credit than those with incomes around \$100,000. Meanwhile, benefits for the elderly reflected a commitment to providing more for those who have the greatest needs through the Guaranteed Income Supplement program.

Documents on the economic status of the elderly in the second half of the 1980s and early 1990s reflect a more optimistic tune (Economic Council of Canada, 1989; National Advisory Council on Aging, 1991a; Oja and Love, 1988). There is no doubt that, even though the average incomes of the elderly are still considerably lower than those of other people, the incomes of seniors in general have improved in the 1980s. This happened even in the context of stagnant growth in family income in general. The issue of intergenerational equity may arise again in this context. The issue of child poverty, just like that of poverty among the elderly in the last two

decades, is now increasingly receiving attention in public debates. Lloyd Axworthy (1990), a member of Parliament, commented that the children are our real deficit, instead of the fiscal deficit Canada has.

#### 5.1.2 CHILDREN, THE REAL DEFICIT

Child poverty is becoming "an issue of major policy concern in Canada" (Dooley, 1991:54). While government transfer is the main source of income to elderly in Canada, families with children rely mainly on employment income of the parents. According to the Canadian Child Welfare Association et al. (1989), there is in the 1980s a noted stagnation in the growth of purchasing power of the family; the decline in real wage is accompanied by change in transfer payment from governments and family benefit system which as a whole adversely influenced children in general. Although this decline in support for families with children is in contrast to a record of long commitment to children in Canada, this is rarely seen in light of the Preston argument or as an issue of intergenerational transfer. We will, in the following, first review Canada's commitment to children and then research the roles of Preston argument and intergenerational equity in political debates in Canada.

##### 5.1.2.1 CANADA'S COMMITMENT TO CHILD BENEFIT PROGRAMS

Canada has a long tradition of supporting children. As

early as in 1945, the Family Allowance was established. In the Report on Social Security for Canada, within a set of coherent statements on the scope and the purpose of Canada's welfare policies, Marsh (1943) deliberately separated the needs of the children from those of their parents. Instrumental in the building up of Canada's social security system, Marsh (1943) asserted that children's allowance should be paid regardless of the employment status of the main breadwinner. In so doing, he distinguished himself from other social planners of his time like Lord Beveridge in England (see Kitchen, 1986:39).

Throughout the years, the Canadian Governments have continued to support families with children. For instance, in 1964, schooling allowance was introduced for 16 and 17 year old. The Family Allowance was not only tripled in value in 1973 to counteract the effect of increase in cost of living on the value of allowance received; but it was also indexed. In 1979, the federal government introduced the refundable tax credit, supported partly by reducing the Family Allowance amount by \$6 per month. This represents a benefit to the middle and low income families with children, whose income would be more than compensated by the reduction of the allowance. However, the Minister of Health and Welfare in the Clark government in 1979 social programs did explicitly support universality for Old Age Security and Medicare on the grounds of equity, while questioning the use of universal Family Allowances and tax deductions for child dependents for

deliverance of family aids. However, the Clark government was short-lived.

The 1980s witnessed substantial increase in benefits to children like refundable child tax credit. This is in contrast to the United States where Preston notes the roll back of funding to public programs benefitting children<sup>17</sup>. The child tax credit in Canada rose from \$384 per child in 1985 to \$599 in 1988. The federal Government also introduced a supplement of \$200 to the refundable child tax credit for children under 6. Thus, in 1989, families with younger child would receive an amount of \$765 vis-a-vis \$565 for older children. Quebec has also drastically supplemented the federal program to help families with children so as to reverse the low fertility rate in the province.

In contrast to the situation in the United States where we see deliberate roll back on benefits to children and continued maintenance or expansion for programs for the elderly, policies deliberately favouring the elderly over the young are harder to find in Canada. Perhaps the most relevant but unplanned policy outcome to this effect is the famous de-indexation fight in 1985. The needs for improvement of the economy and the reduction of government deficit brought the Tory government to question the principle of universality for

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<sup>17</sup> For instance, the Aid to Families with Dependent Children program experienced a sharp drop in funding from 1979 to 1982. Children's share of Medicaid payments dropped by 3 percentage points in the same period despite an increase in the child proportion among those eligible (see Preston, 1984a).

both Family Allowances and the Old Age Security. In 1985, the federal Government attempted to reduce pension indexation but had to withdraw because of staunch opposition from the elderly. In comparison, the partial de-indexation of Family Allowance was passed without encountering the same kind of opposition as that on the pension plan. Thus, in an unplanned manner, the Canadian government policy outcome benefited the elderly more vis-a-vis the children, in view of mounting protest from the elderly. (see Clifford, 1990 on the 1985 de-indexation fight). Given that the government did try to de-index both OAS and Family Allowance, it might be concluded that preferential treatment is not evident here.

Later, the 1989 budget attempted to tax back or claw back on both Family Allowance and Old Age Security for people with income more than \$50,000 targeting both the elderly and the families with children. This affects parents with individual net incomes above \$50,000. Moreover, both are targeted towards the rich vis-a-vis the poor in the respective age groups. However, the use of the same threshold as a cut-off for the claw-back is not particularly appropriate. Elderly with incomes over \$50,000 are generally supporting at most two people whereas families with children at the same income level involve three or more people living off this income.

The "claw back" is to be partially indexed so that the threshold will be steadily falling in real term. In effect, more and more families at lower income levels will be repaying

part of all of their Family Allowances or OAS.

In this context, as reviewed in Chapter 2, the Preston argument has not generated the same degree of debate in Canada as in the United States. Yet, in an Employment and Immigration Canada consultation paper on immigration of children as a response to demographic concerns, Hersak and Francolini (1987) used the Preston article to support the argument that the trend of resource allocation being shifted to the elderly would reinforce the aging pattern of the Canadian population. The policy implication they pose as follows: the government should either take major steps to change this demographic trend or the immigration of children may have to play a meaningful role.

In addition, the Canadian Council on Children and Youth (1985) also referred to the Preston article as it discussed the increasing rate of child poverty in the early 1980s. Their analysis of the MacDonald Commission report also reveals that 50% of the Federal Social Expenditures is aimed at the elderly, while only 13% is at families.

The use of Preston argument in policy discussions and evaluations has been confined to comments on resource allocation or targeting in Canada. The issue of child poverty has not been touched on in this light. In the following, we will turn to recent debates on child poverty and examine whether this issue will be seen in light of the Preston argument in particular or intergenerational equity in general.

#### 5.1.2.2 RECENT DEBATES ON CHILD POVERTY

In the 1980s, the poverty rates among Canadian children have been fluctuating while those for the elderly have been declining consistently. These poverty statistics have been used substantially in policy discussions concerning the situations of dependent age groups (see Lewis, 1989; Shrifin, 1989; Canadian Child Welfare Association et al., 1989; Canadian Council on Children and Youth, 1990; Dewar, 1990). However, the main argument in most of these discussions is that the government has not been as committed to children as it has been to the elderly. The matter is not seen in the context of intergenerational equity or the Preston argument as such.

For instance, commenting on what he describes as the widespread and endemic problem of child poverty in Canada, Lewis (1989) questions,

Do you remember back in 1965, this country sought hard to change the lives of senior citizens, the great majority of whom were mired in poverty, and we brought in the Canada Pension Plan? Do you know that since 1965 the percentage of senior citizens who are poor has dropped from 41.4% of older families to 9.5% over the period 1965 to 1987 largely because of the introduction of the Canada Pension Plan? Is it not possible to change the lives of children, as we managed in some significant way to improve the lives of senior citizens?

Similarly, Canadian Child Welfare Association et al. (1989) notes that ending poverty among Canadian children and providing adequate support to their families are goals that definitely can be achieved, in view of the success achieved in

helping the elderly out of poverty.

Marsden (1991) also suggests that the government policy has been at best indifferent to children. The report from the Senate Committee on children in poverty (Standing Senate Committee on Social Affairs, Science and Technology, 1991), chaired by Marsden, also points to the improvement of the elderly economic situation as an example for children to follow. There is however no hint of elderly improving at the expense of children.

Courchene (1991) came close, in his C.H. Howe Institute discussion on Canada at Risk, to explicitly point to the problem of intergenerational and intragenerational equity when he noted that Canada's approach to human capital, i.e. the raising and training of children, is failing at precisely the time when the economy needs to sustain and excel in the competitive world market. He argues that extra income should be provided for the low income elderly through clawing back of the richer ones; in so doing, resources should also be freed to transfer for human capital formation.

Canadian governmental studies in this area of intergenerational equity have been hard to locate. According to Marshall et al. (1991), only two recent documents can be found among the various sources of government publication. In "1989 and Beyond: Challenges of an Aging Canadian Society", the National Advisory Council on Aging (1989) briefly points to intergenerational inequity as a potential problem. In

particular, the importance of an equitable allocation of society's resources among the various age groups is highlighted. NACA warns of the long term consequences of children brought up in deprivation. These children are not likely to accomplish as well in terms of health and education, and thus will not be able to use their potential fully for the benefit of society.

NACA is a federal agency established to "assist and advise the Minister of National Health and Welfare on issues related to the aging of the Canadian population and the quality of life of seniors" (NACA,1989). Its mandate includes reviewing the needs and problems of seniors and encouraging, publishing, and disseminating information on aging. The fact that the possible impact of children in poverty was brought up by NACA in an intergenerational equity framework suggests that the government is aware of the potential for intergenerational inequity in Canada.

Another recent reference to the issue of intergenerational equity in Canada is the Twenty-Sixth Annual Report for the Economic Council of Canada (ECC), entitled "Legacies" (1989). In this Annual Review, the ECC reflects on the legacy that one generation of Canadians is to pass on to another. The report notes that the slower economic growth of the recent decades, coupled with the major changes in the industrial structure, has been especially harsh on the younger generation.

According to the ECC, the equity issue between generations historically focused on helping retired elderly Canadians enjoy the economic prosperity they helped build in their younger years. Nowadays, while there are still elderly people living in low-income situations, their conditions have improved significantly. Many families with children are struggling with the sluggish growth of labour income.

However, other documents are found besides the one highlighted by Marshall et al. (1991) on intergenerational equity. Preceding these two citations is the well-known MacDonald Royal Commission Report on the Economic Union and Development Prospects for Canada (1985). Even though their main concern on equity pertains to horizontal and vertical equity (Royal Commission Report on the Economic Union and Development Prospects for Canada, 1985:774-5), rather than intergenerational questions, some of the background study materials did devote some sections to equity between different generations (e.g. Laidler, 1985; Osberg, 1985). In discussing the politics of income security, Rice (1985:244-5) addresses the issue of transfer as follows:

There are persistent demands for increased benefits from those who receive income security, while at the same time there are demands that the tax burden be reduced. In the past, they were prepared to finance growing welfare expenditure as long as real incomes were rising, but an uncertain economic future means they are no longer in an expansionary mood. With the growth of wage restraints, unemployment and rising costs of social welfare, they are wary of further developments in the welfare system.

Rice asserts that slow economic growth will lead to a zero-sum distribution process for social welfare. In other words, those who get stable income security from government, like the elderly, will induce a reduction of living standards for middle-income Canadians who are experiencing real economic insecurities.

Rice does not point to the issue of child poverty in particular. This can be explained by the fact that the issue of child poverty had not yet captured the attention of people in 1984. Statistics released on the incidence of low income were two years behind. Since Rice finished his report in November of 1984, the data he was aware of pertaining to child poverty would be at most those of 1982, when, in spite of the rising trend of low income incidence among children, it is still much lower than that for the elderly.

The issue of income adequacy for families with children is likely to create a continued debate. Government policies, it is argued, have not been keeping up with "changes in economic circumstances, family structure and the role of families in society" (Canadian Child Welfare Association, 1989:2). Meanwhile, The United Nations General Assembly on November 20, 1989 adopted a Convention on the Rights of the Child. Canada took a leading role with Egypt, Mali, Mexico, Pakistan and Sweden to call for an unprecedented meeting of Heads of State and Government to sign the convention. As soon as 20 of the over 60 nations ratify it,

the Convention will become international law. The ratification of this Convention has given opportunities for those who concerned for child poverty to pressure the government to take more action to reduce or even eliminate child poverty in Canada.

As well, Ed Broadbent's farewell message to the House of Commons as the leader of the Federal NDP focused on the need to eliminate child poverty by the year 2000. Another example is the 1991 Ottawa Symposium on Canada's Children: A National Priority for the '90s, sponsored by groups like the Canadian Council of Social Development. In the conference, the Child Poverty Task Force emphasized on the need to have adequate income for families with children. However, all of these are not seen in light of the intergenerational equity issue.

Nevertheless, in the academic publications, there is a hint of concern for justice between the generations (see Burch, 1987 and 1990; Wilkins and Adams, 1987; Beaujot, 1991). Among government bureaucrats, according to Marshall et al. (1991:15), two highly placed policy advisors in the Department of Health and Welfare and the Office of the Minister of State for Seniors reported that they had no knowledge of the issue of intergenerational equity being debated in either the House of Commons or the Senate. They revealed that there was definitely an awareness of the intergenerational equity issue at the senior bureaucratic level of the federal government. For instance, one of the policy advisors interviewed reported

that talks of seniors having more than their share were heard, but that "no one has rocked the boat" so far by introducing the matter into Canadian policy debate.

Recently, we see rising interests for Canadians to look at issues from an intergenerational context. The Economic Council of Canada (Hirshhorn, 1990) published a research paper called "Thinking intergenerationally". This study was conducted as an exploration on a topic that was of interest to the agency and deemed to require clarification and elaboration. Also, a political movement called "Youth Alliance for Debt Freedom" formed by young people to argue for a debt free society is recently promoting this cause (see Ford, 1992).

Whether child poverty will be seen in this light depends on many factors. For instance, Strieb (1990) suggests that the issue of intergenerational equity is heavily media generated in the United States. Marshall et al. (1991) refers to the effort of Senator Durenburger of Minnesota to push this issue to the forefront of political debate. We will examine these in more detail in the final chapter.

## 5.2 SUMMARY

Intergenerational equity has been an underlying current in Canadian social policy discussion in the formulation of policy, or its change over time. From the late 1970s to 1983, discussions on pension and intergenerational issues focused on the adequacy of income for the elderly. As seen from the

official reports on Pension Reform, intergenerational transfer is at the heart of their discussion. Also, principles of equity for different generations are also discussed. From 1984 onwards, the federal government partly aimed at dealing with equity within age groups, i.e., intragenerational equity instead of among age groups, i.e., intergenerational equity. Both Family Allowance and Old Age Security for people with income more than \$50,000 are targeted to be taxed back. However, one can argue that intergenerational equity may once again emerge as an increasingly important matter. This time, the issue will be the adequacy of income support for families with children, especially among poor families. Most comments on child poverty refers to the relative lack of commitment to children relative to the elderly. Only a few documents examine the issue from an intergenerational equity context. However, it was reported that there is an awareness of the intergenerational equity debate at the senior bureaucratic level of the federal government. In Chapter 6, we will summarize this study on the applicability of the Preston argument in Canada.

## CHAPTER 6 SUMMARY AND CONCLUSION

In this final chapter, we will summarize the entire thesis and discuss how and why the Canadian situation differs in terms of the applicability of the Preston argument to other countries (especially the United States). As well, implications and further research questions will be highlighted.

### 6.1 SUMMARY

In the first chapter, the argument formulated by Samuel Preston in his presidential address to the Population Association of America in 1984 is reviewed. It hypothesizes that the American elderly, being more able to exercise their political rights, receive more attention in contrast to children, who are powerless politically and thus become more vulnerable in the aging society. In due process, more government transfers and funding are allocated to the elderly than to the children. As well, the American family has since 1960 divested itself of care of children, as evident in the decline in fertility and the increasing absence of the father either due to divorce or illegitimate birth. In addition, the growth in demand for health care services, in terms of numbers of persons in the age groups of prime use and of entitlements, help create a boom for the health care sector whereas the decline in the quality of teachers leads to worsening educational environment for children. Thus, there are

divergent paths for America's dependent groups. For instance, the seniors have much lower poverty rate and much greater improvement in mortality than children.

The aim of this thesis was to study some of the relevant evidence regarding the Preston argument in Canada. For instance, were seniors faring better than children? Were the elderly in Canada, with their increasing relative size, cumulating wealth, and the high degree of mobilization for concerted action, gaining in public attention for resource allocation relative to children? Were the elderly better served by their specialized industry like the health care sector than children by the education sector?

To understand the context of the debate regarding the Preston argument, the impact of population aging by way of dependency ratio studies was briefly discussed. Depending on the relative "weight" used for the elderly vis-a-vis the young in terms of expenditure, population aging is expected to shift the burden of support from the private sphere to the public domain. As public resource distribution in a democratic society is influenced by the number and strength of the various interest groups, the potential rise of gray power may result in more funding allocated to elderly. In such a scenario, conflict and competition for resources between age groups may occur. Alternatively, a society that emphasizes intergenerational interdependence may result in even more sharing among the generations.

These concerns relate in general to an intense debate in the United States since the mid-1980s on intergenerational equity, and the Preston argument is seen by some as establishing the parameters of the debate on the so-called intergenerational equity question. The key of the intergenerational equity controversy involves the different criteria employed to guide the different choices over the allocation of resources in an aging society. While some emphasize the distribution of resources according to social contribution and individual merits, others assert that there should be equal shares to all. The most vocal proponents of intergenerational equity in the United States argue that too many public benefits have been directed to the elderly people at the expense of children. The issue of inequitable allocation of public resources that disadvantages children relates to the cross-sectional aspect of intergenerational equity, in contrast to the longitudinal aspect of intergenerational equity which refers to the extent of reasonable return to pension contributions.

In Chapter 2, we review the three different views that grow out of the controversial Preston argument in the United States. First, agreeing with Preston, the competition-based argument suggests that the elderly have indeed benefitted much from public resource allocation and have used their political power to that effect. However, there is a debate as to the cause of the divergent paths of the economic well-being of

children and the elderly. While the economic condition for many elderly is very much improved mainly due to public transfers, other forces like parental earnings are mainly responsible for the declining economic well-being of children.

Second, the solidarity-based argument, in contrast to the competition-based studies, asserts that the relationship between individuals and generations is essentially interdependent and reciprocal in nature and that all generations have a common stake in social policies and intergenerational transfers that cater for the needs of people throughout the life course. The use of longitudinal data, an approach often used by the solidarity-based camp, reveals that individual elderly, due to withdrawal from the labour force, actually lose ground. In contrast, children actually gained economically as they mature since the family income of children rose overtime, partly because they themselves went to work as they aged, and because their parents also aged into their peak earning years. Using this approach, the solidarity-based camp also asserts that people in all ages basically give and take at different stage of their lives, and thus it is hard to argue whether there is inequitable allocation of resources across generations in a society.

Third, the heterogeneity-based argument points to the complexity of the underlying reality, criticizing Preston for overgeneralizing. For instance, even though the economic well-being of the elderly improved much in recent years, there are

significant sub-groups within the elderly, especially the unattached female elderly, who are not doing well economically. In terms of politics of aging, there is also no strong evidence that the elderly have voted as a bloc to influence decisions of resource allocation. It is suggested that the elderly are a diverse group economically and politically. It is also suggested that the Preston argument is scape-goating the elderly as a strong force engaging in self-interested political behaviours, resulting in more public benefits being allocated to them.

While the Preston argument helped create heated debates on intergenerational equity in the United States, there was no corresponding discussions of this magnitude in Canada. While many researchers referred to the Preston argument in passing, others who criticized it based their reasoning on American insights. There has been no formal attempt to study the applicability of the Preston argument in Canada. This thesis is an attempt to fill a void in the literature by evaluating the Preston argument in Canada.

We first examined the trend of well-being of the dependent groups in Canada in terms of incidence of low income and the mortality differentials. In terms of the trend of low income, an analysis of the trend of poverty rate which gives us the types (e.g. age and/or the type of family unit) and the number of people in poverty conditions, as measured by Statistics Canada's 1978 Low Income Cut-offs. Our analysis in

Chapter 4 shows that the economic situation of the elderly in Canada in general has been improving steadily throughout the past decade, whereas that of children has not. However, for both seniors and children, the presence of two adults in the family reduces the likelihood of low income. Whereas female unattached elderly were the group with highest incidence of low income in 1980, children living in female lone-parent families are most likely to be in low income situation in 1990. As well, 1990 is the first time, at least in recent years, that the incidence of low-income for elderly is lower than that for children in Canada. Thus, in terms of the incidence of low income, there is evidence of a reversal of the relative economic well-being of the elderly and children.

As seen also in Chapter 4, the examination of the pattern of mortality decline by age groups with the Coale-Demeny regional model life tables showed that the improvement in life expectancy has not been concentrated among the elderly in Canada. However, the Coale-Demeny regional model life tables, based on historical mortality patterns, may not reflect the situation of mortality conditions in countries like Canada. Instead, we compare the absolute and relative improvement in mortality for the "dependent groups" by taking the difference and proportion of change of the age-sex specific mortality rates for the selected comparison years. A comparison of the proportional decline of age-specific mortality rates showed that children in Canada consistently had larger mortality

reduction than their American counterparts between 1971 and 1989. The decline among the elderly in mortality rates is however similar between the two countries. In terms of absolute decline in mortality, infants in Canada consistently fared better than their American counterparts. While the patterns of absolute mortality decline are similar for the elderly in both countries, the American elderly men seem to have stronger reduction than their Canadian counterparts. The use of direct standardization to control for the change in age structure in Canada showed that while absolute decline of mortality rate for the elderly is greater than for children, the proportional drop is more for children between 1971 to 1989. Thus, improvement in mortality conditions was found for both elderly and children.

Given the divergence of relative economic well-being between the dependent groups, we examined patterns of government social security expenditure, the political behaviours of the elderly, and the response of the respective specialized industries like the education and health care sectors. We find that the improved financial situation of the elderly followed the introduction of government income support directed to this age group. Our analysis shows that in 1985 government transfer in Ontario does favour the elderly, especially those in husband-wife settings, more than any other of the family life cycle groups considered. Without government transfer, the single parents with children have very high risk

of falling into poverty. With transfer, their risk of falling into poverty is much lower; nevertheless, they remain the group that has the highest odds of being poor. From 1973 to 1985, it can be concluded that government transfer has benefited the elderly more than children, especially those in single parent families. However, there is a higher tendency for some elderly to be pulled just out of poverty, defined as within 10% of the low-income cutoffs, than for other groups considered in 1985.

An examination of the federal income and security program showed that there has been in the past two decades a divergence in the way public expenditures are allocated to these two dependent age groups. While federal government transfers have become the prime source of income for the elderly and are increasing, transfers for families with children are declining in real terms per child. However, since different major income sources are at work for the dependent groups in Canada, it is hard to strongly assert that the improvement of the economic well-being of the elderly is gained at the expense of children.

Given the increase in government income support directed to the elderly, it is relevant to know whether this has been a function of the rise of "gray power". A review of the issue of gray power in Canada shows that the gray lobby has not been as effective as counterparts in the United States. This is partly due to the different nature of political processes in

Canada. Historically, high level negotiations among competing bureaucracies and among federal and provincial governments, rather than public opinion, were much more important in Canada than in the United States. In this sense, the American political system is more "inductive" than the "deductive" Canadian system. Moreover, the loose association between elected politicians and their parties in the United States enables the lobby groups to have more flexible leeway in influencing policy decisions. In spite of these and other differences, the seniors in Canada are probably much more successful than other groups like those attempting to influence policies to the benefit of children. There is evidence from the 1986 National Election Study that the elderly, along with the middle aged people, were more politically active than others, at least in voting. While elderly may be more active in voting and most other political behaviours like attention paid to politics and elections and watching political programs on television, they are also found to be less likely to discuss politics and less inclined to convince friends to vote for the same party as they do. From our analysis of the qualitative survey on marriage and childbearing in Middlesex-Oxford counties, we find that the attitude of elderly persons towards resource allocation is as much in favour of the young generation, reflecting a sense of intergenerational solidarity. In contrast, those between 45 and 64 are more likely than other groups to favour programs

benefitting the elderly, instead of those for the young.

The response of the specialized industries to the change in the size of the dependent groups has not conformed with what Preston observed in United States. In our earlier analysis of the mortality decline in Canada, there is no strong evidence to assert that the improvement of the conditions for the elderly is accompanied by the worsening of the mortality conditions for children, as Preston had observed in the United States. This is due, among other important factors like personal lifestyle and environment, to the fact that medicare is based on needs but not age in Canada. Since the Canadian health care system is heavily regulated by government, the expenditure for health care has been rising more slowly in Canada. There is no sign of special political pressure for the health care industry to respond particularly to the elderly at the expense of children. However, the growth of health care budgets did specifically benefit the elderly since their utilization rate is much higher than other age groups. Since 1986, the total government expenditures for health have been higher than for education.

In the case of education, the decline of the number of elementary and secondary students has not resulted in a lowered salary for teachers, partly due to strong teachers' unions. Recently, evidence shows that there has been high pressure for admission to faculties of education. The increase in enrolment for schools of education and the high admission

standards make it likely the graduating teachers have maintained a reasonable level of quality. Thus, there is no clear evidence that the educational environment of children has declined.

Since the situation of the two dependent groups in terms of health and the response of the specialized industries is so different in Canada compared with the United States, there is a need to review whether intergenerational equity has been a concern in Canada. In Chapter 5, an examination of social policy discussion showed that intergenerational equity has been an underlying current in the formulation of policy, or its change over time in Canada. From the late 1970s to 1983, discussions on pension and intergenerational issues focused on the adequacy of income for the elderly. As seen from the official reports on pension reform, intergenerational transfer is at the heart of these discussions. Also, principles of equity for different generations are discussed. From 1984 onwards, the federal government partly aimed at dealing with equity within age groups instead of among age groups. In other words, public programs now tend to be targeted towards those in most need. For instance, both Family Allowance and Old Age Security for people with income more than \$50,000 are taxed back. Also, the proposal to eliminate Family Allowance reflects an attempt to consolidate benefits for poorer children.

Most comments on child poverty refer to the relative lack

of commitment to children compared to the elderly. Only a few documents examine the issue from an intergenerational equity context. However, it was reported that there is an awareness of the intergenerational equity debate at the senior bureaucratic levels of the federal government. Even the National Advisory Council on Aging (1989) cautioned that the elderly are no longer the poorest in the society; children and the younger generations may also need help. The media appears to be increasingly examining the issue of child poverty in context of equitable distribution of resources between generations. Thus, intergenerational equity may once again emerge as an increasingly important matter with a focus on the adequacy of income support for families with children, especially among poor families.

## 6.2 DISCUSSION

### 6.2.1 DIVERGENT PATHS OF AGE DEPENDENTS: UNIVERSAL OR SPECIFIC

In this thesis, we studied some of the relevant evidence regarding the Preston argument in Canada and concluded that the argument is not as strongly supported in Canada as in the United States. While there is a rising trend of changing relative economic well-being of children and elderly, there is no strong evidence that the group with faster growth in size is better served by its specialized industry, that is the health care sector in contrast to education. The higher reduction of mortality rates for Canadian children than their

American counterparts between 1971 and 1989 and the similar mortality decline among the elderly in both countries partly reflect the fact that the Canadian health care system is heavily regulated by government. Intergenerational inequity in health care has not been an issue of concern in Canada due to universality of health care.

In contrast to what Preston observed in the United States, the relative salary of teachers in Canada has not been declining. The labour unions for teachers in Canada proved much more effective than their counterparts in the United States on this matter of salary. The improving conditions for teachers continuously attract students to join the teaching profession. Given the high pressure for admission to faculties of education in recent years, it is not evident that education is to become a sunset industry with the decline in fertility.

The seniors in Canada are, however, probably much more successful than other groups like those concerned mainly for children in influencing public policies. However, the nature of the political process in Canada, as mentioned earlier, has not been as conducive to the rise of gray power than in the United States. Canada, with three viable national parties with discernible (though small) differences in political ideology, has much less emphasis on lobbying. This is because parties meet in caucuses and follow the British principle of loyalty to the party. Hence, it is less worthwhile to lobby an individual member of parliament than might be the case with

the lobbying of a congressman in Washington. Other than the success of fighting against de-indexation of Old Age Security in 1985, the elderly have not demonstrated their ability to change government policies to their advantage. They also have not been exempted from the 1989 claw back of Old Age Security. There is evidence that the Canadian elderly, in contrast to those between 45 and 64, tend to have a stronger sense of intergenerational solidarity.

Canadian political debates in the past decade have been preoccupied with constitutional crises, free trade, federal-provincial relationships, and debt reduction. Also, there is no strong lobby group like AGE (Americans for Generational Equity) and no prominent scholarly work like that of Samuel Preston to create a big discussion of intergenerational equity. The fact that Canada has traditionally had various universal programs like Old Age Security, Family Allowance, and Medicare for people of all ages makes it less likely to have a big debate on intergenerational equity in Canada.

The Preston argument therefore is not strongly supported in the Canadian context, except for the emerging trend for the changing or reversal of economic well-being for the age dependents in Canada. The improved financial situation of the elderly followed the introduction of government income support directed to this age group. However, while the old-old continue to have high risk of falling into poverty, more elderly are pulled to within 10% above the poverty lines than

other age groups. Also, since different major income sources are at work for the dependent groups in Canada, it is hard to assert that the improvement of the economic well-being of the elderly is gained at the expense of children.

International comparisons on the economic aspects of well-being of the dependents shows that government transfer, family structure and economic factors are all important in the economic well-being (e.g. Erikson and Fritzell, 1988; Kamerman and Kahn, 1988; Preston and Kono, 1988; Hanratty and Blank, 1990; United States Department of Commerce, 1990).

For instance, in examining the recent trends in poverty for the non-elderly population in Canada and the United States, Hanratty and Blank (1990:38) noted the difference in the role of government transfer as follows:

both the U.S. and Canada experienced low economic growth rates and increases in unemployment during the 1980s. However, Canada's poverty rate decreased by 0.9 points from 1979 to 1986, while the U.S. poverty rate increased by 2.6 points. Virtually all of this divergence in U.S. poverty and Canadian poverty rates may be explained by differences in share of families who were moved out of poverty by transfers.

The Canadian level of transfer to non-elderly families is substantially higher than that in the United States. Also, while the American transfer programs had faced substantial cutbacks in the 1980s, the Canadian programs had expanded somewhat. While both Canada and the United States show an increase in female-headed families over time, their share in the United States has grown more rapidly. Since Canada has

more two-parent families and fewer female single-parent families throughout the 1970s and 1980s, an adjustment to control for family types would substantially raise the comparable rate of poverty among non-elderly families in Canada. Among single-parent families, the effect of government transfer on the risk of poverty is most dramatic with 90% of the divergence of the poverty rates for single-parent families between the two countries accounted for by the changes in the impact of government transfer (Hanratty and Blank, 1990).

A United States Department of Commerce's (1990) study on children's well-being internationally finds that the average income of young families with children, after taxes and government transfers, is much lower than the average income of all families in all developed countries. While every industrialized country has poor children, the United States and Australia have the highest proportions, followed by the United Kingdom and then Canada.

Children in single-parent families have poverty rates that are much higher than children living in other family types. In fact, the poverty rate of children in single parent families is, with the exception of Sweden, at least three times higher than that of other family types.

The case of Sweden shows the effects of the social welfare system on the well-being of children and the elderly (Erikson and Fritzell, 1988). People in Sweden are much more likely to divorce than married couples in both Canada and the

United States. In spite of this, the Swedish children are faring relatively well economically. Social policy contributes considerably to the fortune of the dependent groups in Sweden.

Erikson and Fritzell (1988:326) note that

with respect to average income and poverty rates, we find a parallel in Sweden to Preston's (1984) finding of a relative improvement in the position of the elderly, compared with the position of children in the United States. The difference in the rate of change in average income for the two groups [in Sweden] is slight, however, and there is no evidence of improved conditions for the elderly, compared with children, in other indicators of well-being. We therefore suggest that Preston's implication that this development is a consequence of demographic changes is not generally true, because Sweden's age profile is changing in the same direction and more rapidly than that of the United States.

They suggest that the total effect of low unemployment rates, transfers and taxes, and in-kind services together lead to a comparatively low degree of inequality in Sweden.

In contrast to Sweden, the United States provides much less government transfer to children. The United States Department of Commerce's (1990) study shows that while the United States and Australia provide a greater percentage of its assistance in means-tested welfare benefits to poor children, other countries including Canada provide mainly social insurance benefits. Furthermore, while only 73% of the poor families with children in the United States received some form of government help in 1979, the percentage for other countries, including Canada, was 99% to 100%. Thus, the Canadian situation is not as extreme as that in the United

States.

The role of public resource allocation thus definitely plays a part in determining the well-being of our dependent groups. We can see obvious difference between the American and the European and perhaps the Canadian policies towards children. Kamerman and Kahn (1988:351-2) discuss how social policy in the United States and Europe leads to different levels of poverty of children and conclude that:

European countries, in varying degrees, provide income transfers to all children or at least to all poor children, whereas the United States provides benefits only to some poor children (and at nonuniform levels); that social insurance benefits for children in Europe are more generous and more extensive than in the United States; and that the European countries have stressed the use of income, especially for families with children whereas the United States has largely maintained a separation between earned income and transfer income.

This is partly because of the much later development of the United States national income transfer programs, compared with the other European countries. Also, any policy development towards national child or family policies in the United States was inhibited by the need to tackle first the problem of race and unequal access to social benefits by the black population. In contrast, all the European countries studied, as well as Canada, provided women with special cash benefits to replace income forgone at time of childbirth and job-protected leave.

Besides government transfer, family structure and economic factors are also important in the economic well-being of the dependents. The case of Japan shows partly the role of

economic growth and family structure on the economic well-being of the dependents in an aging society (Preston and Kono, 1988). In general, Japan is found to be in stark contrast to the United States and Canada mainly because of its much faster rate of economic growth, and the much greater integrity of Japanese families. In this context, the gains in household income and reduction in poverty for all ages were very rapid between 1975 and 1985. While health and mortality conditions have improved drastically across all ages, suicide rates for both young and old have been declining.

Otherwise, the recent income trends do resemble those of the United States. The elderly Japanese have enjoyed the quickest rise in income among all the age groups over the past decade. Also, the age structure of poverty has changed among the adults from one that had much higher rates for the elderly to one that has no difference among age groups. In fact, Preston and Kono (1988) assert that this can be explained by the rapid and huge expansion of public pension benefits between 1965 and 1985 (see also Martin, 1989). In contrast, the relative plight of the children is worsening:

a hint of relative deprivation in the economic position of children, similar to what has occurred in the United States, is also present in Japan. Between 1980 and 1985 income gains among children under age 10 were slower than for any other age group (Preston and Kono, 1987:303).

They also observe a mild trend of relative deterioration of the economic position of children in Japan; between 1980 and 1985 income gains among children under ten were slower

than any other age group. They hypothesize that "a small rise of Japanese children living in female-headed families is responsible for some of this relative deterioration" (1988:303). Nevertheless, out-of-wedlock childbearing is extremely rare, divorce relatively uncommon, and social class difference in fertility very small, in contrast to the United States and perhaps Canada.

Thus, we see that government transfer, family structure, and economic factors are all important in the divergent path of the economic well-being of age dependents. This divergent path is thus not by design, but at the same time it is not an accident (Gould and Palmer, 1988; Heclo, 1988). The worsening economic condition of children in both the United States and Canada is likely to be also a result of economic and public policies, as well as social demographic changes. We may say that all these factors interact together to result in the divergent paths of the relative economic well-being of children and elderly in the United States and Canada. However, with more public universal programs available to the children in Canada than in the United States, and with more two-parent families and fewer female single-parent families throughout the recent period, children in Canada tend to fare better than their counterparts in the United States.

#### 6.2.2 IMPLICATIONS AND FURTHER RESEARCH

We conclude that the Preston argument is not applicable

as strongly in Canada as in the United States. Like the United States, there is in Canada an emerging trend of divergent path of the economic well-being of the elderly and children. While the Canadian transfer to families with children has been much more generous, the fact that the government is at least committed to adequate level of income for most elderly, but not to families with children, leads to certain degree of intergenerational inequity in Canada. The impact of the downturn of the economy is indeed more adverse for families with children than for the elderly.

An important exception for this conclusion is, for instance, the differential decline in mortality between the Canadian and American children. A comparison of the proportional decline of age-specific mortality rates showed that children in Canada consistently had higher mortality reduction than their American counterparts between 1971 and 1988. The decline among the elderly in mortality rates is similar between the two countries. Even though there seems to be no evidence for intergenerational inequity in the education and the health care system in Canada, the changing economic well-being for age dependents in Canada may have implications on these areas.

In terms of education, it is simply much harder to educate and train children who are in poverty conditions. For instance, poor children continued to face hindrance to perform and excel in the school system (Ryerse, 1991; Educational Task

Force, 1991). Children living in poverty are disadvantaged from the start; the economic conditions of the families continues to affect their performance throughout their school years.

In terms of health, it is also difficult to maintain good health in materially deprived conditions. Even though there is not a drastic "Preston effect" as observed in the United States, the poor in Canada continue to be at greater health risk (Wilkins et al., 1989; Adams, 1990; Wilkins et al., 1991). Poor children continue to fare worse. They are less healthy than other Canadian children. Infants from poorer neighbourhoods were 30 to 50% more likely to be born too small, too soon, or with growth retardation problems. In 1986, children from the poorest part of urban Canada had a shorter life expectancy at birth than those children in the well-to-do neighbourhoods, with differences of 2 years for girls and 5.5 years for boys.

Conversely, amongst over half a million Canadian males who are registered with C/QPP, higher pre-retirement earnings are associated with lower mortality during the nine years following retirement (Wolfson et al., 1990). The higher income individuals are likely to live longer and to collect pension benefits for a longer period.

Besides the continuing socioeconomic difference in mortality, a new area of potential research will be the trend of morbidity. The decline in mortality is not equivalent to the presence of health. People surviving longer may spend

their time in sickness. Further research is needed in this area of trend of morbidity and its relationship with the changing socioeconomic status of the different age groups in Canada.

One important factor that helps explain why the divergent paths of economic well-being of the dependents has not emerged as strongly in Canada as in the United States is that poverty or low-income is measured differently in the two countries. In general, since the American lines are lower than those used in Canada, and the depth of poverty is seldom reported in Canada, the deepening of poverty among families with children, as reported by Messinger and Fedyk (1988), is not that evident to the general public. Even when the economic conditions among elderly, as reflected by Statistics Canada's poverty data, is improving, many fail to realize that a significant portion of these elderly are just pulled slightly above the poverty line by government transfer. Thus, it is important to re-evaluate the way Canada measure low income or poverty (see Wolfson and Evans, 1990). Since Statistics Canada is to release information on the depth of poverty in 1992, this will make the problem of child poverty more evident to the public.

In addition, the critique that elderly people actually fare worse as they age reflects the importance of having longitudinal data to study the dynamics of poverty. This is particularly useful to differentiate between those groups, regardless of age, that may be trapped in poverty (see

Economic Council of Canada, 1991). Specifically, more research may have to be focused on single parent and the old-old, i.e., subgroups that are more at risk than others.

More fundamentally, what is the appropriate level of spending in Canada for children and elderly? What kind of the balance should there be between investment and consumption? Most certainly, the elderly have contributed much in the building of the country, and the public income support programs can be viewed as returns to their contributions; however, allocation of more funding to children is more an investment for the future. As Preston (1984a and b) asserts, if this generation cares about our collective future, we need to decide what mix of private and public childrearing responsibilities will best serve the future generations.

With the potentially increasing demographic, if not political, strength of the elderly, what then is the appropriate way to allocate political power and voting privileges to the people? Could one argue that families with children should be given more votes than is now the case? Also, is the present level of government support for the elderly affordable in the long run? What is the impact of the proposed new integrated child tax benefit on the well-being of children in Canada? If this thesis manages to stimulate more research to investigate ways to appropriately balance our allocation of limited resource in the evolving economic conditions, our efforts will have served their purpose.

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